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FOREIGN ASSISTANCE AND RELATED AGENCIES APPROPRIATIONS FOR 1972

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HEARINGS

BEFORE A

SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS HOUSE OF REPRESENTATIVES

NINETY-SECOND CONGRESS

FIRST SESSION

SUBCOMMITTEE ON FOREIGN OPERATIONS AND RELATED AGENCIES

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DONALD E. RICHBOURG, *Staff Assistant*

PART 2

ECONOMIC ASSISTANCE

STATEMENT OF THE SECRETARY OF STATE

Printed for the use of the Committee on Appropriations

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U.S. GOVERNMENT PRINTING OFFICE
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FOREIGN ASSISTANCE AND RELATED AGENCIES APPROPRIATIONS FOR FISCAL YEAR 1972

MONDAY, JUNE 21, 1971.

ECONOMIC ASSISTANCE

WITNESSES

HON. JOHN A. HANNAH, ADMINISTRATOR, AGENCY FOR INTERNATIONAL DEVELOPMENT
ALLAN R. FURMAN, DEPUTY DIRECTOR, OFFICE OF LEGISLATIVE AFFAIRS, AGENCY FOR INTERNATIONAL DEVELOPMENT
CHARLES PAOLILLO, PROGRAM COORDINATOR, OFFICE OF LEGISLATIVE AFFAIRS, AGENCY FOR INTERNATIONAL DEVELOPMENT
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PETER R. KNAUR, SPECIAL ASSISTANT FOR CONGRESSIONAL RELATIONS (M.A. & S.), OFFICE OF THE ASSISTANT SECRETARY OF DEFENSE (INTERNAL SECURITY AFFAIRS), DEPARTMENT OF DEFENSE

Mr. PASSMAN. The committee will come to order.

We shall continue our examination this afternoon of the budget requests for foreign aid and assistance for fiscal 1972. We have with us today Dr. John A. Hannah, Administrator, Agency for International Development.

Dr. Hannah, we are very pleased to have you return and bring us up to date on this program.

I would assume, Doctor, that you have a statement you would like to make to the committee.

Dr. HANNAH. I have.

PREPARED STATEMENT OF THE ADMINISTRATION

Mr. Chairman, over two-thirds of the people of the world live in the more than 100 less developed countries. They enjoy about one-eighth of the world's production of goods and services.

In the non-Communst industrialized countries, the average annual gross national product is about $2,850 per person; in the less developed countries, it is litle more than $200 apiece.

Behind these statistics lie the realities of living and dying in the developing countries—widespread disease and malnutrition, high infant mortality, low life expectancy, extensive unemployment, whole-

sale illiteracy—the whole catalog of physical and social ills which measure the human frustration and misery that go hand in hand with underdevelopment:

> Malnutrition or undernournishment affects most of the children in the less developed countries. In a few, as many as one-half of the children die before they reach the age of 5—primarily because they are malnourished and highly susceptible to "simple" infections and "childhood" diseases such as measles and whooping cough.
>
> In some of these countries, there is only one doctor for every 20,000 or 30,000 or in extreme cases 50,000 people, compared to one for every 700 people in the United States.
>
> One-fifth of the entire male labor force has either work that dose not pay a living wage or no job at all.
>
> Two-thirds of the adults are illiterate. Some 300 million school-age children get no schooling at all.

The problems that afflict the people in the less developed countries are not their alone—for the world's problems are not contained by national boundaries. Disease ignores national boundaries, pollution flows across national boundaries; the impact of uncontrolled human reproduction vitally affects the well-being of all nations. Such problems cannot be bottled up. Neither can the sense of injustice, frustration, and bitterness which will accrue if people in the less developed world are unable to see progress toward a better life.

For in a world where the poor, seeing affluence around them, are no longer resigned to perpetual poverty, violence is likely to be the result of economic stagnation and social indifference. And violence, too, flows across national borders.

The United States—in the words of the President—has a "profound national interest" in joining with other nations to help build a more economically prosperous and stable world community. This is what our development assistance programs seek to do.

Development aid is meant to support economic and social change—to increase agricultural and industrial production, to educate and train people, to help prevent population growth from outrunning economic growth, to build lasting institutions, to reduce economic disparities and promote wider distribution of the benefits of economic progress. The aims of development aid are fundamentally long term; its goals can seldom be achieved quickly.

In the long run, what happens in the developing world will determine in large part the fate of mankind. Our future cannot be separated from the future of the rest of the world. Development aid is a long-term investment in both.

THE PRESIDENT'S PROPOSALS

The President has recently submitted new legislative proposals to reform and improve our bilateral foreign assistance program. This legislation is based on an extensive review of all aspects of our foreign assistance program conducted over the past 2 years. Passage of this legislation will permit the foreign assistance program to serve better the national interests of the United States—our long-term political

and economic interests, our short-term security interests, and our humanitarian interests.

The central concepts of the proposed legislation are:

(1) Separating our bilateral development and security assistance programs. These two assistance programs are aimed at different objectives. The bilateral development assistance program is a long-term effort to help the developing countries secure a measure of economic and social justice. Separation of this program from our short-term political and military efforts in Southeast Asia or the Middle East or elsewhere is sound and in our own interest.

(2) Channeling an increasing share of our assistance through the multilateral agencies. This proposal reflects a recognition that these agencies have grown in significance and that we should work increasingly through them and help improve their effectiveness. The multilateral system provides a framework in which the developing and developed nations can cooperate and can pursue their common purposes in a more effective partnership. Equally important, it reflects President Nixon's intentions to lower the U.S. profile around the world.

(3) A new approach to bilateral aid—one that recognizes the increased capacity of the LDC's to plan and implement their own development programs. The President proposes new institutions to carry out our bilateral programs. These include an International Development Institute to carry out an improved technical assistance program and an International Development Corporation to carry out the loan programs.

After several weeks of hearings on the security assistance aspects of the proposed legislation, Chairman Morgan of the House Foreign Affairs Committee has introduced legislation designed to extend the current authorization of the Foreign Assistance Act through fiscal year 1972 with minor changes. One of these changes will permit creation of a position for the coordinator of security assistance at a high level in the Department of State. In this way the President, the Secretary of State, and the Secretary of Defense will be better able to evaluate the security interests of the United States more purposefully and to coordinate our military and economic supporting assistance programs more effectively.

The House Foreign Affairs Committee expects to continue its consideration of the President's proposals so that they may be acted on during the current session. We welcome this decision. In the meantime, we appreciate the timing problem the committees of Congress face and also are cognizant of the requirement for early action on fiscal year 1972 authorizations and appropriations.

THE FISCAL YEAR 1972 APPROPRIATIONS REQUEST

The fiscal year 1972 appropriations request for economic assistance clearly recognizes that the United States will continue to have a deep interest in the people of the poor countries. Our belief that each human being should have the opportunity to meet his essential needs so that he or she may have a decent and productive life is deeply rooted in our own tradition. This belief is the key to our relationship with the

developing world. Development assistance, in the final analysis, concerns people—not nations or cold statistics.

The fiscal year 1972 AID program—as in the past—emphasizes four areas: Agriculture; Population and Health; Education; and Industrial Development.

Agriculture.—Progress in agriculture is fundamental to economic and social development. Perhaps the most basic task of development is to increase and diversify agricultural production to combat hunger and malnutrition, to provide income and employment to the rural masses who constitute 50 percent to 75 percent of the population of developing countries, to provide raw materials and capital for industrial development, and to provide exports to earn critical foreign exchange.

Food production in developing nations has expanded impressively in recent years. The most dramatic progress has been made since 1967, when technological breakthroughs were achieved in cereal food grains as a result of research financed by the Ford and Rockefeller Foundations and various aid donors, including AID, improved varieties of wheat and rice were developed; these varieties enabled significant production increases in certain climates, with particular resource environments and management, and with necessary accompanying government policies. Countries where these conditions were present experienced impressive increases in cereal grain output; these countries include India, Pakistan, Turkey, Philippines, and Mexico.

The United States is playing an important role in helping developing nations, both those affected by the Green revolution and those who were not affected, to confront the numerous, severe problems of agriculture which still remain to be solved. The first is the basic problem of food production—to help nations increase agricultural output to overcome the food deficits which exist in most poor countries. We are helping to finance a wide variety of essential inputs, including the new crop varieties, other seeds, fertilizer, irrigation facilities pesticides, machinery, and equipment. Our programs help less developed countries improve marketing systems through research and programs to increase plantings of new high-yield, high protein food crops, and by encouraging expansion of livestock production, the massive problem of malnutrition is being attacked. We are also conducting research in a wide variety of other areas important to agricultural development, including soil and water management, pesticides, livestock, education and training programs, and agricultural planning and analysis. In the past 10 years, we have trained more than 18,000 agricultural participants in the United States and assisted more than 100 agricultural schools in developing countries. Finally, we have advised the governments of numerous countries in policy formulation, particularly in the critical areas of pricing, resource allocation, taxation, import, credit, and land tenure.

Population.—The magnitude of the problem of rapid population growth is widely known; its full implications for every aspect of society, and thus for general development, are now beginning to be fully appreciated. This has resulted in a greater sense of urgency throughout the world and a new awareness of the need for comprehensive programs to confront the problem.

Yet, the means to cope with this critical problem are not fully developed. Contraceptive technology still has a long way to go; simple,

low-cost contraceptives have yet to be developed, and effective techniques for motivating couples to plan smaller families are still being studied. There are shortages of qualified doctors, nurses, administrators, and planners. Population programs in most developing countries are only in their early stages—although some countries like Korea, Taiwan, and Singapore have made notable progress.

In recent years, the U.S. aid program has given high priority to assistance to help reduce population growth rates. The program has grown from $2 million in fiscal year 1965 to $100 million planned for fiscal year 1972. The United States has played a significant role in assisting less developed countries to analyze their population problems, to develop their own family planning policies, and to design and implement action programs. This assistance is given only upon request and only to programs in which people are free to participate or not.

Health.—Disease is still a massive problem in many developing countries. To help combat that problem, U.S. aid programs have emphasized the development of a modern health technology. Malaria and smallpox control programs were extremely successful, and health training facilities and programs were expanded in many countries. We plan to continue these efforts in disease control and eradication, as well as programs to establish and operate safe water and sewage systems.

Education.—Education is a major component of U.S. assistance programs.

In fiscal year 1970, there were more than 30 million students enrolled in schools or colleges around the world which have been assisted by the United States.

It is also one of the major concerns of the developing countries—as much as two-thirds of the annual growth in national fiscal revenues was spent on education during the 1950's and 1960's. Despite great effort by donors and the developing countries, over half of the school age population in the less developed world is still not in school. School systems have doubled and tripled in size in the past 20 years, but the school-age population has been increasing by 60 percent in the same period.

Despite this progress, nearly all present systems reach too few people with the wrong kind of education and at prohibitive costs. Thus the crucial issue for the 1970's is not just education, but the kind of education—and how to deliver it at reasonable cost to great numbers of people.

The U.S. aid program has been active in curriculum reform, integrating agriculture and technical arts into the normal course of study, modernizing the method of teaching reading and writing, and bringing modern concepts of mathematics and science into the curriculum. Assistance will continue to improve teaching standards at all levels and expand expertise in technical and managerial fields.

U.S. assistance is now shifting to new priority areas—refinement and extension of reforms in formal education systems; increased emphasis on vocational and subprofessional training institutions outside the formal system, such as on-the-job traning, apprenticeships, adult education programs, and extension services; expanded research and experimentation in instructional technologies; and investigation of improved means of educational finance and efficiency.

Industrial Development.—An integrated industrial economy requires the concurrent development of physical infrastructure, such as transportation and electric power; productive industries, such as mining, manufacturing, and construction; capital markets, including development banks and intermediate credit institutions; high levels of investment, both domestic and foreign; and a favorable balance-of-payments position, possible through steady exports and tourism.

In the past, our assistance has concentrated on physical infrastructure—joint ventures between recipient countries and American companies have developed mining operations; fertilizer and aluminum plants have been established; thermal and hydroelectric power generating stations, and transmission and distribution systems have been built. In transportation, assistance has been directed to institution-building capital development inputs for roads and highway systems, navigation aids and communications facilities have been provided for air transport, and ports and harbors have been developed for water transport.

In recent years, there have been increased efforts to promote private industrial enterprise in the developing countries (1) by encouraging direct private investment from the United States, now through OPIC, (2) by advising on the development of local capital markets and supporting credit institutions, and (3) by assisting in tourism and the identification of products which could be manufactured in the developing countries for export sales.

Development banks and intermediate credit institutions in less developed countries use loan funds provided by the United States to make subloans to local enterpreneurs. This system of lending, which expands existing credit institutions and establishes new ones, allows for lending on a small scale to small businessmen and permits the application of these institutions' knowledge to the business of investment. Assistance is also provided to other financial institutions to mobilize capital for development and to broaden the ownership of industry.

In addition, we have furnished technical and financial assistance for management training centers, business schools, engineering schools, productivity institutes, industrial research centers, quality control and technical standards agencies, handicraft centers, small industry development centers, cooperative organizations, professional, trade and manufacturing associations, investment promotion organizations and credit institutions.

The fiscal year 1972 appropriation request for programs in these areas of agriculture, population, education and industrial development is $2,098 million. This includes $1,215.6 million contained in the proposed International Development and Humanitarian Assistance Act. An additional $882.4 million formerly carried in the Foreign Assistance Act has been requested under the proposed International Security Assistance Act for Economic Supporting Assistance, the President's contingency fund and State Department administrative expenses.

These are minimum requests. They provide for no notable increases in our major development assistance programs. Serious reductions in these requests can lead to wasteful curtailment of our on-going programs.

Technical cooperation. The main focus of technical cooperation is on people—their skills, their productivity and the institutions they build and use. Technical cooperation is the primary means of helping people in the less developed countries to get, adapt and create the knowledge, skills and institutions they need for economic and social growth and modernization. From the point IV program of 20 years ago through the present day, technical aid continues to be a critical requirement if a developing country is to make efficient use of its own resources or resources from abroad.

Self-sustaining growth depends on effective use of natural resources, capital, facilities and labor. Technical assistance is designed to speed the process through which people are educated, skills transferred and attitudes changed so that people can more effectively help themselves. It represents the human side of development—humans helping humans confront their problems.

There are three basic types of technical assistance under the AID program.

1. Research—helping solve development problems through research and building research capacity in the developing countries themselves. Our fiscal year 1972 appropriation request will permit AID to continue its relatively small scale, but significant progarms of research. This includes:

Programs to improve the protein content of wheat, sorghum, and corn and to increase the productivity of high protein crops such as legumes.

Research into population problems including development of more effective contraceptives.

Research into development of malaria vaccine.

High quality research programs are a vitally important ingredient of U.S. assistance efforts. AID research funds have helped develop the improved cholera treatment used so successfully in Pakistan after the recent typhoon and in India during the recent disorders. The dramatic spread of the new grain varieties is perhaps the best known case of the successful use of research in development assistance.

2. Institution-building—helping developing countries establish and improve the institutions needed to carry out development programs. Institution-building has been one of the primary aids of AID's programs for more than a decade. It is generally conceded that the success of the "Green Revolution" in South and Southeast Asia is, in part, attributable to AID's long-term programs of assisting countries establish the extension, educational, marketing and other institutions needed to spread the new varieties.

In fiscal year 1972 AID will continue significant institution-building efforts. for instance:

Assistance in establishing a network of eight agricultural universities in India able to conduct programs of teaching, extension and research.

Assistance to Central American countries to prepare and distribute textbook materials to all primary school pupils. Today, 12 million textbooks are in use in Central American countries and a vigorous institution exists to continue to supply new books. In 1962, not one Central American country had textbooks generally available to school children.

Assistance to agricultural institutions in Southern Brazil which has enabled them—through programs of research and extension—to achieve an eight-fold increase in wheat production in 3 years.

The fiscal year 1972 technical cooperation request will permit AID to maintain on-going institution-building activities—vital to the modernization of these societies—at present levels.

3. Training—providing people with formal education, training in particular skills, and experience in modern techniques, so that they can contribute to development by using their new knowledge and skills and passiing them on to others.

Under AID's programs, more than 150,000 persons have been brought to this country for training. About 10,000 trainees are slated to be trained in fiscal year 1972. About 99 percent of AID's trainees have returned to their own countries to assume positions of leadership. In Turkey, for instance, returned AID participants include the former Prime Minister, cabinet ministers, under secretaries, governors, mayors, judges, members of the national assembly, directors of government enterprises, and leaders of labor unions.

Mr. Chairman, these technical assistance programs are one of the most important things we do. They contribute significantly to enriching the lives of people—building their skills and catalyzing their energies so that they can help build productive societies.

AID's $382.4 million Technical Assistance request for fiscal year 1972 is very tight. It will permit no significant new departures. It will allow us only to continue worthwhile ongoing programs. We urge full funding for this program.

The bill recently introduced by Chairman Morgan of the House Foreign Affairs Committee contains fiscal year 1972 authorizations of $183.5 million for worldwide technical assistance and $90.8 million for Alliance for Progress technical assistance—a total of $274.3 million, compared with the $382.4 million requested to be appropriated in the President's budget' The reduced levels are the same as those authorized for fiscal year 1970 and fiscal year 1971.

If the existing authorization act is extended for another year at the levels proposed for technical assistance in the bill recently introduced in the House, we would have to cover part of the technical assistance requirement from other funding sources. For example, part of the shortfall would be covered by using development loan funds for part of the proposed population program.

Development lending.—Dollar-repayable development loans finance commodities and related technical services for specific undertakings such as schools, clinics, irrigation projects, fertilizer plants, roads, electric powerplants and credit programs. They enable developing countries to import products such as fertilizer, farm equipment, trucks, iron and steel, chemical and rubber products, industrial and electric machinery, raw materials and spare parts needed for agricultural and industrial growth. They provide resources needed to help a country carry out an integrated program in a specific sector such as agriculture or education.

We have requested an appropriation of $655 million for the loan programs for fiscal year 1972. In addition, the President's new proposals contain authority to borrow up to $1 billion as needed during fiscal years 1972–74.

The authorization bill introduced in the House does not include borrowing authority. Instead, it proposes authorization of $580 million for worldwide development loans and $337.5 million for Alliance for Progress development loans in fiscal year 1972. An additional $230 million previously authorized but unappropriated remains available for appropriation in fiscal year 1972.

Fiscal year 1972 is a transitional year for the loan programs. We reduced our appropriation request to a level well below prior request levels and included in the proposed fiscal year 1972 program only those loans we consider essential. As a result, over $300 million of specific additional loan requirements—some of which are identified in the congressional presentation—were not included in the budget request. Under the proposed legislation, the new International Development Corporation would have authority to borrow funds to meet additional assistance requirements. Under the bill now before the House Foreign Affairs Committee, they could only be met by regular authorization and appropriations.

We believe this committee should take these facts into account in recommending fiscal year 1972 appropriations for development lending. At the same time with reduced technical assistance levels, it will be necessary, as in prior years to fund part of the population program from the loan accounts.

INTERNATIONAL ORGANIZATIONS AND PROGRAMS

International cooperation in providing development assistance to the less developed countries is one of the fundamental tenets of U.S. aid policy and one of the major emphases of the President's new proposals.

Voluntary contributions are proposed for 10 U.N.-related programs and the Indus Basin Development Fund. For fiscal year 1972 a total of $168 million is requested—$141 million for U.N. programs and $27 million for Indus Basin.

Of the $141 million proposed for various U.N. activities, $100 million is for the U.N. development program (UNDP), which finances surveys to attract investment capital, provides aid for development of institutions for economic and social growth, and furnishes technical advice. The UNDP, focal point for the development aid efforts of the entire UN system, has undertaken to reform its operations in accordance with a study completed by Sir Robert Jackson. Actions to implement the major recommendations of that study are expected to strengthen the UNDP and should substantially increase its capacity to administer a higher level of resources.

Other programs for which contributions are proposed include the U.N. Children's Fund (UNICEF), the U.N. Fund for Population Activities (UNFPA), the World Food Program, the U.N. Fund for Drug Abuse Control, and the U.N. Relief and Works Agency (UNRWA).

In addition, the United States contributes, along with the World Bank and seven other countries, to the Indus Basin Development Fund. The Fund, established by international agreement in 1960, and administered by the World Bank, is financing construction of dams and other facilities to provide an equitable distribution of the waters

of the Indus Basin between India and Pakistan. For fiscal year 1972 we have requested appropriation of $15 million in grants and $12 million in loans for Indus Basin.

American schools and hospitals.—The American schools and hospitals program helps a number of private nonprofit institutions abroad which have been founded or sponsored by Americans. Among the major institutions assisted under this program are those of the American University in Beirut (AUB) Robert College in Istanbul, and Project HOPE.

For fiscal year 1972 we have requested appropriation of $10.2 million for this program. The bill now in the House Foreign Affairs Committee contains a $25 million authorization for fiscal year 1972.

Supporting assistance.—Supporting assistance provides essential economic help to certain less developed countries threatened by internal insurrection or external attack. The bulk of it goes to Vietnam, Laos, Thailand, and Cambodia.

If countries such as these are going to assume greater responsibility for their own defense, they must be able to carry the economic burden of expanded armed forces and deal, at the same time, with the pressing social and economic problems typical of developing countries. Thus our assistance helps them defend themselves.

Recent reviews of the U.S. foreign assistance effort have convinced us of the need to focus more clearly on the relationship between military preparedness and economic support within the broader context of U.S. foreign policy. This led to the President's proposal to put economic supporting assistance under the direct jurisdiction of the State Department and strengthen that Department's capacity to plan, coordinate, supervise and evaluate the entire U.S. security assistance effort—military assistance, foreign military sales and economic supporting assistance—within the context of our foreign policy.

We have requested appropriation of $778 million for Supporting Assistance for fiscal year 1972. The bill introduced by Chairman Morgan authorizes the appropriation of $800 million—the level of new funds needed to cover our program requirements from the Supporting Assistance account under an extension of the existing legislation.

Contingency fund.—The contingency fund is used for assistance requirements which are unforeseen or undetermined at the time the budget is submitted to the Congress. It is used primarily for security assistance purposes and for disaster relief and rehabilitation. We have requested appropriation of $100 million for fiscal year 1972. Additional needs are likely to arise for drug control in several countries during fiscal year 1972. Other needs, such as relief assistance to Pakistan refugees in India, will require substantial support from the United States and other countries in the near future.

ADMINISTRATIVE EXPENSES

Administrative funds are used for the direction and supervision of the program in Washington and overseas. They are needed to pay the costs of establishing program policies and standards; planning, supervising and reviewing the implementation of these policies; and providing such essential management services as accounting, inspec-

tion, auditing, personnel administration, management analysis, and administrative support.

The proposed fiscal year 1972 budget contains no separate request for the costs of administration. Instead, the administrative expenses of what is now the AID program have been included in individual assistance accounts, in anticipation of the proposed reorganization of aid activities. The estimated total of $57.6 million in new funds was divided as follows: $27.6 million in the request for technical cooperation, $20 million in development lending and $10 million in economic supporting assistance. The proposed extension of the Foreign Assistance Act contains a separate authorization of $57.6 million for AID administrative expenses.

However, this proposed authorization level did not take into account the increased administrative expenses required in fiscal year 1972 to cover the cost of the Federal pay raise which became effective in January. An additional $2.6 million will be needed for that purpose.

State Department administrative and other expenses.—We have requested $4.4 million for this account for fiscal year 1972. An additional $155,000 is required to cover the cost of the recent Federal pay raise.

* * * * * * *

Mr. Chairman, the foreign assistance program serves the basic national interest of the United States. It is a vital part of United States foreign policy. The fiscal year 1972 appropriation request is a minimum request designed to continue ongoing programs. We urge your and the committee's support for this request.

Mr. PASSMAN. Thank you very much for your statement. Now we will have some questions to ask on the statement.

FORMAT OF THE HEARING

Dr. Hannah and gentlemen, we are operating under rather strict rules this year. Each member of the subcommittee may consume 5 minutes in questioning the witnesses until we have gone around the table. Then the chairman will pick up and ask all the questions he feels necessary to be able to handle the bill. Then subsequently, each member of the subcommittee may consume as much time as he feels he should, to get the information that he needs.

We do know that a good member consumes 30 seconds asking a question and a good witness will always consume four and a half minutes answering it, therefore there is no time left for other questions. I merely mention this so that you will be as complete as you can within the shortest time, so we may go around the table and resume the normal procedures.

A CONSTITUENT'S PROBLEMS WITH THE BOLIVIAN GOVERNMENT

I am going to depart from the regular procedure and consume 5 minutes, myself, before yielding to the other members of the committee.

Dr. Hannah, I have a very able and dedicated businessman in my district, by the name of Donald Applegate. Mr. Applegate has a claim pending with the Bolivian Government and our State Department

officials are cognizant of this matter. As I read the record, he purchased 16,703 hectares, or 45,000 acres of land in Bolivia for approximately $45,000. Then on or about November 18, 1961, the National Agrarian Reform Council of the Bolivian Government, by supreme resolution No. 109552, expropriated 8,725 hectares of the claimant's land along with buildings, agricultural equipment, livestock, vehicles, machinery and other personally-owned property.

It would appear that they expropriated approximately 50 percent of this gentleman's land. There is a claim pending in the amount of $918,805 plus interest from the date of expropriation.

Of course, I am greatly concerned about this claim, especially since it has been pending for so many years. I would like to place in your hands, Dr. Hannah, this document and, at your convenience, and we certainly hope in the very immediate future, you will get us an up-to-date report. If at all possible, tell us when you think the gentleman will be able to settle this claim from the Bolivian Government and whether or not we are getting the proper cooperation—and I am sure that we are—from the State Department and those familiar with this.

May I turn over to you this document and state this is rather urgent. This fine gentleman is in Washington, D.C. at this time. It may be that I will not get to see him on account of the hearings we are conducting, but knowing that you are a fair and just man, and you usually handle things expeditiously, if you would get me a report so I can transmit it to Mr. Applegate, I will be very grateful.

Dr. HANNAH. I will look into it and we will get an answer for you as soon as possible. Of course, with an issue of this kind, we would probably have to go to Bolivia to get the answers, but we will handle the matter regarding Mr. Applegate as fast as we can.

Mr. PASSMAN. I might state, if it will expedite the handling of this claim, any cablegrams or long distance telephone calls that you feel you would have to use, be sure and send me a bill for it. I am willing for you to spend as much money as necessary on long distance calls and cablegrams, if you decide it should be handled that way, so that I can get this report immediately.

My constituent is under the impression that there is a tonnage sugar allocation to the Bolivian Government that was placed in the House bill and the bill is now before the Senate. I think hearings will be conducted by Senator Long. Mr. Applegate feels that possibly the bill could be amended which would provide a title which deprives these people of this allotment, unless they compensate for properties they have expropriated. It may be that they could make the bill retroactive. Of course, I endorse it, but since it has passed the House, there is very little I can do. If you can do it immediately so I can inform my constituent of what he may expect——

Dr. HANNAH. We will, Mr. Chairman.

Mr. PASSMAN. I yield to Mr. Shriver.

Mr. SHRIVER. Thank you, Mr. Chairman.

SHIFT FROM BILATERAL TO MULTILATERAL AID

On page 4, you say that we should send more of our foreign aid to international agencies, and that we should help improve their effectiveness.

Congress approved a $3.7 billion authorization for increased participation in such organizations last year.

If we are to channel more of our assistance through these agencies, why is it that the bilateral aid requests do not reflect this shift?

There should be a reduction, in other words, in bilateral aid when you are requesting participation in increased amounts in international programs.

Dr. HANNAH. As you know, on page 4 we were talking about the President's program, which was transmitted to Congress the 21st of April. The Foreign Affairs Committee has decided that it is inadvisable to move immediately on the proposed legislation and they are now considering an authorization bill that will extend AID as it is now organized under the present legislation, for at least 1 more year. So these recommendations that were in the Peterson task force report endorsed by the President are deferred for now. It is our understanding that after the Foreign Affairs Committee and Foreign Relations Committee have acted upon the extension of the authorization, they will resume hearings on the reorganization bill itself.

POSITION OF COORDINATOR OF SECURITY ASSISTANCE

Mr. SHRIVER. Since the legislation creating the new foreign aid program will not be enacted in time for fiscal 1972, why is it necessary to establish the position of coordinator of security assistance at this time?

Dr. HANNAH. One of the recommendations in the reorganization bill, which I think is of utmost importance, proposes bringing together all of the programs directed toward achievement of short-range political or military objectives. This means that the military assistance program, the military sales program, and what is presently supporting assistance in AID, would be put in one package, one organization, and that the coordination for the total program, the portions that are now operated by Defense—MAP, and military sales—as well as the supporting assistance, would be under the responsibility of this coordinator, who would have the rank of an Under Secretary of State.

We intend to segregate the supporting assistance activities of AID on a little different basis than they have in the past. In the past, supporting assistance has included programs of a certain definition, wherever they were in the world.

Because of the difficulty in separating out what is development assistance and what is military assistance when a war is going on, the President proposed that programs such as those in Vietnam, Laos, Cambodia, and Thailand all be regarded as security assistance, whether the programs are agricultural development or education or whatever, with the understanding that when the war turns down, we would again separate out the development assistance programs and put them back in AID.

Now, your question was, why this coordinator?

Mr. SHRIVER. Yes, at this time.

Dr. HANNAH. At this time.

It is to permit us to go ahead and group these three activities under this official in the State Department. They need the authorization for

the position in order to make it effective and to provide the top-level coordination that they have in mind.

I endorse the idea, I think it is a good idea.

Mr. SHRIVER. I have time for one more question, I think, before my 5 minutes has elapsed.

SOUTHERN AFRICA REFUGEE EDUCATION PROJECT

Each year that I recall in the past several years, there has been included in the budget for contributions to the United Nations a certain project that I think is redescribed here. Each year, I might say, this committee has rejected this project. It was removed from the budget, but here I see what appears to me to be the same project in the supporting assistance justification book on page G–4. It is a project entitled "Southern Africa Refugee Education" under "Education and Training."

I quote, "by providing this acceptable alternative to individuals who might otherwise be denied the educational opportunity to pursue the fulfillment of their potential, the project supports the U.S. stand for peaceful and evolutionary solutions to the problems of achieving racial equality and self-determination in Southern Africa."

Now, it is a new project. It says it succeeds the regional education training project, but if you look back in prior year justifications, you do not see that description under the regional education training project.

I think it is the same thing that has been rejected by this committee before, and here it is reappearing in a separate regional project in the project book for supporting assistance.

Dr. HANNAH. I must be honest, I really do not have the facts. We will acquire them, and put them in the record, or I will get word to you tomorrow. I do not have them.

Mr. SHRIVER. Thank you, Doctor.

Mr. PASSMAN. Mr. Long?

EFFECTIVENESS OF EXPENDITURES IN MULTILATERAL PROGRAMS

Mr. LONG. Dr. Hannah, are you satisfied that the taxpayers' dollars that go into the United Nations development program will be spent effectively?

Dr. HANNAH. I am satisfied that they are spent with reasonable effectiveness. As you know, Mr. Long, the UNDP has had problems. A year ago the Jackson committee submitted their report. The U.N. authorities have been dealing with this report for many months. They have implemented a part of it. They have not yet been able to accept all of the recommendations.

I do not want to take up your time, but I think UNDP is better than it used to be. It could be better still. A part of the responsibility is our own. If we are going to put substantial sums of our money through the UNDP, then our representatives in the UN are going to have to take their responsibilities seriously.

Mr. LONG. I was going to ask you that. How are you going to insure the effective expenditures of U.S. dollars in this and other multilateral aid programs?

Dr. HANNAH. It is a continuing problem and it is a difficult one. There has to be a recognition on the part of our representatives to these agencies that they have a responsibility to see to it that the orgaganizations are organized and operated so that we get, hopefully, as much good from the dollars spent through UNDP, or whatever the multinational agency is, as we try to get with our bilateral programs.

Mr. LONG. But are we not trying to drive a team of horses in opposite directions here?

RESPONSIBILITY OF MULTILATERAL PROGRAMS TO CONGRESS

Is it not really the purpose of these multilateral programs to bypass Congress? If that is the purpose, how on earth are you going to achieve that purpose and at the same time make sure that American money is wisely spent, effectively spent?

Dr. HANNAH. I do not think it is the purpose of the UNDP to bypass Congress. Those organizations came into being long ago to achieve specific goals and provide support for purposes of this kind. They have a good many dedicated and able people. So I would not buy this notion that the objective is to get around congressional supervision.

Mr. LONG. I was talking not long ago to a UNDP director in one of the countries, who told me that was the purpose of it, and that if he were a Congressman he would vote against it.

Mr. PASSMAN. Would the gentleman yield?

It has been my understanding for years that certain Members of Congress in both the House and the Senate have been trying to get the foreign aid program into international organizations so that when you spend the money, it loses its identity, as to what part is going to this category or what part is going to Communist countries.

If the gentleman will yield further, I just must get this in the record. I just wonder if some of our AID people and State Department people, do not have to put on dark glasses when they go into other countries who are waxing fat with wealth, pleading with those people to handle their fiscal affairs so they get in the same mess that we are in.

Here I notice the Daily Treasury Statement, in this day of great prosperity, when your intake is almost at an alltime high that the first 11 months and 15 days of fiscal 1971 we have only collected in revenue $190.991 billion, but we have withdrawn from the U.S. Treasury $220.855 billion. We have an operating deficit for the first 11 months and 15 days of $29.864 billion.

With this kind of a picture, I guess we look silly going around trying to get other people to give their wealth away. I do not think it was ever intended that that was our role.

I thank the gentleman for yielding.

NEED FOR EFFECTIVE EXPENDITURES

Mr. LONG. What the gentleman has pointed out is important in making sure that the moneys are going to be well spent.

I am not quite sure what specific instruments are used in these multilateral programs to make sure the money is as well spent as it is under bilateral programs.

Dr. HANNAH. We have supported the objectives of the Jackson report vigorously for the past year.

The Jackson report was a study of the United Nations development program made by a distinguished international group. It came up with a series of recommendations designed to make it more effective, more efficient, to put some management into it. We supported them vigorously.

IMPLEMENTATION OF THE JACKSON REPORT

Mr. LONG. You said some of them have been implemented. Which specific recommendations have been implemented?

Dr. HANNAH. Yes; some of them have been implemented. They are in the process of making the operation more effective. I think, Mr. Long, that since Mr. DePalma, who handles international organizations is going to be here on Wednesday of this week, we should rely on him for the details. Mr. DePalma represents our Government in dealing with the international organizations. You had better address the question to him.

Mr. LONG. Would you think we would be justified in going ahead and voting this money until we have seen some results of the Jackson report?

Dr. HANNAH. I think we have an obligation to contribute no less than we have in the past.

Mr. LONG. Why do we have that obligation? I am not quite clear, why we have any obligation to do anything, particularly if we are not satisfied that our money is wisely spent.

Dr. HANNAH. Well, I start off with the notion that the money is not wasted.

Mr. LONG. But how do we know that?

Dr. HANNAH. Well, you see their operations around the world.

TANGIBLE RESULTS OF AID PROGRAMS

Mr. LONG. I have been to a great many countries now, Dr. Hannah, and when I go, I do not go on junkets, I get out in the field and I work. It is always extremely difficult to get to see firsthand any tangible results of AID programs. The project, you are told, is always a day and a half's journey away, or there are other reasons. In the end, I could count on the fingers of one hand, the projects that I have seen in all the countries I have visited. When I go to a country, I ask our people, Can you show me an AID program that you are particularly proud of? Typically, I get excuses and I am not shown anything. I have gotten pretty discouraged.

I would think by now that we would have a lot of projects that you could take somebody out and show. I would even let the AID people choose the project they want to show me. I say, "Show me something you are very proud of." I rarely get to see anything.

Dr. HANNAH. Not knowing where you have been, I have no adequate answer.

Mr. LONG. I have been to half a dozen Latin American countries. I just got back from Ethiopia, Kenya, I was in Egypt, in Israel. I did not get anything really I could get my teeth into.

My feeling is: I am here to be shown. If you people are not eager to show me something, then I go away feeling there is not anything

there to see. The burden of proof is on you people and you have not been very anxious to prove your case.

Dr. HANNAH. What I would like to do, Mr. Long, is next time you are going on a trip and you pick——

Mr. LONG. I have told your representatives before I left on several trips. They know of my feelings in the past.

I want to get out of the cities. I am willing to travel, go across the country, make uncomfortable journeys, all sorts of things, but I do not get shown anything.

Dr. HANNAH. There are many things I have seen around the world that have made great contributions to the development of these countries.

Mr. LONG. We have put out fantastic sums of money.

AID IN ETHIOPIA

Dr. HANNAH. Let's talk about Ethiopia. When you were in Ethiopia in Addis, one of the things they are proudest of is Haile Selassie I University. Haile Selassie I University is what it is almost entirely because of U.S. aid.

Mr. LONG. Yes; I saw that, but I spent a whole day trying to see some other things and never did see anything. I saw a pepper factory but that was, I gathered, not really an AID program. It sort of petered out that day.

I spent one day trying to see something and we never did get to see anything.

Finally I told the AID mission director how unhappy I was. We came to visit the Haile Selassie Library.

We have a budget of $12 million each year for AID in Ethiopia, and I think you have a good team there, able people. I was quite taken with them, but doggone it all, why do you not get your people to show a person more things?

Dr. HANNAH. I can only make guesses because there are many excellent projects in Ethiopia. I spent 4 or 5 days in Ethiopia last fall. Like you, I get out and see what happens to the money. There are many projects in Ethiopia that are excellent, that have made a very great contribution in agriculture, in education, in health, in family planning, and in the building of the roads.

The library, of course, was grant aid, but all I can say is that I am sorry we have not done better in showing you our projects.

Mr. LONG. Well, I am just telling you that for the future. I am from "Missouri."

Mr. PASSMAN. Thank you, Dr. Long.

Mr. LONG. That is all I have to ask.

Mr. PASSMAN. Let's indicate for the record that you have to have a good imagination to see the good that this program has done.

I think we are very definitely on the minus side and not on the plus side. Talking about that university in Ethiopia, let the record show that through fiscal year 1970 we had given to Ethiopia a total of $366.7 million.

AID TO EGYPT

While you were in Egypt, if you would have just thought of it, you could have asked some of them what did Egypt do with the $759.9 million we have given to them from 1946 to 1970.

I am stating that respectfully for the record.

Mr. LONG. I was trying to get along with President Sadat, not to break off international relations.

Mr. PASSMAN. Mrs. Reid?

Mrs. REID. Thank you, Mr. Chairman.

Dr. Hannah, it is nice to see you again.

Dr. HANNAH. Thank you.

LOWERING THE U.S. PROFILE

Mrs. REID. Just to spend a little bit on one of Mr. Shriver's questions, when you are talking about channeling an increasing share of our assistance through the multilateral agencies and that this reflects President Nixon's intentions to lower the U.S. profile around the world, in your response to Mr. Shriver's question, is that what you mean by lowering our profile?

Dr. HANNAH. That is in the minds of a good many people; it is one way of doing it. Of course, to be honest about it, I think when you start down that track you replace an American with somebody from another country.

Mrs. REID. Yes. Then just what have we done to lower our profile around the world, if that is our intention?

Dr. HANNAH. We have done many things.

First of all, we have less AID employees around the world than we had a year ago, 2 years ago, 3 years ago. Perhaps this is a good time to put that in the record.

Mrs. REID. I wish you would.

NUMBER OF AID EMPLOYEES

Dr. HANNAH. On June 30, 1969, after I came aboard in April, we had a total of 5,324 Americans, which includes direct hire, personal service contracts, and PASA—participating agency service agreements. At that same time, we had 8,448 foreign nationals, all under direct hire.

On July 1, 1970, we had gone down from 5,300 Americans to 4,566 and foreign nationals, from 8,400 to 7,656.

In March of this year, 9 months later, we had gone down to 4,129 Americans and 7,194 foreigners, or in the period from June 1969 to March of 1971, we had reduced the total number of Americans by 1,387 or 22 percent and foreign nationals by 1,254, or 15 percent.

Now if we stay with our present organizational pattern and present objectives, we intend to continue to move in that direction.

I do not think there is any question but that one of the problems that we have in many places in the world is the large number of American personnel that we have in and out of uniform. I think that we ought to move in the direction of being certain that we do not continue to have so many people overseas that it becomes counterproductive, that we are not involved in programs that people do not believe are in their interest, and so on.

I endorse enthusiastically the President's program of reducing our profile in these countries. But I do not think you necessarily tie it to UNDP.

Mr. PASSMAN. Would the gentlelady yield?

Mrs. REID. Yes.

Mr. PASSMAN. You are talking about lowering the number of employees, are you talking about direct hire or contract?

Dr. HANNAH. These are direct hire.

Mr. PASSMAN. Of course, Dr. Hannah, this has been the trend for years, because it sweetens up the pot for universities, colleges, schools, and other people who organize little companies to get contracts with AID. But what is the difference, if you reduce the direct hire and turn right around and increase the contract hire at a much higher expense per capita?

Now let's keep the record straight. You are merely switching from direct hire to contract hire. You are not actually lowering it, if you are replacing them with contract hire. I will have many questions to ask on that when it gets back to me. You proceed.

AID CONTRIBUTIONS AS A PERCENT OF GNP

Mrs. REID. I would also like you to provide for the record a chart showing where the United States stands in total aid contributions as a percent of the gross national product in relation to other free world contributions, if you can do that.

Dr. HANNAH. Yes; I think there is a chart here. We would be glad to put it in the record.

Mr. PASSMAN. Without objection, it will be placed in the record.

Mrs. REID. Just provide that for the record if you would.

(The information follows:)

FLOW OF FINANCIAL RESOURCES FROM DAC COUNTRIES TO DEVELOPING COUNTRIES AND MULTILATERAL INSTITUTIONS IN 1969

DAC Country *	Per Capita GNP (dollars)	Total Net Official Development Asst. ($ mil)	Net Flow as % of GNP Total off.	Total Official and Private	Concession Element as % of total ODA Commitments	Rank
1 Portugal	$ 580	$ 58.3	1.04%	1.42	1.74%	74%	14
2 France	2,780	965.3	.69	.69	1.24	84	10
3 Australia	2,540	174.6	.56	.56	.74	100	1
4-5 Netherlands	2,110	139.0	.51	.55	1.32	87	9
4-5 Belgium	2,340	116.1	.51	.52	1.14	98	2
6 Sweden	3,460	120.8	.44	.44	.77	97	3/4
7 Denmark	2,740	54.3	.41	.41	1.13	95	5/6
8-9 Germany	2,520	593.0	.39	.35	1.30	77	13
8-9 U.K.	1,980	431.1	.39	.39	.97	82	11
10. Canada	3,440	245.3	.34	.41	.50	95	5/6
11. United States	4,670	3,163.0	.33	.35	.49	89	8
12 Norway	2,510	29.5	.31	.39	.78	97	3/4
13 Japan	1,630	435.6	.26	.49	.76	68	15
14 Italy	1,520	137.1	.17	.17	1.03	43	16
15 Switzerland	2,980	29.5	.16	.13	.64	93	7
16 Austria *	1,690	15.5	.12	.18	.65	79	12
Total DAC Average	$2,960	$6,707.9 (Total DAC)	.36	.40	.73	85%	

* Ranked by Net Official Development Assistance as a Percent of GNP (column 3).

** The concessional element measures the amount of concession in aid commitments as compared to an assumed standard cost of capital to developing countries--conventionally set at 10 percent.

Mr. PASSMAN. Wouldn't the gentlelady like also to know what type of aid it is? As the people who were testifying for the Near East pointed out, where they listed Japan, we found out, in one instance, they had given about $12 million where we had given $1 billion, but we pinned down that the Japanese are making loans, short-term, high-interest loans, you understand. The same type of loans have been made from time immemorial.

Let's let the record show what type of aid it is.

Mrs. REID. Yes.

Dr. HANNAH. I would be glad to do that.

(The information follows:)

TABLE I

Summary of Japanese Development Assistance

Total Net O.D.A. from Japan to Less-developed countries, 1960 and 1966-1970

($ millions)

	1960	1966	1967	1968	1969	1970
Bilateral grants	67	105	139	117	124	121
Official net Loans	11	130	207	191	216	250
Contributions to multi-lateral agencies	26	48	38	48	96	86
Total	104	283	384	356	436	458

TABLE II

Japanese Official Loans to Developing Countries 1969/1970 - Amounts and Terms

Date of Agreement	Reciepient Country	Amount (million dollars)	Repayment period (Grace period in parentheses) (years)	Interest Rate (%)
1969				
1.18	Pakistan* (8th)	30.0	18 (5)	5.25
2.14	India* (8th)	28.2	18 (5)	5.25
7.25	India (RS)	19.6	12 (3)	4.0
2.15	Burma	30.0	20 (5)	3.5
2.21	the Philippines	30.0	19 (5)	5.125
3.21	Cambodia	4.2	20 (5)	3.5
7.4	Indonesia* (4th)	55.0	20 (7)	3.0
"	Indonesia (4th)	20.0	20 (7)	3.5
"	Indonesia (RF)	6.6	11 (3)	4.0
10.24	Ceylon* (5th)	5.0	18 (5)	5.25
3.12	Korea* (Rice)	53.9	30 (10)	(0)
11.19	Pakistan* (Rice)	18.0	20 (10)	(1.29)
1970				
2.28	India* (9th)	25.4	18 (5)	5.25
3.6	India (Special)	7.0	18 (5)	5.5
7.24	India (RS)	25.4	12 (3)	4.0
2.27	Pakistan* (9th)	30.0	18 (5)	5.25

11.13	Pakistan* (Rice)	27.4	30 (10)	3.0 (2.0 during grace period)
6.23	Indonesia* (5th)	55.0	20 (7)	3.0
6.23	Indonesia (5th)	45.0	20 (7)	3.5
7.31	Indonesia* (Rice)	5.0	30 (10)	3.0 (2.0 during grace period)
9.16	Indonesia* (Rice)	9.4	30 (10)	3.0 (2.0 during grace period)
12.16	South Vietnam	4.5	10 (3)	6.0
3.22	Nepal	1.0	12 (2)	5.0
10.0	Singapore	8.2	18 (5) signed on 7/8	5.5
			20 (5) signed on 1/8	4.5
2.20	Korea* (Rice)	44.4	30 (10)	(1.5)
12.16	Korea (Rice)	19.8	30 (10)	3.0 (2.0 during grace period)

* Commodity assistance

AID LOANS

Dr. HANNAH. If it is agreeable, Mrs. Reid, maybe you will broaden the question to let me put into the response an answer to the question as to what happens to the loans.

As you know, about two-thirds of the money appropriated for AID has gone into loans. In recent years both interest and principal have been repayable in dollars, not in local currency. Talking about AID—AID and its predecessor agencies going back to point IV—had given loans or granted loans or made loans available in the total amount through 1970, from 1946 to 1970, of $14,396 million. That is the total amount of loans.

Now, of course, money has been made available since AID came into being 9 years ago. For the most part these loans are made with a grace period, interest only with no principal during the first 10 years. There has been comparatively little repaid.

Take the $4.8 billion loaned by the predecssor agencies because they all have to be beyond the 10-year grace period. There has been paid back $1.953 billion in principal and $1.409 billion in interest, or a total of nearly $3.4 billion in repayments in principal and interest.

Now the amount of AID and predecessor agency loans that have been written off in total out of the $14 billion is only about $8 million—one-twentieth of 1 percent. In addition, the total amount of loans in default for failure to pay interest and/or principal is very, very small—something like $27 million; $22 million of it is owed by Egypt and Syria. The balance of $5 million represents loans to private borrowers—about half owed by borrowers who have gone into bankruptcy and the other half turned over to the Justice Department for collection.

The reason I put this in is that people have the notion that, of this total amount of money, people are never going to see it again, whereas, as a matter of fact, the record could not be better.

Now, some countries have had debt problems, for example, India and Tunisia, but it you ask the question, I will put that kind of answer in the record.

Mrs. REID. Thank you.

Mr. PASSMAN. Thank you.

Now I am going to try to tear your story in a billion pieces before we finish this year because it does not stand up.

TOTAL CUMULATIVE ASSISTANCE

You have good intentions, I know. We have disbursed over $211 billion net on foreign aid since its inception if you include the interest on what we borrowed to give away.

Just using the disbursements through June 30, 1970—I would like to quote from last year's House Report on the fiscal year 1971 appropriation bill on page 4. "Through June 30, 1970, it is estimated that the United States will have provided economic and military assistance in one form or the other, amounting to a net total of $131,530,600,000, of which only $28,059,500,000 is in the form of loans and the balance of $103,471,100,000 is in the form of grant aid." These figures were provided by the AID agency.

Now, I get frustrated when I hear you wonderful people trying to justify the continuation of this destructive giveaway program. This is your own figure.

Dr. HANNAH. What are the totals through AID or its predecessor?

Mr. PASSMAN. It is all foreign aid. I do not care whether it is coming out of one spigot or another. You take this year, sir, and I will give you this with my compliments, the total amount of aid and assistance is up by $1.4 billion over last year, the total package is $13.517 billion.

We will take a brief recess and go vote.

(Recess.)

Mr. PASSMAN. The committee will come to order.

COMMITTEE CONTRIBUTIONS TO THE AID PROGRAM

I want to be sure and state for the record that I am more concerned this year than any year since it has been my privilege to chair this committee, and for many reasons. Mainly because if we put all pieces of foreign aid and assistance requested together it exceeds by $1,400 million the same pieces that we put together last year.

I want you to know there is nothing personal about the way that I examine, but I am frustrated, I am worried because it looks like these people who would hide foreign aid—not you so much—are forcing it into the so-called multilateral organizations where we lose control. The only control that we have is to cut the requests because when we give them the money we never know for what projects and what countries and at what time they would be funded.

Dr. Hannah—and I know you feel differently than I do about this—don't you think this committee has rendered a significant service along the way in our examination in checking on projects and keeping on top of it? Have we made a contribution toward making a better program?

Dr. HANNAH. The answer is "Yes."

Mr. PASSMAN. I appreciate that very much. We will lose that type of control, that type of examination if and when it is moved over into international and multilateral organizations.

By AID you mean Agency for International Development, do you not?

Dr. HANNAH. Right.

Mr. PASSMAN. A lot of people think that you mean the entire package, when you say AID. I respectfully request in the future, if you agree with me, state what you mean. I am talking for the Agency for International Development. We are in accord that that is just one spigot of many; is that correct?

Dr. HANNAH. Correct.

Mr. PASSMAN. You are very fair, Dr. Hannah.

Mr. Hathaway?

Mr. HATHAWAY. Thank you, Mr. Chairman.

PARTNERS OF THE ALLIANCE

Dr. Hannah, I wanted to ask you about a particular program. I know someone is going to testify on this later in the week but perhaps you could give me an opinion on the Partners in America—National Association of Partners for the Alliance. I have some firsthand contact

with it and thought it was a good program. Do you think this has been a good program?

Dr. HANNAH. Yes, sir; I think it has been a good program. I am aware of it. While I have been Administrator of AID only since April 1969, Michigan has two partners programs, one in Belize Brazil and one in the Dominican Republic

Mr. HATHAWAY. I think 40 States in the country are involved with 42 different areas in South America.

Dr. HANNAH. As you know, as the Partners of the Alliance has evolved, it has changed its nature. Its board will be composed of equal numbers of U.S. and Latin American nationals in the future.

We have been financing part of their travel, the transportation of things that are gathered in this country that are utilized in Latin America and part of the cost of their overhead organization to the tune of about $500,000 a year, with $400,000 for next year.

FUNDING CUT IN PARTNERS OF THE ALLIANCE PROGRAM

Mr. HATHAWAY. That is what I wanted to ask you about.

Why is it being cut back in this transitional period? Since the Partners office in AID was phased out last year, some of their expenses have gone up, and at the same time they have lost many of the governmental administrative advantages, like free mail and what not.

Dr. HANNAH. I cannot answer you, sir. I know that, but I am just assuming that they are raising more funds from sources other than AID. But this is on——

Mr. HATHAWAY. I don't think they are. That is the problem that they have. They really——

Dr. HANNAH. Are you going to ask the same question of Mr. Kleine or do you want me to get the answer?

Mr. HATHAWAY. Yes.

Dr. HANNAH. I have a very favorable opinion of their program.

Mr. HATHAWAY. They really want more than $600,000 and they are being cut back to $400,000?

Dr. HANNAH. I think it is a good program.

Mr. HATHAWAY. Would you recommend it stay at least at the same level of $500,000?

Dr. HANNAH. I certainly don't want to spend any more than we are spending now, $500,000 this year, and I am not suggesting that we change the request figure.

Mr. PASSMAN. What did you request this year?

Dr. HANNAH. $400,000.

Mr. PASSMAN. Is that what you are testifying for?

Dr. HANNAH. $400,000. He is raising the question as to——

Mr. PASSMAN. What are you testifying for?

Dr. HANNAH. I am defending $400,000 and agree to take a look——

Mr. HATHAWAY. Take a look?

Dr. HANNAH. Yes, sir.

Mr. HATHAWAY. You are not going to give me a reason why it has been put back?

Dr. HANNAH. I don't know. I hope it will be able to depend increasingly on private support.

RESEARCH PROGRAMS FOR AGRICULTURE

Mr. HATHAWAY. Let me ask another question. On page 15 you mention research programs for agriculture. We just passed an agriculture appropriation out of the full committee and it will be on the floor this week.

There was a considerable amount of money—I don't recall how much—for agricultural research there. I wonder if we don't have an overlap here between what we are providing in the agriculture appropriation and what you are asking for?

Dr. HANNAH. If there is anything that the Department of Agriculture is asked to do for us, we finance it. That is what we call a participating agency service agreement—PASA—program. We have borrowed from the U.S. Department of Agriculture, many of their people that they have assigned to us but we are paying them. There is no part of our program being carried by the U.S. Department of Agriculture, but we use their people in our work.

Mr. HATHAWAY. Don't you get the benefit of their research?

Dr. HANNAH. Yes, sir.

Mr. HATHAWAY. For nothing?

Dr. HANNAH. We get the benefit of their research and whatever is done in the whole field of research anywhere in the world. You are concerned primarily with answering questions, agriculture questions in the developing countries. It may be India, Pakistan, or Nigeria.

Mr. HATHAWAY. Can't a lot of that research be done here?

Dr. HANNAH. Some. Much is. Basic work in genetics and nutrition is the same anywhere. The agriculture problem is to solve local problems or development adaptations, crops that are resistant particularly to bugs, and we don't have it at all. Together with other donors, we support a network of international agriculture research institutions—the International Center for Improvement of Corn and Wheat (CIMMYT) in Mexico, the International Rice Research Institute (IRRI) in the Philippines, the International Tropical Center (CIAT) in Colombia, and the International Institute for Tropical Agriculture (IITA) in Nigeria. My understanding is that there is no wasteful duplication.

Mr. HATHAWAY. You take full advantage of the agriculture research programs that we have here in the United States?

Dr. HANNAH. Yes, sir.

NEED FOR LOCALIZED RESEARCH PROGRAMS

Mr. HATHAWAY. You mentioned a program for improved protein content of wheat. It seems that that could be done in the research programs at the many land-grant universities that we have.

Dr. HANNAH. Much of it is. The basic work was done at Purdue. Then you have the problem of taking this gene that increases the amount of protein, quantity and percentage of protein in wheat kernel and you have got to crossbreed it with varieties that do well in local areas that are resistant to the bugs that develop particularly for the climate conditions in that area. This is the reason for the whole series of agriculture universities and agriculture research stations in India

and Pakistan and Africa, to take what agricultural scientists find to be useful and then develop adaptations that can be used abroad.

Mr. HATHAWAY. You say there is no duplication?

Dr. HANNAH. No; I came out of agriculture. I spent a lifetime there.

Mr. HATHAWAY. I wonder, because we grow seeds in northern Maine they use down in southern Florida. The climate conditions are as different as night and day, and yet they use them without any trouble at all in different climates.

Dr. HANNAH. Of course——

Mr. HATHAWAY. I realize potatoes and wheat may be different.

Dr. HANNAH. They go back to Aroostook County for seed each year. They don't take the seed there and keep the seed down there and use it over and over. They come back to the original source for seed that will do well for one generation or sometimes for a second generation before it peters out. They come back to Maine for the original seed.

Mr. HATHAWAY. Right. Thank you.

Thank you, Mr. Chairman.

CONTINUING DEFICIT FINANCING

Mr. PASSMAN. Thank you, Dr. Hannah. I believe you did agree with me earlier that we have been effective in helping keep the bilateral aid program under your direction, where we can all look at it objectively and the scrutiny given by this committee has been helpful, has it not?

Dr. HANNAH. My answer is yes. I must say, Mr. Chairman, that sometimes you ask questions we wish you wouldn't ask, but it is good for us to have you ask them.

Mr. PASSMAN. Is it not also true that when you channel money into multilateral organizations we do in effect lose much of the control and right to examine in detail?

Dr. HANNAH. That is one of its weaknesses.

Mr. PASSMAN. Thank you, Doctor.

Dr. Hannah, you are a man of great knowledge about fiscal affairs. I was delighted, elated when I listened to the news broadcast this morning that the 543,200 troops in Vietnam when Mr. Nixon assumed command had now dropped below 248,000. That is one of the most commendable things that I have ever heard of, to think this man could get the machinery in motion, and that takes several months because you had more troops arriving. But to realize about 2 years ago, a little over 2 years since he got the machinery in motion, that he has reduced the number of troops from 543,200 to less than 248,000. Without exception, when he announces a reduction he always brings out more than the slice called for. I had a reason for mentioning that. I want to be praiseworthy of our President.

No. 2, the amount of money that we are withdrawing from the U.S. Treasury for military programs to meet our commitments, is substantially lower than last year, is it not? Is it substantially lower?

Dr. HANNAH. That is right, about $3 billion.

Mr. PASSMAN. Lower than what we withdrew for the same period last year?

Dr. HANNAH. Yes, sir.

Mr. PASSMAN. When I look at the June 15, 1971, Treasury statement I observe that we have withdrawn $29,864 million more to

meet our commitments than we had deposited in the U.S. Treasury. So the very fact that the military cost is being reduced simply means that the other type of programs are being increased?

Dr. HANNAH. Yes, sir.

Mr. PASSMAN. Can we actually continue this rate of deficit financing for such a long a period without creating very damaging and lasting inflation?

Dr. HANNAH. Well, Mr. Chairman, I don't pretend to be an economist. I would agree that your line of questioning does seem reasonable, we cannot go indefinitely spending more money.

Mr. PASSMAN. A person who had to create jobs and meet payrolls, some of them on postdated checks, and working as I did in the free enterprise sector, couldn't look at these figures without being concerned, could he?

Dr. HANNAH. You are concerned, I am concerned.

Mr. PASSMAN. We are all concerned. There is only one way to bring it under control; that is, to start thinking about the welfare of the next generation rather than the outcome of the next election and fit our appropriations to our income with the possible exception of the military. I say all military is waste and if you can come up with a program where we could have external and internal security without the military, you wouldn't need the military at all, would you?

Dr. HANNAH. Right.

Mr. PASSMAN. As long as we have to have a military, I am in favor of spending all the money necessary to defend this country. Beyond that, we certainly should try to bring some of these spending programs under control. Otherwise, we may be proud of ourselves but our offspring is not going to be very proud of us.

NEED FOR INTERNATIONAL COOPERATION

Dr. HANNAH. Mr. Chairman, may I volunteer a thought with complete conviction? There is not anything much more important than what this country is going to be like as a place to live in for our children and our grandchildren 10, 20, 30, 40, 50 years from now. I certainly recognize that we have many domestic problems that must be solved, problems of big cities and the races and ecology and all the rest of it.

I think it is impossible to answer the simple question of what Louisiana or Michigan or Maine is going to be like 30, 40, or 50 years from now unless you answer the question, what is the world going to be like? I go along with what you said about military expenditures and the necessity of balancing receipts and expenditures of the Federal Government, but I do not think that is possible for the United States of America now, or in the years ahead, to shut itself off from the rest of the world. If there is anything that is clear, it is that rivers pay no attention to national boundaries; water flows freely across national boundaries, carrying whatever pollution there is in it, and air also moves freely. Germs and microbes that cause disease flow freely across national boundaries.

Mr. PASSMAN. Do you know anyone who suggested it?

Dr. HANNAH. Social unrest flows across national boundaries. The kind of a world that my grandchildren are going to live in is going to depend pretty largely on what happens not everyplace on earth, but

what happens in the average country that we now call underdeveloped or developing. The United States of America has no alternative but to play a role and carry its share of the cost of making it possible for the people in the poor countries to move in the direction of using whatever resources they have for the improvement of the lives of their own people. Unless you can give these people hope that they will move in an evolutionary way from what they have to something better, then life anywhere on earth is not going to be very meaningful. I don't intend to make a speech, so I quit. I am not trying to convince you except that I agree with all the points that you made.

I am sure, sir, before we get through—and I know secretly in your heart you recognize what I am saying, this is going to be in it.

WELFARE AND DEFICIT FINANCING

Mr. PASSMAN. Let me say this. I have visited many countries of the world. You know where I find the most loafers percentagewise, people who are able to work but won't work? Here in the United States. You know that?

Dr. HANNAH. I suspect that is true.

Mr. PASSMAN. You know that simply because we, the politicians, find out that it is good political expediency to promise everything to everybody, everywhere, on borrowed money and at the expense of unborn generations. Every year we put millions of additional children on welfare because each year more unmarried women have more children and put them on the welfare rolls. It is finally going to get to the point where half of the people will be working to support the other half.

Read this quote from the Holy Scriptures and see what Paul thought about a similar situation.

I respectfully urge you 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."

The situation referred to has been with us from time immemorial and in all tongues and all civilizations you have had the people who would not work. I think that today we have many more of them who realize that if they just create a little disturbance they will be able to get on the dole system.

FOREIGN ASSISTANCE AND DEFICIT FINANCING

Foreign aid is a new concept in foreign policy. Really it came into being, as such, after World War II, in 1946. You are not going to place me in the position on the record of saying I want the United States to be isolated. I want us to trade freely, but I want us to do it on reasonable terms, with repayable dollar loans. The trouble is, other nations are moving in and taking our markets in many instances on hard loans, short terms, high-interest rates, and high profits. Our aid programs in the main are giveaway programs. No person in or out of the Congress can justify what we have gotten ourselves into concerning our fiscal policy. It is getting worse. There is just absolutely no justification for this Nation, in this day of great prosperity, to have

nearly a $30 billion overdraft for the first 11 months and 15 days of fiscal year 1971.

I wish that I had not read those figures before coming to the hearings today, but I get that statement and it is enough to frighten a man right out of his own hide. It is men like you, who are going to have to help bring it under control. There is no such thing as a bad program. It all depends on who is justifying it. We should keep in mind, Doctor, if we had the power to confiscate all the wealth in America and convert it into dollars, you still would not have sufficient funds to do all the things labeled desirable. It is a question of where we are going to stop.

I was in hopes that you would, along the way, have a directive that every member that works in AID would have to subscribe to the Daily Treasury Statement.

Dr. HANNAH. What does it cost?

Mr. PASSMAN. Six dollars a year, and I will pay it for 100 people if you pick out 100 top personnel. If you give me the list and their addresses. How about that?

Dr. HANNAH. Well——

Mr. PASSMAN. You have a look at it and you will know why I am up in the air. We are wrecking the welfare of unborn generations. If there was anything we could dispense with, it is a good part of this foreign giveaway program.

Let's take a brief recess.

(Short recess taken.)

THE UNITED STATES AS AN UNDERDEVELOPED COUNTRY

Mr. PASSMAN. I am still waiting for some of the witnesses from AID or the State Department, whatever source they may come from, to arrest some fears that I have in my mind about this country finally isolating itself from the other parts of the world by our system of overspending, and creating inflation.

I read the record and find that 181 years ago we were a primitive undeveloped country of 3 million people. By that great political document known as the Constitution of the United States, it gave these few Americans incentive to develop initiative. Incentive and initiative are an unbeatable pair. In a brief period of 181 years we have become the greatest, freest, strongest, and wealthiest Nation in the shortest time in recorded history. We were truly undeveloped.

Some of the nations we are now helping actually were known as developed nations in that age. Look at the age of Egypt or Thailand, many other nations that we today call undeveloped. I am talking about 2,000 years ago. They had intelligent, thriving civilizations, so I would say if we let the record show the facts, that while we were undeveloped, the developed nations were becoming underdeveloped. Now we are developed and they have succeeded in becoming underdeveloped and now we are helping the previously underdeveloped nations again become developed. I think it is to be regretted that so many of our wonderful minds in this country have permitted themselves to get sold on the fact that if we give away our wealth that we are helping people.

I love this country with a burning passion, but I go around the world and I don't see foreign people loafing. I see people in a trot, even women, happy as they can be, working. You see them, Dr. Hannah?

Dr. HANNAH. Yes, sir.

Mr. PASSMAN. Running with little baskets, women and children working like I did when I came up. We worked for a living. Today we are seeing how badly we can wreck our economy through inflation and by pricing ourselves out of the world market. It is to be regretted that these great minds in this country have become so sold on this subject, not just a question of the subject but placing themselves in power to dissipate the wealth of this country. That is what we are doing.

DECISIONMAKING IN THE GOVERNMENT

I often say for the record that I think President Nixon is making a great President but I am not unmindful, Dr. Hannah, that if you operate a corner filling station with two attendants on a cash basis, those two attendants make 60 percent of all the decisions with respect to operating that filling station. Contrast that wih 206 million Americans scattered in 50 States, 2,868 Federal agencies, bureaus, and departments, millions of Government people on the payroll, civilians and military, scattered in the 50 States, as well as 123 nations of the world. According to the computer—and I think these facts have been fed into the computers—it would take 1,293 people to do everything issued in the name of the President. There is nothing I wouldn't do if the President asked me to do it, within reason. I happen to know that these programs are cooked up by the subordinates, not just Dr. Hannah, because this same situation would apply to operating your shop. You can only be on top of making a few of these key decisions.

I think we have let this thing get out from under our control. Unfortunately I don't have the intellectual capacity to bring it under control. I keep pointing out to people that it has been fragmented. A piece goes here and there and there are a great many on which you testify for AID.

AID FISCAL YEAR 1972 REQUEST

Dr. Hannah, as I read the record, the AID spigot is one of many spigots of foreign aid and assistance. You are requesting $2,105,218,000 for fiscal year 1972 for this activity; is that correct?

Dr. HANNAH. Yes; that is correct.

Mr. PASSMAN. How much below your fiscal year 1971 request is that?

Dr. HANNAH. It is about $97 million above the request of a year ago, but, of course, it is all in one item—supporting assistance.

Mr. PASSMAN. I believe we better get the record together. You are requesting $2,105,218,000 for this year and you only had a program last year of $1,733,935,000?

Dr. HANNAH. No.

Mr. PASSMAN. Appropriation.

Dr. HANNAH. The appropriation, that is right.

Mr. PASSMAN. I believe that you and I reached agreement that—and we are practical men—there is an asking price and a taking price. Do you still subscribe to that philosophy?

Dr. HANNAH. Yes, sir.

Mr. PASSMAN. That is wonderful. Really the $2,105,218,000 at this time is the asking price?

Dr. HANNAH. Yes, sir.

Mr. PASSMAN. Thank you, Doctor.

MUTUAL SECURITY AID PROGRAM

Doctor, there is one thing that causes me great concern. You know my admiration for you. But you are actually only talking about what we previously referred to as mutual assistance or those funds under the AID Agency?

Dr. HANNAH. Right.

Mr. PASSMAN. Would you please explain the bilateral assistance item for which the fiscal year request is $1,077 million? Is that what is known now as supporting assistance?

Dr. HANNAH. No. Bilateral assistance now refers to development assistance; the President has proposed that supporting assistance be included as part of the international security assistance program.

Mr. PASSMAN. If we think in terms of the so-called mutual security program, what is the grand total in that one spigot previously carried under the one heading? I see a lot of pieces carried in the budget, international security assistance, international organizations and programs, bilateral assistance, and the foreign assistance contingency fund. What do those four add up to?

Dr. HANNAH. Military assistance and military sales are a part of international security assistance.

Mr. PASSMAN. Conceivably this might help you. We took this out of the budget.

Dr. HANNAH. You have a great many things here I am not testifying on at all.

Mr. PASSMAN. Doctor, that is the trouble. This Committee has to cover such a wide area.

Dr. HANNAH. What is the price? I guess that I have the same figures you have.

Mr. PASSMAN. We picked these out of the budget. We found in the budget International Security Assistance for $1,993 million; International Organizations and Programs for $168 million; Bilateral Assistance for $1,077 million; and the President's foreign assistance contingency fund for $100 million. If you put those four pieces together, what does that amount to?

Dr. HANNAH. $3,313 million.

Mr. PASSMAN. I think that is correct, Doctor.

Dr. HANNAH. It is something over $3 billion.

Mr. PASSMAN. Put that in the record later.

(The information follows:)

FY 1972 Economic and Military Assistance

Request Compared to the FY 1971 Request
(In thousands of dollars)

Appropriation	FY 1971	FY 1972	Change
International Organizations	$ 116,715	$ 168,000	$ + 51,285
Bilateral Assistance			
Grants and other Program	326,820	397,000	+ 70,180
Development Loans:			
Alliance for Program Dev. Loan	287,500)		
	)	655,000	- 52,500
Revolving Fund	420,000)		
International Security Assistance			
Military Assistance	750,000	705,000	- 45,000
Foreign Military Credit Sales	200,000	510,000	+ 310,000
Supporting Assistance	506,000	778,000	+ 272,000
Contingency Fund	20,926	100,000	+ 79,074
	$2,627,961	$3,313,000 1/	+ 685,039

1/ Excludes $7,218 requested in the Budget Amendment for the pay increase effective January 1971, P.L. 91-656.

Mr. PASSMAN. How does that compare? Is this the asking price?

Dr. HANNAH. Yes, sir.

Mr. PASSMAN. How does it compare with the taking price last year of the appropriation covering the same category?

Dr. HANNAH. The comparable appropriations last year were $3,142,685,000.

PUBLIC LAW 480 AS A FORM OF AID

Mr. PASSMAN. I believe, Doctor, when we started this program many years ago, 1946 or 1947, that it was based upon the premise of rehabilitating and feeding the starving people of Europe. I think maybe you heard that expression?

Dr. HANNAH. It started as the Marshall plan.

Mr. PASSMAN. They said to feed the starving people. It started that way?

Dr. HANNAH. It was a little more than that.

Mr. PASSMAN. That was the main thing, to rehabilitate their economy and give them food and something to live on while they were recovering; is that correct?

Dr. HANNAH. It was to reestablish the political, economic, and social systems of Western Europe.

Mr. PASSMAN. I believe food is a good part of all of our livelihood. Without food and fiber we couldn't exist very long?

Dr. HANNAH. Wouldn't live long; that is right.

Mr. PASSMAN. When you give people wholesome food and fiber, some people would call that a worthy form of aid?

Dr. HANNAH. Yes, sir.

Mr. PASSMAN. I notice in the President's budget there is $1,320,400,000 in Public Law 480 commodities.

Dr. HANNAH. That is correct.

Mr. PASSMAN. That is a form of aid; is it not?

Dr. HANNAH. It is a form of aid.

Mr. PASSMAN. You don't handle that, do you?

Dr. HANNAH. It has been in cooperation with us.

Mr. PASSMAN. You don't handle it directly?

Dr. HANNAH. No; it is handled by the Department of Agriculture.

MILITARY ASSISTANCE AS A FORM OF AID

Mr. PASSMAN. You may recall previously all military assistance as such was carried in this bill.

Dr. HANNAH. Yes, sir.

Mr. PASSMAN. Later, for the duration of the war, they transferred Laos, Thailand, and Vietnam out of the military assistance program handled by the committee over to the Department of Defense.

Mr. KNAUR. Yes, sir.

Mr. PASSMAN. That figures, I believe, accounts for maybe part of the $2,250,800,000 in the Defense budget previously carried in this bill. Is that correct?

Mr. KNAUR. Yes, sir.

Mr. PASSMAN. I notice International Military Hearquarters for $74,400,000. That is also in the form of aid; is it not?

Mr. KNAUR. Not directly, sir.

Dr. HANNAH. It is not what I think of as AID. I think of AID as development assistance.

Mr. PASSMAN. They always had this in one package. You have military now in the present bill?

Dr. HANNAH. Yes, sir; the President's recommendation is to separate it out.

Mr. PASSMAN. The President recommended he be reelected President, too. I am talking about the facts of life. It has been carried and is presently carried, is it not, as a part of the total package?

Dr. HANNAH. Military sales are.

Mr. PASSMAN. Keep the record straight. You know that is true?

Dr. HANNAH. Right.

Mr. PASSMAN. Take economic assistance. That accompanies this transfer out of $90,900,000 to the Defense Department I guess we would assume that is foreign aid, would we not? Foreign assistance?

Dr. HANNAH. That is in the Defense budget. I would say no.

Mr. PASSMAN. It says economic assistance?

Dr. HANNAH. In the Defense budget.

Mr. PASSMAN. Isn't economic assistance aid?

Dr. HANNAH. In my thinking, AID, the Agency for International Development is concerned only with those programs and projects that have to do with the improvement of the well-being and the social systems, government systems of the two-thirds of the people of the world who live in the developing countries. Military assistance includes military grants and sales and whatever is necessary to increase their capacity to defend themselves. This is also in our interest. I am fully sympathetic, but that is a Defense Department operation. I don't think of it as ours.

ECONOMIC ASSISTANCE IN THE DEFENSE BUDGET

Mr. PASSMAN. I said economic assistance which draws right out of the same spigot for the same purpose you draw supporting assistance. Is supporting assistance considered aid?

Dr. HANNAH. Supporting assistance is part of AID.

Mr. PASSMAN. All right. And economic assistance in the Defense budget that went out of our bill over to the Defense Department is also aid. It does the same things as you are doing with your supporting assistance.

Dr. HANNAH. It well could.

If Mr. Knaur says that is true, why I accept it.

Mr. PASSMAN. Is that not true? Do not be bashful, give us the answer.

Dr. HANNAH. I do not know.

Mr. PASSMAN. Is that not true?

Mr. KNAUR. I would say it is true; yes, sir.

Mr. PASSMAN. Thank you.

Do not make it so hard. We want to get through here in a couple of months.

INTERNATIONAL LENDING INSTITUTIONS AS A FORM OF AID

Now let's look at the Inter-American Development Bank. That is a request, that is considered foreign aid, is it not, foreign assistance and development?

Dr. HANNAH. It is foreign assistance.

Mr. PASSMAN. How about the International Bank for Reconstruction and Development, is that not a type of foreign aid?

Dr. HANNAH. Yes.

Mr. PASSMAN. Is that right, sir?

Dr. HANNAH. Yes, I said yes.

Mr. PASSMAN. How about the International Development Association for $320 million, is that not a form of aid?

Dr. HANNAH. I would include the World Bank and all——

Mr. PASSMAN. I am going to get to the World Bank further down the line. I have two pages of this stuff to go through. International Development Association, of which we contributed 40 percent, that is aid, is it not?

Dr. HANNAH. Well, it is foreign assistance of a kind.

Mr. PASSMAN. Foreign assistance of a kind. Would that also be true with the Asian Development Bank?

Dr. HANNAH. Yes.

Mr. PASSMAN. How about the expanded multilateral assistance program, is that considered aid also?

Dr. HANNAH. I must say I do not know what is the——

Mr. PASSMAN. Find out and put it in the record. I know what it is. I do not want to confuse you. You may have a different interpretation.

Dr. HANNAH. All right.

(The information follows:)

EXPANDED MULTILATERAL ASSISTANCE PROGRAM

Legislation in addition to that specifically noted in the President's budget may be recommended to Congress in fiscal year 1972 to authorize U.S. contributions to certain international financial institutions; such contributions would be considered economic aid. The purpose of the $35 million request for expanded multilateral assistance programs is to provide for such contingencies.

Consideration is being given to a small U.S. contribution to a concessionary loan fund for the African Development Bank. The United States, along with other industrial countries interested in the development of Africa, has been discussing with the Bank the possibility of creating a special fund which would permit lending at concessional rates to countries of Africa with serious debt service problems or grave economic problems. The draft charter concerning this special fund is now under discussion and, should the Bank and other donor countries agree, the President would submit legislation to the Congress recommending U.S. participation in the fund.

In addition, consideration had been given by member countries to the possible financing in fiscal year 1972 of additional capital requirements for the International Finance Corporation. It now seems unlikely that this will take place in fiscal year 1972.

OTHER FORMS OF AID

Mr. PASSMAN. Now you have receipts and recoveries from previous programs of $370,310,000. Would that be aid and assistance?

Dr. HANNAH. It could well be.

Mr. PASSMAN. All right. Write me a letter on every one.

Let's take the Peace Corps, is that a form of aid?

Dr. HANNAH. Again, it is a form of foreign assistance.

Mr. PASSMAN. All right. Foreign assistance. I would just as soon have assistance as aid. Contributions to international organizations, $160,680,000, that is a form of assistance, is it not?

Dr. HANNAH. Yes.

Mr. PASSMAN. How about the Latin American Highway, Darien Gap for $20 million, is that not a form of foreign assistance and aid?

Dr. HANNAH. It is building a highway that is supposed to be in our mutual interest.

Mr. PASSMAN. All right. I ran through a few of these.

Now, Dr. Hannah, the facts are that from the budget, we picked out 27 specific items requesting $13,517,628,000, or $1.4 billion more than last year. Of this tremendous increase, that part that you refer to as the Agency for International Development, sometimes abbreviated AID, is a small part of the total percentagewise, is it not?

Dr. HANNAH. That is right.

(The list follows:)

NEW REQUESTS FOR FOREIGN AID AND ASSISTANCE

92nd CONGRESS, 1st SESSION - FISCAL YEAR 1972

1.	International Security Assistance	$ 1,993,000,000
2.	International Organizations and Programs	168,000,000
3.	Bilateral Assistance	1,077,000,000
4.	President's Foreign Assistance Contingency Fund	100,000,000
5.	Inter-American Development Bank	500,000,000
6.	Inter-American Development Bank (Supplemental)	486,760,000
7.	International Bank for Recon. and Devel. (Supplemental)	246,100,000
8.	International Development Association	320,000,000
9.	Asian Development Bank	40,000,000
10.	Asian Development Bank (Supplemental)	60,000,000
11.	Expanded Multilateral Assistance	35,000,000
12.	Receipts and Recoveries from Previous Programs	370,310,000
13.	Military Assistance (in Defense Budget)	2,250,800,000
14.	International Military Headquarters	74,400,000
15.	Economic Assistance (in Defense Budget)	90,900,000
16.	MAAG's, Missions, and Milgroups	262,600,000
17.	Permanent Military Construction - Foreign Nations	106,000,000
18.	Export-Import Bank, Long-term Credits	2,445,000,000
19.	Export-Import Bank, Regular Operations	1,195,639,000
20.	Peace Corps	71,200,000
21.	Ryukyu Islands	4,450,000
22.	Migrants and Refugees	8,650,000
23.	Public Law 480 (Agricultural Commodities)	1,320,400,000
24.	Contributions to International Organizations	160,680,000
25.	Education (Foreign and Other Students)	51,000,000
26.	Trust Territories of the Pacific	59,739,000
27.	Latin America Highway (Darien Gap)	20,000,000
TOTAL NEW REQUESTS - FOREIGN AID AND ASSISTANCE - FY 1972		$ 13,517,628,000

A DEFINITION OF FOREIGN ASSISTANCE

Mr. PASSMAN. Do you subscribe to the work and most of the decisions of your predecessor as to AID and its accomplishments and what AID is?

Dr. HANNAH. I do not know what you are referring to, but by and large, yes.

Mr. PASSMAN. Your predecessors had a story just like you do about AID. I am going to make the record neat. You more or less support what your predecessor described as aid, do you not?

Dr. HANNAH. Yes.

Mr. PASSMAN. Let's see what they call aid, which is taken from a booklet published by AID, on pages i and ii:

> 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 by the Agency for International Development, but also a number of other programs authorized by Congress.
>
> This booklet does not cover those other U.S. programs that are coordinated with AID, but for which AID has no direct responsibility.
>
> These non-AID programs include: The Peace Corps; the Export-Import Bank, which promotes United States export sales through loans, guarantees and risk insurance; United States contributions to international organizations conducting multilateral assistance, such as the United Nations Development Program; and military assistance, which helps secure free nations against open or subversive Communist aggression.

That is their interpretation. Aid is rather broad. I had that same interpretation and since they had that interpretation, they complemented me by putting it verbatim into their book for which I am profoundly grateful at this time as well as in the past because they put it right on the line.

Off the record.

(Discussion off the record.)

Mr. PASSMAN. At this time I want to yield to Mr. Roybal of California for his time.

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

AID EMPLOYMENT POLICIES ON ETHNIC GROUPS

Dr. Hannah, I apologize for being late. I was busy on the floor on a subject matter of most importance. This is the continuation of the Cabinet-level committee on the problems of the Spanish-speaking.

I mention that because of the questions I am going to ask you now, which will deal with the problems of the Spanish-speaking, but particularly I think with the problems of your Agency. Many accusations have been made, mostly in the last 2 to 3 months, with regard to the employment policies of the Agency. In fact, on several occasions I have been told that the Agency practices an insidious form of institutional racism. So I would like to know just how much truth there is to that particular statement.

I would like to know, for example, what the hiring practices are in AID, but particularly I would like to know what the ethnic composition is of AID, particularly in Latin America.

I want to know how many Mexican Americans are employed in Latin America; I want to know what positions they occupy, whether or not any of the mission directors are Spanish-speaking, and by Spanish-speaking I mean native Spanish-speaking, not someone who has learned to speak Spanish while on the job.

I am particularly asking if there are any Mexican Americans or Puerto Ricans or Spanish-speaking Americans in the hierarchy of AID.

We will start first of all with Latin America.

Can you enlighten me as to the ethnic composition of the hierarchy of the Latin America bureau?

Dr. HANNAN. There are some, Mr. Roybal, but I would like to have the record checked and give you the exact answer to your questions.

I think, you know, sir, that for 12 years I was Chairman of the U.S. Commission on Civil Rights. While we were concerned primarily with the problems of blacks, we had a very real interest in the problems of Spanish-speaking Americans, Spanish-named Americans, and other minority groups. When I came to AID, of course I became concerned about our own practices.

I think you would be interested in knowing that it is the policy of the Agency, it may well be, however, on the basis of what you are saying, what your questions imply, that our people may think that when they talk about minorities, we are talking about blacks only.

My feeling is that the attitude ought to be the same toward the Mexican Americans as the black Americans. Here our policy is that while we are reducing our staff, both inside and outside the country, and we are doing very little hiring, that we are continuing to hire members of the minority groups.

The policy is to increase the percentage and to continue to look for qualified minority group members.

I have not focused on Mexican Americans and I will do so, but I will get the answer to the question as fully as we can. It is a lttle hard to determine the number of Mexican Americans, to know whether they are of Meixcan derivation or not. You can tell whether they have Spanish names. We do not keep records.

THE NEED FOR EQUALIZING OPPORTUNITIES

Mr. ROYBAL. No; but I think you can pretty well tell by the surname. What I am seeking is the number of Spanish surname Americans that you have working in Latin America. It seems to me that particularly in Latin America some of the pronouncements made by President Kennedy should be put into effect.

As you remember, President Kennedy said that the great resources of this Nation, particularly the great resources of the Southwest, were not being utilized in Latin America and every effort was going to be made to recruit qualified Spanish-speaking people to work in Latin American countries.

Now, the latest complaints that I get are not from Latin Americans, but from Anglo-Americans who are leaving the Agency and are now confessing some of their sins.

I think one of the meaningful statements that you made was the statement with regard to the attitude when you were in the Civil

Rights Commission. Most of the work was focused on the problems of the black community of the United States. While we compliment your progress in this regard, the Spanish-speaking people feel that the civil rights laws and the legislation passed by the Congress were designed to meet the needs of the American people and not just the black community of the United States.

We also feel that these people, whether they be Spanish speaking or not, but members of minority groups, including the Indians of this Nation, also deserve some consideration. The reason I am bringing this to your attention now is because, as a member of another committee, I am asking the same question. I want to know how many Spanish-speaking people there are in those departments. The answers have been shocking.

I also tell them that, if there is no improvement next year, I am going to oppose their appropriation and will take the floor of the House and quote the law and verse which is being violated by them and this Government, by not applying the law equally to all Americans.

One may take any department here in Washington, or even in California, and you will find that the Spanish speaking lag way behind the members of the black community, even though in California there are a great many more Spanish-speaking people than there are blacks. I say to you that the emphasis that you, yourself, have subscribed to with regard to the attitude of the Commission dealing primarily with the problems of the black community, has to be expanded to include Spanish surname and other minorities so that equalization in employment takes place in all Government agencies.

Do you agree with this theory of equalizing opportunities?

Dr. HANNAH. Yes; I do agree.

Of course, in the later years when I was on the Commission, we had moved in that direction. In fact, we held open hearings on the treatment of Mexican-Americans in Los Angeles, San Francisco, in Arizona, in Texas. And I think that has continued. I have not been on the Commission since April 1969.

You asked me the question with reference to our own employees. I have not focused much on it. But will, and will get you the answer to your question.

I agree with the point of view you are expressing.

TRAINING OF AID TECHNICIANS

Mr. ROYBAL. I would also like to know, Dr. Hannah, how the AID technicians are trained to do the job in Latin America.

Dr. HANNAH. Of course, it depends on what we are looking for.

Ordinarily, of course, we are looking for people for specific slots. We are looking for somebody in agricultural research or in fisheries, in education, in family planning, or health.

We draw up a job description of what we are looking for. We have a great variety of different kinds of employees, practically all of them skilled professionals, in many classifications for which it is very hard to find people who meet the qualifications.

We do hire many people at lower levels for whom we actually provide training programs if they have the competence and the promise. We have a variety of programs. It is a little difficult to answer in the 3 or 4 minutes that you have, but we will prepare a statement for the record and get a copy to you within a few days.

AID PERSONNEL POLICIES

Mr. ROYBAL. All right, sir. Then I would also like to know something about the method of recruitment that is used by AID in the top positions.

From my observation, I cannot see any new people occupying top positions in Latin America, but I do see a reshuffling of the same people just changing missions. It just indicates very clearly that AID directors probably consult their own friends and recruit them from one mission to another. This seems to be the way these individuals perpetuate themselves in some of these jobs.

Dr. HANNAH. Mr. Congressman, let me respond this way: that I spent the better part of a lifetime as a university president. I thought there were few tenure systems more difficult to live with than the tenure system that exists on university campuses, where you give life tenure under certain circumstances to a man and then it is practically impossible to move him.

As a matter of practice, it is easier to keep him than it is to get rid of him. I was surprised—not surprised, coming into the AID agency, to find we have not one tenure system, but two. You have the civil service tenure for GS personnel and the Foreign Service system for the Foreign Service employees. They both of them give the employees a great deal of protection.

So when you are dealing with your career employees, they have tenure. In fact, it is true that your tenured people are frozen into secure positions. You move them about as best you can to get the best possible utilization from them.

Mr. ROYBAL. But is it not true that these people are at the mercy of their bosses who issue a monthly report or evaluation?

Dr. HANNAH. No. There is an annual evaluation where the employee's record of performance and potential is compared with his peers on a worldwide basis. If the employee is classified in the bottom 10 percent 2 consecutive years he is considered for separation by termination of time limited appointment or by selection-out as appropriate.

Mr. ROYBAL. Dr. Hannah, I have in my office now a request from three people in AID who have been classified in that so-called lower 10 percent you are talking about and they all happen to be Latin Americans.

Dr. HANNAH. Well——

Mr. ROYBAL. And then, again, in studying very carefully the situation, I know who has made those reports and what that individual's record has been in the past, following a pattern, of discrimination.

REVIEW OF UNFAVORABLE EVALUATIONS

Dr. HANNAH. It could be because I have seen this elsewhere, of course. There are people that are biased, they think they are not but they are. It is possible for an individual, if he is under this same employer or gets two consecutive bosses that are biased, to receive unfavorable reports that he does not deserve.

There is in the system an opportunity for him to ask for a review and if he asks, a review will be given. But I certainly cannot guarantee that we do not have a rating system that may rate folks unfavorably, maybe because they do not like the color of their hair or eyes or

kind of neckties they wear. You cannot defend it, but that sometimes happens and we cannot justify it.

Mr. ROYBAL. But you do not have an appeals board where some of these rulings can be reversed.

From my understanding of the situation, the appeals board is just in name, but they usually take the side of the one who made the recommendation and not the employee.

Dr. HANNAH. I think we have a pretty good personnel system. On these matters we do have reviews and under certain conditions the employee has an official right to appear. This is in addition to our regular grievance procedure. Lastly, an employee is always free to informally appeal an action to the Administrator and a few of them do.

Mr. ROYBAL. May I at least bring to your attention on a private basis these conditions?

Dr. HANNAH. I would be happy to look into them.

Mr. ROYBAL. I think there is something wrong somewhere.

Dr. HANNAH. I will be happy to do so.

AN ETHNIC BREAKDOWN OF PEOPLE WORKING FOR AID

Mr. ROYBAL. Will you please get for the record the ethnic breakdown of people working for AID in Latin America, particularly, those who are mission directors, those who are second in command to the third and fourth categories?

Dr. HANNAH. Yes, we can do that.

(The information follows:)

DISCRIMINATION IN HIRING

As of the end of November 1970, the time of the last minority census directed by the Civil Service Commission, AID reported 6,812 full-time direct hire employees. Of this number 121 (1.78 percent) were Spanish-surnamed Americans. An additional 1,012 (14.86 percent) were members of other minorities, principally Negro.

The following table shows the distribution of Spanish-surnamed Americans in the United States and AID's five regional bureaus.

United States	43
Overseas:	
Africa	3
East Asia	5
Latin America	47
Near East and South Asia	6
Vietnam	17
Total overseas	78
Grand total, AID	121

Spanish-surnamed Americans constitute 1.37 percent of the AID work force in the United States and 2.31 percent of the total overseas force.

Dr. HANNAH. If we actually have to run down and if a man happens to have a Mexican name and we do not know anything about them and it is a Latino name, we may have to classify him as "unknown," but we suspect he is.

Mr. ROYBAL. Just give me the Spanish-surnamed individuals in Latin America. That will be sufficient. We will make the determination whether they are Mexican, Puerto Rican, et cetera.

Dr. HANNAH. Yes. I will also send you a copy of our personnel procedures because I think they might show something contrary to what you have been told.

Mr. ROYBAL. I am from California, but every once in a while I like to say "I am from Missouri," because I hear one thing and I see another.

One of these days what I hear and what I see have to come together. I think through you perhaps this can be accomplished.

Dr. HANNAH. Be glad to cooperate with you.

Mr. ROYBAL. I would like to follow this through with you on a personal basis if I may.

Thank you.

Dr. HANNAH. We will.

(The information follows:)

Positions Held by Spanish-Surnamed Americans

Civil Service Commission Regulations prohibit the release of names of persons national origin or ethnic background. The following is a list of positions held by Spanish-surnamed Americans employed overseas in the Latin American region at the end of November 1970.

Rank	Title	Country	Remarks
FSR 01	Mission Director	Peru	Born Cuba. Father born in Jamaica, Mother U.S.
FSR 02	Executive Officer	Colombia	Born N. Mexico no information in file on parents
FSR 02	Area Development Advisor	Guatemala	Born Puerto Rico; no information in file on parents
FSR 02	Executive Officer	Nicaragua	Parents born U.S. citizens
FSR 03	General Engineering Officer	Bolivia	Parents U.S. citzens
FSR 03	Public Safety Advisor	Bolivia	Parents U.S. citizens
FSR 03	Public Safety Advisor	Brazil	Born Guam, parents born in Guam
FSR 03	Deputy Executive Officer	Peru	Born U.S., parents U.S. citizens
FSR 03	Deputy Agricultural Officer	Dominican Republic	Mother American, no information in file on father

Rank	Title	Country	Remarks
FSR 03	Population Officer	El Salavador	Born Puerto Rico, no information in file on parents
FSR 03	Structural Engineering Advisor	Panama	Born & lived for the first 25 years of his life in Chile
FSR 03	Cooperative Advisor	Honduras	Born N. Mexico, no information in file on parents
FSR 03	Community Development Officer	Panama	No information in file on parents
FSR 03	Youth Affairs Advisor	Panama	Born U.S., parents born in Mexico
FSR 03	Public Safety Officer	Venezuela	Parents Mexican
FSR 04	Accountant	Guyana	Born Puerto Rico
FSR 04	Assistant Program Officer	Brazil	Born Puerto Rico, parents Puerto Rican
FSR 04	Public Safety Advisor	Costa Rica	Born Puerto Rico
FSR 04	General Services Officer	Dominican Republic	Born Dominican Republic, parents born in Spain
FSR 04	Community Development Advisor	Dominican Republic	Parents U.S. citizens
FSR 04	Public Safety Advisor Training	Nicaragua	Born U.S., no information in file on parents
FSR 04	Public Safety Advisor Training	El Salvador	Born Mexico of non-American parents

Rank	Title	Country	Remarks
FSR 04	Public Safety Advisor Training	Guatemala	Parents Mexican, now U.S. citizens
FSR 04	Assistant Program Officer	Nicaragua	Born U.S., parents born in U.S.
FSR 04	Food for Peace Officer	Brazil	Parents U.S. citizens
FSR 04	Auditor	Colombia	Born U.S., Mexican extraction
FSR 05	Budget Accounting Officer	Bolivia	Parents born in Mexico, Mother U.S., Father Mexican citizen
FSR 05	Capital Development Officer	Dominican	Born Panama, father born in Trinidad, mother in U.S.
FSR 05	Public Safety Advisor Training	Honduras	Parents Mexican
FSR 05	Public Safety Advisor	Uruguay	Father Mexican, mother U.S.
FSR 05	Public Safety Advisor Training	Venezuela	Parents U.S. citizens, born U.S.
FSR 05	Auditor	Dominican Republic	Born Puerto Rico parents U.S. citizens
FSR 06	International Development Intern	Equador	Born U.S.

Rank	Title	Country	Remarks
FSR 06	Auditor	Colombia	Born El Salavdor of non-American parents
FSR 07	International Development Officer	Equador	Born Puerto Rico, no information in file on parents
FSS 05	Community Recreation Supervisor	Honduras	parents U.S. citizens
FSS 06	Secretary	Dominican Republic	parents Puerto Rico
FSS 06	Program Documentation Clerk	Brazil	Born U.S., parents born Mexico
FSS 07	Secretary	Brazil	No information in file on parents
FSS 07	Secretary	Colombia	Parents U.S. citizens
FSS 07	Secretary	Peru	Born Calif., no information in file on parents
FSS 08	Secretary	Brazil	parents born Puerto Rico
FSS 08	Secretary	Chile	Father American, Mother Mexican
FSS 08	Secretary	Ecuador	Parents Puerto Rico

UNIFORMITY OF ARGUMENTS FOR AID

Mr. PASSMAN. They say with privileges come responsibilities and, of course, with responsibilities come privileges.

Dr. Hannah, on page 4 of your statement, you state that:

> You are channeling an increasing share of our assistance through the multilateral agencies. This proposal reflects a recognition that these agencies have grown in significance and that we should work increasingly through them and help improve their effectiveness.

I believe earlier in the hearings we discussed this and we agreed that, though it pained you, you stated this committee has made a contribution to the way it handled bilateral aid by working with the agency, reviewing some of the projects and containing them.

Did you answer that question in the affirmative earlier?

Dr. HANNAH. Yes, sir.

Mr. PASSMAN. And I believe likewise you answered in the affirmative when I said that we lose the right of detailed examination on multilateral programs and organizations because we do not know when they are going to be funded, in what amount and in what country. Do you remember that?

Dr. HANNAH. I said that that was one of the objections frequently raised.

Mr. PASSMAN. I thought you said that was one of the weaknesses of the program. I think I remember those words. Is that correct?

Dr. HANNAH. Yes.

Mr. PASSMAN. Very serious business to me when I conduct these hearings, Dr. Hannah. I stand on that statement. I want to commend you for it.

I know you prepared this statement with great care and it reflects your own thoughts, your own words, and your own convictions, but I might say, Dr. Hannah, in all respect because we are close friends, it reads identical to statements prepared by your predecessors 17 years ago when I first came on the committee. If I read them, I actually would not know whether I was reading this independent statement you got up without any knowledge of what your predecessor said or the older statements.

Here is what they told us 24 years ago and what they told me 17 years ago. I quote from your statement on page 12:

> *Industrial Development.* An integrated industrial economy requires the concurrent development of physical infrastructure, such as transportation and electric power; productive industries, such as mining, manufacturing and construction; capital markets, including development banks and intermediate credit institutions; high levels of investment, both domestic and foreign; and a favorable balance of payments position, possible through steady exports and tourism.

Now let's see what has happened in 25 years under this program.

U.S. BALANCE OF PAYMENTS DEFICITS

While all these claims have been made since the inception of the program, we find that our gold holdings have dropped from $22 billion to $10 billion; foreign countries have built their gold holdings from $10 billion to $27 billion; we find short-term dollar claims against the United States have increased from $8 billion up to $42 billion.

Then we get down to the balance-of-payments situation that you speak of and your predecessors spoke of 24 years ago. We find that beginning with 1950 and going through 1970, we only had two small surpluses, one in 1957 of a half-billion dollars during the Suez Canal crisis, then again in 1968 when the President decided to borrow money from nations like Thailand for 4½ years repaid at 6 percent interest. But if we look at last year, again we ran up a balance-of-payments deficit of $4.7 billion, which puts it in the neighborhood of $50 billion since the inception of this AID program.

Now, you only make a small contribution, with your one spigot of AID. This is an article in the Washington Post of May 18, 1971, headed "Payment Deficit at New High." It says:

> The United States recorded the highest quarterly balance-of-payments deficit in its history in the first 3 months of 1971, the Commerce Department reported yesterday. At $5.5 billion, the deficit was $2.2 billion larger than that recorded in the fourth quarter of 1970. It would work out to a full year's deficit of about $22 billion if the difference between what the United States spends abroad and what it takes in continues at the same clip.

We do not, of course, expect to have any $22 billion balance-of-payments deficit, that is I hope we will not. I do not expect to see anything like that, but it certainly refutes what you perfectly honest administrators believe; that you are helping the balance of payments.

As we interrogate or ask questions of the many witnesses appearing before this committee representing these many spigots, they all say they do not contribute to the balance-of-payment deficit.

Everybody, even Mr. McNamara, used to say that the military brought gold home. So we have difficulty finding any agency admitting that they have anything to do whatsoever with creating this situation. It follows, nevertheless, that more dollars are going out than being brought back in.

If you have not read that article, I commend it to you for your reading. It would appear the person who got it up must have known what he was talking about.

Is that in accord with your understanding of the balance-of-payments situation?

Dr. HANNAH. I read the same newspapers, probably the one that you just referred to.

Mr. PASSMAN. I think that was a direct quote, was it not, from this reporter?

Dr. HANNAH. What was it?

Mr. PASSMAN. This was written by James L. Rowe, Jr., Post staff writer. Did he quote the figures correctly?

Dr. HANNAH. As far as I know. I am not privy to all the sources.

Mr. PASSMAN. But it is getting worse and so we are real worried.

Doctor, may I ask you this question:

RUSSIAN AID AND RISING PROFILE

I believe Russia in providing aid, most of it as a mere promise, the remainder of it mainly as loans, big-profit, short-term, high-interest loans. But they capitalize on it, do they not?

Do they not get a lot of coverage, headlines, and publicity in the nations they agree to help?

Dr. HANNAH. I think that is one of the objectives they have in mind.

Mr. PASSMAN. That is true, is it not?

Dr. HANNAH. Yes.

Mr. PASSMAN. Is that what you would refer to as raising the Russian profile in those nations?

Dr. HANNAH. Profile is one of those "iffy" words. Ordinarily when you talk about profile, you mean the Russian presence. If there are many people, there is much visibility, there is presence, that is profile, the way it is usually used.

Mr. PASSMAN. That is what they capitalize on is to have their presence accepted along with any aid or loans, to be sure the program is carried out according to the way they want it?

Dr. HANNAH. That is true.

Mr. PASSMAN. What is wrong with the United States indicating a strong profile around the world where we are distributing billions of dollars? Isn't that good for our country?

Dr. HANNAH. There is a division of opinion about it. I don't think it is as bad as many people think. Many people are convinced that it adds to our unpopularity. Generally Americans want to live in the foreign setting with the big car and servants, and so on. They think that does not promote a useful image. I have to agree with that. On the other hand, we get some criticism, you know, because we insist if we are financing something to have the clasped hand on it indicating it may have been even a loan or they buy something with money that they borrowed from us, there is some visibility given to it.

Mr. PASSMAN. We could even lower our profile by closing up our embassies, couldn't we?

Dr. HANNAH. I don't think it would be in our interest.

LOWERING THE AMERICAN PROFILE

Mr. PASSMAN. This new philosophy, we want to lower our profile, meaning reducing the number of Americans that may be seen by foreigners, is that an admission that we have had too many personnel in the past in this program administering it? Do you think you have as good a balanced program as could be worked out?

Dr. HANNAH. I think we have a very good program.

Mr. PASSMAN. Doctor, why don't you speak out as I do, and I hope that you will, and state that it may not be wise to lower our profile if we are going to give foreign nations and foreign nationals billions of dollars of our wealth? Why shouldn't this be associated with seeing Americans there who want to help them?

Dr. HANNAH. I personally favor the idea in providing the assistance we at least have enough Americans to make certain that the money is used for the purpose for which it was either given or loaned.

Mr. PASSMAN. If the Americans conduct themselves properly, and I am sure they do, then we shouldn't be ashamed of their presence, should we?

Dr. HANNAH. I am not ashamed.

Mr. PASSMAN. I know, but you have certain people, Doctor, who are——

Dr. HANNAH. I don't subscribe to the notion at all.

Mr. PASSMAN. I want to commend you and I——

Dr. HANNAH. I think they are excellent.

Mr. PASSMAN. Then I drop the curtain there.

You do have those, don't you, who want to lower our profile, want to turn this money loose and give it to international organizations, bring Americans home, lower the supervision; you are familiar with that?

Dr. HANNAH. Yes, sir.

Mr. PASSMAN. I am glad you don't support that, shall we say, thesis.

FUNDING DEVELOPMENT LENDING

Doctor, running through your statement, on page 19 you say:

> An additional $230 million previously authorized but unappropriated remains available for appropriation in fiscal year 1972.
>
> Fiscal year 1972 is a transitional year for the loan programs. We reduced our appropriation request to a level well below prior request levels and included in the proposed fiscal year 1972 program only those loans we consider essential. As a result, over $300 million of specific additional loan requirements—some of which are identified in the congressional presentation—were not included in the budget request. Under the proposed legislation, the new International Development Corporation would have authority to borrow funds to meet additional assistance requirements.
>
> Under the bill now before the House Foreign Affairs Committee, they could only be met by regular authorization and appropriations.

Would you tell the committee what $230 million previously authorized but unappropriated remains available for appropriation?

Dr. HANNAH. It is the amounts in the 1967, 1968, 1969, and 1970 authorization bills that were not appropriated. You recall we discussed that last year. We don't intend to use it this year.

Mr. PASSMAN. What area is it in?

Dr. HANNAH. Development loans.

Mr. PASSMAN. You do not intend to use it this year?

Dr. HANNAH. Unless we come out of the Congress with an authorization that won't cover the loans that I hope you are going to appropriate for.

Mr. Chairman, let me say something else because I have been afraid that it might be misunderstood. In the President's budget request for this year there was a 3-year authorization requested. Of course, the requests were based on the reorganization which now we are not going to have in fiscal 1972, and whether we are able to go ahead after that depends upon the Congress. There was a request for authorization and appropriation of a billion and a half dollars of development loan money and a borrowing authority of $1 billion. So the budget was prepared on the assumption there would be an average of $500 million per year requested for appropriation and $333 million a year from the loan borrowing authority.

As you know, the chairman of the President's task force, Mr. Peterson of the Bank of America, favored financing of part of the loan capital from borrowing authority. You will see on page A–8 of this book, column 2, the fiscal 1972 appropriation request for development loans of $655 million and then the proposed program of $935 million. However, these figures do not show the assumption that there was going

to be $333 million of money we might go to on the open market and borrow.

Mr. PASSMAN. I understand that. You explained it so I understand it. Having unused authorization does not mean a thing in the world to the Agency unless the Congress appropriates the money.

Dr. HANNAH. Right.

Mr. PASSMAN. I am afraid to ask this next question but I am going to muster sufficient courage to do so anyway.

BORROWING AUTHORITY FOR THE IDC

Do I understand under this proposed legislation creating the International Development Corporation that they are going to be given the authority to go out and borrow funds without coming to the Congress for appropriation?

Dr. HANNAH. Not exactly. The proposal was that the Corporation have authorty to borrow such amounts as may be provided for in annual appropriation acts, up to a limit of $1 billion in the 3 years.

Mr. PASSMAN. That is the question. Is that proposed that you set up this new outfit known as the International Development Corporation and it have the right to go out and borrow money without the Congress having the right to look over what they are going to fund?

Dr. HANNAH. The Peterson report and the President's message recommended this borrowing authority.

Mr. PASSMAN. That would be something. That would be really something, get foreign aid where you give an organiaztion a name and all they have to do is get the authority to borrow funds and no committee looking over their shoulder.

Dr. HANNAH. Mr. Chairman, you know that certainly this would all come before your committee and before the Congress through this committee. There is not any kind of a program that we have that does not have to be reviewed with you, wherever the money comes from.

Mr. PASSMAN. That looks like a corpse after the breath is gone. You know what we are talking about, still trying desperately to get this entire aid program from under the control of the Congress, some type of control; but as far as close scrutiny, it is out. I just hope that we will make it abundantly clear to Mr. Peterson and all of the others who may be advocating this that you still have men in this Congress who are going to look these things over and we are not going to be rubber-stamping some of these programs.

Dr. HANNAH. Mr. Chairman, let me say, and you know this: Having dealt with legislative bodies all of my life, either States legislatures or the Federal Congress, I recognize how Government operates and certainly don't subscribe to anything that takes away from the legislative body the opportunity to scrutinize every expenditure and authorize it.

CONGRESSIONAL EXAMINATION OF PROJECTS

Mr. PASSMAN. Doctor, you know and I know very little about the International Bank for Reconstruction and Development. We know very little about their operation. We know very little about the International Finance Corporation. But if this foreign aid is really going

to move in the multilateral direction, I think that you are going to find that this Congress is going to write legislation to give us a right of detail examination on these projects, the same as we do on the bilateral programs. It is not right to just turn them loose and let them go.

UNITED NATIONS DEVELOPMENT PROGRAM

Doctor, on page 21 you say:

> Actions to implement the major recommendations of that study are expected to strengthen the UNDP and should substantially increase its capacity to administer a higher level of resources.

I read the record that UNDP operates under the U.N.

Dr. HANNAH. Correct.

Mr. PASSMAN. We put in, about 40 percent?

Dr. HANNAH. Right.

Mr. PASSMAN. Other nations put in little tidbits. Others put in 6 percent and some 3 and some 2 and some 1 until they finally create what is known as the UNDP fund. Is that correct?

Dr. HANNAH. Right; but the other tidbits make up at least 60 percent of the total.

Mr. PASSMAN. When this money is provided, it is all stirred up like a Louisiana mulligan. In a mulligan, you add a chicken, a coon, some potatoes, squash, and butter beans and cook it for 3 hours and we call it mulligan. When you pick up a spoonful of it you don't know whether you are eating coon or chicken, would you?

Dr. HANNAH. I assume what you tell me.

Mr. PASSMAN. You stir in a lot of different things and cook them for several hours and you couldn't tell which was the chicken and which was the coon. Isn't that also true of this UNDP, they make the claim that when they disburse funds they don't know whether it is U.S. funds or some other type funds. Is that the claim?

Dr. HANNAH. Yes.

Mr. PASSMAN. It follows, nevertheless, in the aggregate that 40 percent of those funds disbursed are U.S. funds, is that right?

Dr. HANNAH. We are not putting in quite 40 percent.

Mr. PASSMAN. Make it 38. Let's make the point. Do you have——

Mr. ROONEY. There is a point there I wouldn't want you to miss. They must have entirely too much money because they sent a budget up here to put up a $92 million building complex in New York which included taking a certain number of millions away from the UNDP. Are you familiar with that?

Dr. HANNAH. No.

Mr. PASSMAN. Is that the U.N. Building you are talking about?

Dr. HANNAH. Yes.

Mr. ROONEY. And the complex turned down twice by the Congress——

Mr. PASSMAN. On what premise?

Mr. ROONEY. They also propose to take funds from UNICEF that were supposed to be so sacred and holy in order to buy bricks and mortar and building foundations. This is true.

Dr. HANNAH. I don't know about the U.N.

Mr. ROONEY. I had that explained to me.

UNDP AID TO COMMUNIST NATIONS

Mr. PASSMAN. How many Communist nations are members of the U.N.?

Dr. HANNAH. Several. I cannot tell you exactly.

Mr. PASSMAN. Are they eligible for aid?

Mr. ROONEY. Cuba belongs?

Mr. PASSMAN. Are they eligible for aid out of this UNDP program?

Dr. HANNAH. They are. The arrangement there with us, which I recognize is meaningless, is that they will use none of our money in financing programs in Cuba.

Mr. PASSMAN. Like that mulligan.

Dr. HANNAH. What they actually do is put our money into one bank account and then the rest of their money in another bank account and pay for the Cuba programs out of the other account.

Mr. PASSMAN. I believe you used the word "meaningless." I want to commend you, Doctor; you always put it on the line. We knew that and we are glad you feel that way. Certainly when you distribute funds out of this account, 40 percent of it just has to be U.S. funds. The facts are that we didn't give any of them dollars. All this is paperwork, isn't it?

Dr. HANNAH. What do you mean "paperwork"?

Mr. PASSMAN. You credit this nation with so much and they requisition drugs or whatever they need against it?

Dr. HANNAH. Not UNDP. We pay our money over to the U.N.

Mr. PASSMAN. You do it by bookkeeping. You don't send them currency but a check. They put it in the bank and credit on the books a certain credit?

Dr. HANNAH. That is right.

Mr. PASSMAN. Actually we are doing business with paper and pins, aren't we? It is the same difference, the Communist countries dip in the pot in which we put up 38 or 40 percent, and it naturally follows that that is the percentage that we are putting into Communist countries?

Dr. HANNAH. I believe, however, that I saw somewhere a study that indicated that the contributions from the Communist countries to the UNDP are somewhat greater than it paid out in programs to the Communist countries.

Mr. PASSMAN. I agree with you it is meaningless. Certainly it is. We concur in that. I just don't believe that all of our people know this. You take that fine gentleman, Mr. Hoffman; if I ever knew a man sold on this subject, it is this man. I admire him because he is dedicated to his job. I don't agree with him. I think that he could do a better job with half the money.

Mr. ROONEY. Is he a family planner?

Mr. PASSMAN. Yes.

AID ADMINISTRATIVE EXPENSES

Doctor, on page 24 you say, "However, this proposed authorization level did not take into account the increased administrative expenses required in fiscal year 1972 to cover the cost of the Federal pay raise which became effective in January. An additional $2.6 million will be needed for that purpose."

I think that you know we have always been quite generous with your administrative expenses. Mr. Rooney has always felt that you live close to these things and I think that we have been very fair with you. We did run into something here that I want on the record. I think that you also have an item of about $4.6 million in the State Department for purely administrative expenses?

Dr. HANNAH. $4.4 million plus $155,000 for the pay raise.

Mr. PASSMAN. This may shock you. Did you know that they have a scientist set up in their administrative expenses to act as an adviser to NATO? How many scientists do you have in your setup?

Dr. HANNAH. In our Technical Assistance Bureau we have several.

Mr. PASSMAN. Purely administrative. I am not talking about your program; I am talking about out of the administrative expenses. Do you have any scientists?

Dr. HANNAH. I don't think so. I would have to check it but I don't believe we have.

Mr. PASSMAN. You would be somewhat shocked?

Dr. HANNAH. Unless it was somebody passing on scientific programs where you need to have a scientist to evaluate them.

Mr. PASSMAN. Still an administrator?

Dr. HANNAH. He could be. I don't think we have any.

Mr. PASSMAN. They do have one in the administrative expenses for the State Department. A scientist and assistant so as to advise NATO on scientific problems.

Mr. ROONEY. Are you talking about Herman Pollack?

Mr. PASSMAN. He carries a title of environmental scientist.

Dr. HANNAH. Isn't he the science adviser to the Secretary?

Mr. ROONEY. He is in charge of the scientist stable. Actually he is a personnel man. He was head of personnel in State before he got this present job.

Dr. HANNAH. You know far more about the State Department than I do.

Mr. ROONEY. I know Herman.

STATE AMINISTRATIVE EXPENSES AND NATO

Mr. PASSMAN. Doctor, this is a new position they are asking for. They have not carried it in your administrative expenses nor the State Department prior to this year. I think it is wrong. It is a new slot they have opened up. I just don't think it makes sense. You have had the AID program for many years, and NATO program for many years, and now open up a new area, a new slot to make room for a scientist is not right.

The U.S. Mission to the North Atlantic Treaty Organization wants an increased staff of two positions for an additional year for an environmental protection officer, FSO–2, and secretary, GS–6. This is all brand new.

Dr. HANNAH. Mr. Furman tells me that he is to coordinate the environmetal programs of the NATO countries or something. All I know is what Mr. Furman told me.

Mr. PASSMAN. NATO is dealing with the military?

Dr. HANNAH. What about it?

Mr. PASSMAN. You are dealing with the military complex?

Dr. HANNAH. Right.

Mr. PASSMAN. It is in State. I am talking to Mr. Rooney about it. We may accommodate the gentleman by writing it out.

Mr. ROONEY. He is trying to load something off on this committee. It is par for the course.

Mr. PASSMAN. I don't think it is right. We are going to be fair this year but we are not going to be foolish.

Mr. ROYBAL. Mr. Chairman?

Mr. PASSMAN. Yes.

Mr. ROYBAL. There is one point that you probably inadvertently went over and didn't ask any questions about.

Would it be in order for me to ask any questions at this time?

Mr. PASSMAN. Certainly.

AMERICAN SCHOOLS AND HOSPITALS ABROAD

Mr. ROYBAL. Dr. Hannah, I am interested in American schools and hospitals. You state on page 22 that "for fiscal year 1972 we have requested appropriations of $10.2 million for this program." You go on to say that the bill now in the House Foreign Affairs Committee contains a $25 million authorization for fiscal year 1972. By reading that, I get the impression that the $25 million authorization in the House Foreign Affairs bill was not at your request.

Dr. HANNAH. No, that is not correct. We have a very large number of requests that are valid and good requests. There has been a supplementary request sent to the Foreign Affairs Committee and to this committee that come to something over $25 million. This has become a difficult program to administer because of the lateness with which these requests sometimes are received. I think we need to come up with a procedural decision that all of these requests should be received by November or so for the next fiscal year so that we have some time to study them before including them in our budget request.

First of all, we want to make sure there are no funds made available to institutions that are not only useful but defensible in every way, programs that are in our interest, American universities or schools, or hospitals that are operated by Americans, financed partially by Americans in our interest. We have had a very large increase in the number of these institutions in certain countries and I don't apologize for any we have approved. They are good programs. But if we are going to continue to receive more and more requests, we are going to need time to go over them so that we don't get these perfectly valid and defensible programs that come in late. That is one of the reasons that I have just accepted an invitation to make a speech in Israel on the 4th of July. I know many of the institutions, some of them I don't. I want to go to see them all while I am here; many are in Israel.

SOURCES OF ASHA REQUESTS

Mr. ROYBAL. I served on the Committee on Foreign Affairs and I know for a fact that some of these requests were included in the bill without the authorization of AID, without the consent or authorization of the ambassador or the embassy in question, and it was just someone in the committee that wanted to include it and did so. I don't

know whether this committee should be considering anything that is not requested by AID or anything that is not concurred in by the official of that particular country.

Dr. HANNAH. I think that the understanding that I have with the chairmen of both committees is that we will approve only projects which meet the basic legislative criteria. I must say that I have had no problem with Chairman Passman and Chairman Morgan; they agreed that was the way we should operate.

Mr. ROONEY. I would be the first to agree the matter has gotten out of hand.

Mr. PASSMAN. Let's see if that is not the understanding that I have. First, I have never put in a project, any type of a project in the AID bill from a request emanating from my district. I have stated in the past and I will state again today that so far as I am concerned, I would not want this committee to approve any project if the funds had not been requested by the AID Agency to the authorizing committee. Governor Dwinell, when he was before this committee last week, had a revised list that brought the total authorization by AID up to $10,-975,000.

Are you familiar with that?

Dr. HANNAH. Yes, sir.

Mr. PASSMAN. That is what he testified to. These projects had been requested by AID of the authorizing committee; is that correct?

Dr. HANNAH. Correct.

Mr. PASSMAN. It is my understanding that Dr. Sabin had talked with you and also Dr. Morgan; I think he had several lengthy meetings with Dr. Morgan, and they discussed in great detail this American school abroad and established the facts that they were right on the verge of a breakthrough in the treatment and cure of cancer. Dr. Morgan said without equivocation that they must provide some funds for the Weizmann Institute. He talked to me and I said, "Doctor, I want to work with you but you better get AID to supplement their request so that when the authorization bill goes to the floor of the House for this institute it will be in there."

You are familiar with that?

Dr. HANNAH. Yes.

Mr. PASSMAN. No. 2, there is another institution to which we have provided substantial aid in the past and it is my understanding that Dr. Hannah, the Director of the AID Agency, is interested in, and that is the University of the Americas.

Dr. HANNAH. That is right.

INCREASING AID'S AUTHORIZATION REQUEST FOR AMERICAN SCHOOLS ABROAD

Mr. PASSMAN. Now, do I understand that you are going to increase your authorization request to the authorizing committee to include these projects?

Dr. HANNAH. Right.

Mr. PASSMAN. But you are going to increase your request?

Dr. HANNAH. Not beyond $25 million.

Mr. PASSMAN. I hope not beyond the $25 million. I could not conceive of you building it up to that much.

Now I want to restate that I believe it would be a lot better in the future—we have to have a gentleman's understanding—that we are going to do our very best not to fund projects unless the funds have been requested from the AID Agency through the authorizing committee. Now is that not a better procedure?

Dr. HANNAH. Yes. We are going to have to have an understanding that their request are going to have to be in early enough to be reviewed adequately.

Mr. PASSMAN. You have the understanding now?

Dr. HANNAH. We are going to follow it. You have agreed to it, Dr. Morgan agreed to it.

Mr. PASSMAN. Let's recess until tomorrow. The committee will adjourn.

TUESDAY, JUNE 22, 1971.

Mr. PASSMAN. The committee will come to order.

We shall continue our examination and discussion with Dr. Hannah, Director of the Agency for International Development.

TOTAL FOREIGN AID PROGRAM

Dr. Hannah, you have indicated what you believe to be the total foreign aid program. We discussed this matter to some extent yesterday and we read into the record one of your predecessor's interpretations of foreign aid. I think that his statement was fair and it covered foreign aid and assistance. We are not quarreling with you but we merely wanted to get the total funds made available for foreign aid programs and/or assistance, the full package.

I would like to insert in the record at this point the table showing 27 spigots of foreign aid and assistance.

(The information follows:)

NEW REQUESTS FOR FOREIGN AID AND ASSISTANCE

92nd CONGRESS, 1st SESSION - FISCAL YEAR 1972

1.	International Security Assistance	$ 1,993,000,000
2.	International Organizations and Programs	168,000,000
3.	Bilateral Assistance	1,077,000,000
4.	President's Foreign Assistance Contingency Fund	100,000,000
5.	Inter-American Development Bank	500,000,000
6.	Inter-American Development Bank (Supplemental)	486,760,000
7.	International Bank for Recon. and Devel. (Supplemental)	246,100,000
8.	International Development Association	320,000,000
9.	Asian Development Bank	40,000,000
10.	Asian Development Bank (Supplemental)	60,000,000
11.	Expanded Multilateral Assistance	35,000,000
12.	Receipts and Recoveries from Previous Programs	370,310,000
13.	Military Assistance (in Defense Budget)	2,250,800,000
14.	International Military Headquarters	74,400,000
15.	Economic Assistance (in Defense Budget)	90,900,000
16.	MAAG's, Missions, and Milgroups	262,600,000
17.	Permanent Military Construction - Foreign Nations	106,000,000
18.	Export-Import Bank, Long-term Credits	2,445,000,000
19.	Export-Import Bank, Regular Operations	1,195,639,000
20.	Peace Corps	71,200,000
21.	Ryukyu Islands	4,450,000
22.	Migrants and Refugees	8,650,000
23.	Public Law 480 (Agricultural Commodities)	1,320,400,000
24.	Contributions to International Organizations	160,680,000
25.	Education (Foreign and Other Students)	51,000,000
26.	Trust Territories of the Pacific	59,739,000
27.	Latin America Highway (Darien Gap)	20,000,000
TOTAL NEW REQUESTS - FOREIGN AID AND ASSISTANCE - FY 1972		$ 13,517,628,000

Mr. PASSMAN. I want the record to be abundantly clear that I am not condemning all the aid. Even if I had that right as an individual to condemn, my fairness would prompt me not to condemn all of this as being bad. It is a question of interpretation but it nevertheless calls for the payout of money either on a grant basis, concessionnary loan terms, or on regular loan terms if it applies to the Export-Import Bank. I want to be fair but I must get the total in the record at this point again and also state that since the preparation of this chart we ran into many more facets of foreign aid in different bills. I don't know whether we will subsequently try to put all of these pieces together and again come up with a total or rest our case on what we have inserted in the record.

I think that we should make it clear for the record that your request of $2 billion for the Agency for International Development, sometimes abbreviated AID, is only part of the total aid picture; is that right?

Dr. HANNAH. That is correct.

Mr. PASSMAN. So many times people confuse this with the total aid because it indicates the name of your Agency.

AID CONTINUING RESPONSIBILITY FOR SUPPORTING ASSISTANCE

Dr. Hannah, I am under the impression that the Foreign Affairs Committee is going to amend the Foreign Assistance Act of 1961 this year so you will be operating in fiscal year 1972 on the same basis as before, with the exception of possibly supporting assistance. Is that correct?

Dr. HANNAH. That is my understanding.

Mr. PASSMAN. On the basis of H.R. 8961, introduced by Dr. Morgan on June 7, 1971, will AID still administer the supporting assistance program or will it be transferred to the State Department?

Dr. HANNAH. If H.R. 8961 passes, supporting assistance will be transferred to part 2 of the Foreign Assistance Act under the military assistance part. But the responsibility for administering supporting assistance will still rest with the AID Administrator. What we intend to do, if this happens, is to group together our aid programs in Vietnam, Laos, Thailand, and Cambodia. If the Congress authorizes the position for the coordinator requested as part of H.R. 8961, then our plan is to coordinate these programs through this coordinator in State. He will also be responsible for coordinating the programs run by the Defense Department.

But in answer to your question, the responsibility for supporting assistance will still be with the AID Administrator.

Mr. PASSMAN. That would also be true with the military assistance portion?

Dr. HANNAH. We have never been responsible for military assistance.

Mr. PASSMAN. You had to coordinate it?

Dr. HANNAH. Coordination authority used to rest with the AID Administrator, but several years ago this authority was returned to the State Department.

My colleague tells me this authority was returned to the State Department in 1967.

Mr. PASSMAN. I am talking about previous years, practically every year since I was chairman of the committee, and the last 3 years even military was coordinated within the AID agency. This is just another piece of foreign aid. It is removed from your jurisdiction and that lowers the amount that is under your direction. Is that correct?

Dr. HANNAH. If the Congress eventually passes the Security Assistance Act part of the President's program, then we will cease to be responsible for supporting assistance.

Mr. PASSMAN. I had reference, Dr. Hannah, to military assistance. When they removed the military assistance out of the Administrator's supervision, that lowered the amount that the AID Administrator had direction over, did it not?

Dr. HANNAH. That is right.

PROPOSED SHIFT OF RESPONSIBILITY FOR SUPPORTING ASSISTANCE

Mr. PASSMAN. That is all I am trying to establish. That is what I have said so many times until I even remember saying it in my prayers—fragmentation. It actually makes it hard to keep up with this.

Under the proposed legislation—if it passes—supporting assistance will be removed from under AID—that is further fragmentation which also reduces the amount that you have direct supervision over. Is that correct?

Dr. HANNAH. That is correct.

Mr. PASSMAN. It does not alter it from being grant aid?

Dr. HANNAH. That is correct.

Mr. PASSMAN. Thank you, Dr. Hannah, you are very fair.

The objectives will be the same?

Dr. HANNAH. Yes. The objectives will be the same. Of course——

Mr. PASSMAN. Thank you. If they will, that is it.

Dr. HANNAH. Yes, sir.

Mr. PASSMAN. Doctor, with respect to the fragmentation, I think that we have agreed the objectives are the same. It is economic aid if it is supporting assistance, even though you do limit the number of nations; is that correct?

Dr. HANNAH. Correct.

POSSIBLE DELETION OF FUNDS

Mr. PASSMAN. If this section of the bill is passed, will you have certain requests which can be deleted because they were to be used in the conversion to the new organization? I am thinking specifically of the $15 million for the transitional costs requested for fiscal year 1972.

Dr. HANNAH. Yes. It was my understanding that that was already taken out.

Mr. PASSMAN. You have always been fair. I think that you have agreed that on all of these things there is an asking price and a taking price, an add-on and deletion process; is that right?

Dr. HANNAH. That is correct.

FUNDING POPULATION PROGRAMS FROM DEVELOPMENT LOAN FUNDS

Mr. PASSMAN. Thank you. If the Foreign Assistance Act of 1961 is amended this year to include the fiscal year 1972 amounts, will the grant funds relating to population growth be provided out of development loan funds again this year?

Dr. HANNAH. If H.R. 8961 stands as is, the answer is that at least part of our population program would have to be financed from loan funds. While this is a legislative decision, I would prefer to see a separate item put in for population planning and have it financed on its own feet, on the basis of what is now before the committee. If it stays as at present, it will have to be financed out of the development loans.

IMPLEMENTING SECURITY ASSISTANCE RECOMMENDATIONS

Mr. PASSMAN. Since it is obvious that you will not obtain the new legislation this year, will AID implement some of the recommendations contained in the President's message which do not require legislation?

Dr. HANNAH. Well, we will implement what I have already indicated on security assistance. We will group together our aid programs in Vietnam, Laos, Cambodia, and Thailand, all of which are supporting assistance. That is what is in the budget request. But that administrative reorganization can be done with the present legislation since the Indochina war area will all be funded from supporting assistance. As I indicated yesterday, we are going to move in the direction of trying to be effective and reduce the number of employees where we can without harming the program in accordance with the President's objectives. This is what we should have been doing anyway.

Mr. PASSMAN. All these proposals recommended have really confused the present situation with regards to foreign aid. I don't believe the President knows the specific details on the total proposal.

HOUSING GUARANTY PROGRAM

Does AID still administer the housing guaranty program?

Dr. HANNAH. Yes, sir.

Mr. PASSMAN. What is the projected activity of the program in fiscal year 1972?

Dr. HANNAH. May I put that in the record?

Mr. PASSMAN. Dr. Hannah, I certainly will agree if you don't have it.

(The information follows:)

Projected Activity of the Housing Investment Guaranty Program, Fiscal 1972

I. Latin American program:	
(*a*) Projects authorized and completed or under construction	$254, 074, 582
(*b*) Projects authorized	84, 881, 000
(*c*) Projects in process	103, 500, 000
(*d*) Schedule for processing, fiscal year 1972	107, 544, 418
Total Latin American American program, fiscal year 1972	550, 000, 000
Total congressional authority available	550, 000, 000

II. Worldwide program:	
(a) Projects authorized and under construction	31,300,000
(b) Projects in process	149,000,000
(c) Projects to be processed, fiscal year 1972	74,800,000
Total worldwide program, fiscal year 1972	255,100,000
Authority available FAA 1969	130,000,000
Prior authority	25,100,000
Congressional authority available	155,100,000
Additional authority requested FAA 1972	100,000,000
Total	255,100,000

Mr. PASSMAN. What are the sources of money to fund this program?

Dr. HANNAH. It is private money. The program stands on its own feet. There are no Government funds involved unless there is a major default, which has not occurred so far. Up to now the fees charged for the guarantees have covered the costs of running the program. It has been a successful program.

OVERSEAS PRIVATE INVESTMENT CORPORATION

Mr. PASSMAN. Why wasn't that activity also transferred to the Overseas Private Investment Corp.?

Dr. HANNAH. This was never proposed. The Overseas Private Investment Corp. is concerned only with guarantees for U.S. investment overseas and the insurance program. The guarantees for investment and the insurance for this investment have been going on for about 20 years by OPIC and its predecessors. The Housing Investment Guarantee Program was originated in 1961.

Mr. PASSMAN. Also OPIC makes loans for American business people who want to open businesses abroad?

Dr. HANNAH. Yes; but they have a very minimal amount of money. They have not loaned any yet.

Mr. PASSMAN. From little acorns big trees grow.

Dr. HANNAH. It could.

Mr. PASSMAN. It does. The record shows how all of these programs get started. Look at the prior years' appropriations and what they requested this year. Their purposes, their intent and the legislation sets them up as a lending agency as well as a guarantee investment agency, does it not?

Dr. HANNAH. Yes; it could Mr. Chairman. I am only saying so long as I am the chairman of the board of OPIC we are not going into the loaning business.

Mr. PASSMAN. Doctor, you are very fair, but have I made a fair statement; under the legislation they had a request in for loans, did they not?

Dr. HANNAH. Yes; they did but they withdrew it. They have a small sum of money.

Mr. PASSMAN. You said that so quick I didn't get it. Did the reporter get it?

Dr. HANNAH. Yes, sir.

Mr. PASSMAN. As long as you are Administrator, you are not going to permit this to happen?

Dr. HANNAH. They have a very small amount of money that is available for direct lending.

Mr. PASSMAN. I say, from little acorns big trees grow. I am trying to establish a record that their intentions were that they were going to make loans for businesses from America to be established overseas. They had that in mind?

Dr. HANNAH. Yes, sir.

Mr. PASSMAN. Thank you, Doctor.

As the Administrator, you are going to be sure that this does not happen?

Dr. HANNAH. Correct.

Mr. PASSMAN. Thank you.

Dr. HANNAH. I am only the Chairman of the Board of OPIC. I am not OPIC's chief executive officer.

Mr. PASSMAN. I am satisfied with you being Chairman of the Board.

COST OF HOUSING GUARANTY PROGRAM

Doctor, you indicate on page A–15 that this program operates without cost to the taxpayer. Didn't the taxpayer provide the original funds, and the fees charged do not revert to the general fund of the U.S. Treasury, do they?

Dr. HANNAH. May I have the question again?

Mr. PASSMAN. Didn't the taxpayers provide the original funds and fees charged, do they revert to the general fund of the Treasury?

Take the first part. Did the taxpayers provide the original funds?

Dr. HANNAH. For the guaranty?

Mr. PASSMAN. Yes.

Dr. HANNAH. There is no funding for a housing guarantee. The fees collected for the guarantee of the investments cover all the costs of the program. The faith and credit of the United States——

Mr. PASSMAN. You have reserves? If you pay out of that reserve——

Dr. HANNAH. I guess that is right.

Mr. PASSMAN. Isn't that right?

Dr. HANNAH. We retained $50 million of the foreign investment guaranty fund, which had been accumulated from the collection of fees for the guarantee of investments, for the housing investment guarantee fund.

Mr. FLINNER. It was out of the total reserve that had been established and accumulated for all investment guarantee.

Dr. HANNAH. Was this reserve created with appropriated funds? The answer is "Yes?"

Mr. FLINNER. No; the reserve was accumulated from fees charged by AID for the guarantee of investments overseas. However, operating expenses are paid for entirely out of current fees collected and not from reserves.

Mr. PASSMAN. Originally it was still taxpayers' funds?

Dr. HANNAH. Right. I am not trying to be devious.

Mr. PASSMAN. I know that you are not. I don't worry about your being evasive.

I want to go off the record just a moment.

(Discussion off the record.)

UNTYING OF BILATERAL DEVELOPMENT LOANS

Mr. PASSMAN. Dr. Hannah, in the President's message of April 21, 1971, concerning foreign aid, I noticed on page 4 he states the following: "there has been satisfying progress toward achieving the untying of bilateral development loans on a fully reciprocal basis." Further, "virtually all the industrial countries agreed to the principle of untying."

Do you have any estimate of the effect this untying of U.S. aid has had on the U.S. business community?

Dr. HANNAH. The untying policy thus far, as you know, applies only to other underdeveloped countries. This so far has had no effect on the U.S. business community.

Mr. PASSMAN. By this is meant the loans are not tied to the purchase of American commodities?

Dr. HANNAH. That is right. They can buy within the home country or from other developing countries.

Mr. PASSMAN. Or pay for it with U.S. dollars?

Dr. HANNAH. In the United States.

Mr. PASSMAN. I understand that.

I don't say they won't buy it here, but under this proposal they can take U.S. dollars that we provide them and buy in their own country or any countries in this area?

Dr. HANNAH. You are talking about loan funds?

Mr. PASSMAN. Yes; it is not tied to U.S. commodities?

Dr. HANNAH. It is tied to U.S. commodities unless they acquire them within their own country or from other less developed countries.

Mr. PASSMAN. I thought that I made that abundantly clear. I am trying to untangle this so we don't have some fuzzy language that can be read half a dozen different ways. Under this proposal and under these concessionary loans, which is a low interest rate, 40-year term loan, it is no longer tied to American commodities. They may buy in their own country or from other developing countries; is that true?

Dr. HANNAH. Yes, sir.

Mr. PASSMAN. I wanted to make it all-inclusive that you are not going to preclude them. Have I stated the case correctly?

Dr. HANNAH. Correct. This was effective September 15, a year ago.

Mr. PASSMAN. I understand that. I have been on this committee 17 years and I read these things. It may surprise you but I do know what goes on with respect to this. I think it was a very unwise decision but it was made and that is the way you are operating.

Are the countries obtaining goods from other nations on an increased basis with funds provided by the U.S. aid program since this untying policy has been in effect, Dr. Hannah?

THE EFFECT OF LOAN UNTYING

Dr. HANNAH. There has been no substantial effect as we knew there wouldn't be.

Mr. PASSMAN. You make the statement that you knew there wouldn't be. If you knew there wouldn't be, why waste paper and ink changing the policy?

Dr. HANNAH. Because it is largely a moral matter with them. We started untying when the President first applied it to Latin America and then worldwide. There are some estimates——

Mr. PASSMAN. It is worldwide?

Dr. HANNAH. It is now. But we are not talking about untying to the developed countries unless they reciprocate. You know——

Mr. PASSMAN. Doctor, you don't have an aid program in fully developed countries, do you?

Dr. HANNAH. No.

Mr. PASSMAN. Why include them? I thought we have always been dealing with developing countries. Isn't that primarily the purpose of AID, to help developing countries?

Dr. HANNAH. It is the only role in AID.

Mr. PASSMAN. Thank you.

Dr. HANNAH. Mr. Chairman, Mr. Flinner now handed me the estimate as to the amount of loan money that was spent for procurement in other underdeveloped countries from September 15 to June 1, and it is $1,072,013.

Mr. PASSMAN. It is a new program. It takes time for them to change it, does it not?

Dr. HANNAH. That is not really the issue, Mr. Chairman.

Mr. PASSMAN. It may not be with you but it is an issue with me.

Dr. HANNAH. Let me finish the statement. The concern is that what would happen if we were to untie aid so that, for example Bolivia could take money that they borrowed from us and spend it in Japan or in West Germany or in Britain or somewhere else. There is no intention to untie to the developed countries except on a fully reciprocal basis. There is a good deal of agitation about it and meetings are being held in which our country has agreed to untie reciprocally if the other developed countries will agree to untie. We anticipate if everybody unties, we would probably gain rather than lose. But this worldwide untying is not likely to happen.

Mr. PASSMAN. It is a possibility?

Dr. HANNAH. It is a possibility, but France, Canada, and some other countries have reservations about it. We are not pushing it. It is my guess it could be a long time before there is any agreement to untie to other developed countries.

Mr. PASSMAN. This was like lightning striking when this proposal was made. All the developing countries, large or small, earn convertible currencies from the exports from their countries, do they not?

Dr. HANNAH. Right.

Mr. PASSMAN. They are privileged to spend their money any way they want, to, and trade with any countries. Is that correct?

Dr. HANNAH. Right.

Mr. PASSMAN. It does not really matter if we give them these dollars, which are a very small percentage of the total dollars that they have available in convertible currency which they may spend wherever they please. Is that a statement of fact?

Dr. HANNAH. That is correct.

Mr. PASSMAN. I have often argued with these people who say we no longer have an economic aid program in country A, but if country A has a military assistance program and we finance the military, then this releases to them their earnings from their exports to carry

the same type of projects that you may fund out of AID. Is that true?

Dr. HANNAH. Correct.

THE AFRICAN DEVELOPMENT BANK

Mr. PASSMAN. I notice on the same page of the President's message that he indicates we are working with others to establish a soft loan window in the African Development Bank; is that correct?

Dr. HANNAH. Correct.

Mr. PASSMAN. How much is the United States going to have to contribute to this African Bank?

Dr. HANNAH. We have, as yet, contributed nothing to a soft loan window; yet, we hope to make a contribution in concert with other donors.

Mr. PASSMAN. Why did the President comment on it then?

Dr. HANNAH. Under the auspices of the Development Assistance Committee, a group of potential donors are preparing, with representatives of the Bank, a charter of a special fund. We are anticipating that sometime down the road, after they get themselves organized and overcome some of the management problems that they have had, the United States might make a contribution of up to $15 million to the African Development Bank as the U.S. share of a special fund for this international financial institution.

Mr. PASSMAN. Are you familiar with farming to some extent?

Dr. HANNAH. Yes, sir.

Mr. PASSMAN. You have to plant a seed before the plant can come up?

Dr. HANNAH. That is true.

Mr. PASSMAN. I guess this was really what you would call the President planting a seed. Would you accept that as factual?

Dr. HANNAH. I don't think that that was the objective.

Mr. PASSMAN. I didn't say it was the objective. Isn't that the effect? The President's message, indicates we are working with others to establish a soft loan window in the African Development Bank.

Isn't that laying the foundation for subsequent consideration?

Dr. HANNAH. It could be that way.

Mr. SHRIVER. Would you yield?

Mr. PASSMAN. Yes.

THE CARIBBEAN DEVELOPMENT BANK

Mr. SHRIVER. Last year there was testimony before us that we were going to loan the Caribbean Development Bank $6 million, and then later I read in the press that it was $10 million we were going to loan. We are not a member of the bank but we are going to loan this bank composed of 16 small countries in the Caribbean area $10 million at low-interest rates for 40 years. It is 2 percent interest during the initial 10-year initial grace period and 3 percent thereafter.

What happened? Did you loan $6 million or $10 million? What is the status of that loan?

Dr. HANNAH. I think that we loaned the $10 million, Mr. Shriver.

Mr. PASSMAN. What is the institution?

Mr. SHRIVER. The Caribbean Development Bank.

THE DOLLAR SCARE

Mr. PASSMAN. Dr. Hannah, did you read in the paper that an official walked in a restaurant overseas and they wouldn't accept U.S. dollars in payment?

That is right. Some of the hotels demanded 5 percent discount before they let someone check out with the dollar scare the other day.

Dr. HANNAH. I didn't hear that.

Mr. PASSMAN. A lot of the hotels wouldn't even accept dollars.

Dr. HANNAH. I know in Western Europe that is true.

Mr. PASSMAN. I am talking about Western Europe. We are really talking about the intellectual part of the world other than the United States, aren't we?

Dr. HANNAH. I guess that is part of the intellectual world.

Mr. PASSMAN. They are making fools out of us and this does not make you one individually because you are a smart man. How foolish can this country be to continue to force some of them against their will to accept our resources? Some of them have turned us down.

WITHHOLDING OF ECONOMIC AID

Doctor, has any economic aid been withheld from any countries purchasing sophisticated military equipment from other countries?

Dr. HANNAH. There has been economic aid withheld but I think that this year there has been none.

Mr. PASSMAN. I am talking about this year.

Dr. HANNAH. None.

UNDISTURBED BALANCES IN CHILE

Mr. PASSMAN. It is my understanding that Chile is continuing to expropriate U.S. company properties. Is that correct?

Dr. HANNAH. That is true.

Mr. PASSMAN. What do we have undisbursed to the credit of Chile in all spigots of the aid program?

Dr. HANNAH. There have been no new loans to Chile, as you know, since last April.

Mr. PASSMAN. That is not what I asked. You are a very fine man. Give me the answer to my direct question. I will ask followup questions. I want to know what is presently to the credit of Chile in undisbursed funds from all spigots.

Mr. FLINNER. Mr. Chairman, I can get on the phone and get that.

Mr. PASSMAN. Do you have it for any one spigot?

Mr. FLINNER. No.

Mr. PASSMAN. Either one of the spigots, development loans?

Mr. FLINNER. Not the estimated June 30 figure.

Mr. PASSMAN. Furnish it for the record.

(The information follows:)

Estimated undisbursed balance for Chile as of June 30, 1971

	In millions
Loans	$20.8
Grants	1.3
Total AID	22.1

Mr. PASSMAN. Are you making any disbursements or have you frozen the unexpended balance?

Dr. HANNAH. There are no new loan or grant projects for Chile.

Mr. PASSMAN. I never get the questions answered. I didn't ask you about new grants. I am speaking of purely unobligated funds previously credited to Chile and in which future disbursements would be made under normal conditions. I am not asking you about any additional allocations but previous allocations in which disbursements have not been made.

Are you making any disbursements out of those balances?

Dr. HANNAH. Again, I am not being devious at all. The decision was made by our Government when Mr. Allende was elected to the Presidency of Chile that the posture of our Government should be to wind down our aid programs, and to continue programs that were in effect. They were very modest programs. ———.

Mr. PASSMAN. Thank you. You made a very sincere statement. Now may I ask you the question again: Are you making any disbursements out of previously allocated funds to Chile?

My apologies for having to be persistent. All I want to know is whether or not we are disbursing funds out of previously committed funds for Chile.

Dr. HANNAH. Let me read this for the record because this is the story. The U.S. Government is honoring existing foreign assistance agreements with the Chilean Government and other Chilean institutions, and people-to-people activities are being continued. The undisbursed balance—here is the answer to the question that you asked—under active AID loan and grant agreements as of April 30 is about $22 million. The people-to-people activities include: first, Food for Peace voluntary agency programs, for which $6.8 million is projected in fiscal year 1972; second, the AID Special Development Activities project, which provides partial financing of small-scale self-help projects and for which $125,000 in AID grant funds is proposed in fiscal year 1972; and third, the Training for Development project for which $125,000 in fiscal year 1972 AID grant funds is proposed, for training selected Chileans in the United States.

Mr. PASSMAN. I understand that perfectly.

Dr. HANNAH. So that is the answer to the question.

Mr. PASSMAN. The facts are—and I am not trying to put words in your mouth—I wouldn't offend you if I could get paid to do it. The fact is that we have a very luscious program going on in Latin America making disbursements out of all of these items that you have indicated for the record, and I would assume that under other programs they are likewise continuing to make disbursements. Is that right?

Dr. HANNAH. On previous agreements primarily.

PUBLIC LAW 480 UNDISBURSED BALANCES IN CHILE

Mr. PASSMAN. How about Public Law 480?

Dr. HANNAH. That is part of the people-to-people program. That is handled through U.S. voluntary agencies such as CARE and Catholic Relief Services.

Mr. PASSMAN. People to people is good but we ask the question categorically. On Public Law 480 you deal through the Government?

Dr. HANNAH. The continuing Public Law 480 programs in Chile are handled by U.S. voluntary agencies in conjunction with local counterpart agencies. In one case the counterpart agency is a semiautonomous organization of the Chilean Government.

Mr. PASSMAN. There are tens of millions of dollars?

Dr. HANNAH. No.

Mr. PASSMAN. $22 million in one item, you say? I am talking about the aggregate. There are tens of millions of dollars going to be disbursed in Chile during fiscal year 1972 under the President's policy?

Dr. HANNAH. No.

Mr. PASSMAN. How much?

Dr. HANNAH. $22 million is the total development loan and grant pipeline credited to Chile. The question that you asked a while ago, some of these programs will be carried on and it all may be interrupted if Allende does what many people think he is going to do.

Mr. PASSMAN. I am talking about the present policy.

Dr. HANNAH. Under the present policy, if they continue to proceed as they are now, presumably the whole $22 million could eventually be disbursed.

Mr. PASSMAN. In one item alone?

Dr. HANNAH. That is the total undisbursed balance for all active AID loan and grant agreements in Chile.

Mr. PASSMAN. You say $22 million but you have other little items that you read in there. Public Law 480, which we always refer to as an aid spigot, you put this in people to people. Could we get the grand total?

Dr. HANNAH. Yes, sir. The $22 million pipeline applies to existing loan and grant agreements under the AID program to Chile. For fiscal year 1972 we have proposed no new development loans to Chile. Under the technical assistance grant program we have proposed $1.3 million in fiscal year 1972 funding. We have projected $6.8 million in fiscal year 1972 funds for the Public Law 480 title II voluntary agency programs.

INTER AMERICAN DEVELOPMENT BANK UNDISBURSED BALANCES IN CHILE

Mr. PASSMAN. We are large contributors to the Inter-American Development Bank?

Dr. HANNAH. We are.

Mr. PASSMAN. They have substantial loans approved for Chile in which disbursements are being made?

Dr. HANNAH. I understand they have.

Mr. PASSMAN. This is nothing of a personal offense to you. Nations can no longer insult us. They can go socialistic and communistic and expropriate and do whatever they want to and still get aid. To me it is extremely disappointing, and I hope and pray some day we will return to a basis of firmness that made this country so great and so respected. I go back to the Bogota conference when we had a complete understanding that there would be no approvals of projects or loans made or grants made until they had brought about certain reforms. The ink did not dry on the document before we started disbursing funds. I had to go through all that and now these people want a different form of government—and that is their business but they still

get U.S. aid. We regret so much they are going in that direction but I don't think it is fair to continue disbursing the wealth of America to nations who are making a complete reversal after we have given them so much money.

TOTAL ASSISTANCE TO CHILE

I want to place in the record at this point the total amount of aid we have given to Chile.

I want the record to show that through fiscal 1970 we have given to this country of Chile in various types of aid a net of $1,272 million.

Mr. GALIFIANAKIS. Mr. Chairman, is that loan assistance?

Mr. PASSMAN. All types. If you refer to the green book it will give you the breakdown. Mainly grants and concessionary loans.

What we should do is take the total. We will ask the AID agency to place in the record at this point an updated total. It is even greater than this now.

(The information follows:)

Total aid to Chile, fiscal year 1946 through 1971, estimated

Total, economic and military	$1,281,800,000

Mr. PASSMAN. This is the net after any payments have been made. This is the net figure.

It would appear to me that our assistance is ineffective because these governments decide to go to the left and they go regardless of what we do.

Dr. HANNAH. Mr. Chairman, may I respond to Mr. Galafianakis' question? The record book shows from 1946 through the end of 1970 there was a net total of $603.3 million provided through the AID programs, of which $529.7 were loans. That means a net of $529 million in loans and about $70 million in grants since 1946. ———.

CONCESSIONARY LOANS AS GRANTS

Mr. PASSMAN. Let's place this in proper context. I am not smart but I do have commonsense. If I moved onto another question, this record would be the most misleading thing you or any other person could read when you refer to these as loans. Your predecessor stated, one of the great ones, Mr. Bell, and verified by Mr. Gaud, that 60 percent of these loans were grant aid to start with because they were concessionary loans. Is that correct?

Dr. HANNAH. Yes; low interest or no interest.

Mr. PASSMAN. That is correct. Sixty percent of them are grant aid to start with on account of the nature and terms of the loan, is that correct?

Dr. HANNAH. That is as compared to high interest loans, the answer is "Yes."

Mr. PASSMAN. I don't care what you compare it with. The answer is correct—you said yes?

Dr. HANNAH. All right.

Mr. PASSMAN. These are low-interest, long term, most of them 40-year loans is that correct?

Dr. HANNAH. Right.

Mr. PASSMAN. Practically all of this tremendous disbursement of funds are in that category, are they not, with the exception of the grant aid?

Dr. HANNAH. Correct.

Mr. PASSMAN. That makes the case. Sixty percent to start with. It is the type of loan that I guess we would be very foolish to call a loan. It is a form of disguised grant. That has been established for the record time and time again.

What part of this $1,272,000,000 is owed to the Export-Import Bank?

Dr. HANNAH. I have nothing to do with that.

Mr. PASSMAN. It is another spigot. I am going to get it all together; $250 million.

That represents a very small percentage of $1,272,000,000, doesn't it?

Dr. HANNAH. $250 million is a quarter of it.

Mr. PASSMAN. It is a rather small percentage of that. It is not a quarter of it.

Dr. HANNAH. One-fifth.

Mr. PASSMAN. It represents about 18 percent?

Dr. HANNAH. All right.

Mr. PASSMAN. To me that is a small percentage of it.

I just wonder when we are going to return to the system that made us great, that is fairness but firmness.

This is the first time it has ever been established for the record that we are going to continue a very voluminous program to Chile. It comes to millions of dollars, and to me it is a lot of money. ———.

POSSIBLE CHILEAN CONFISCATION OF AMERICAN-OWNED PROPERTY

Mr. GALIFIANAKIS. Mr. Chairman, could I ask a question at that point?

Mr. PASSMAN. Yes.

Mr. GALIFIANAKIS. Dr. Hannah, what does your intelligence show as to the likelihood of confiscation of American-owned property in Chile, for example? Is that a likelihood or an apprehension on your part?

Dr. HANNAH. ———.

Mr. GALIFIANAKIS. Do you have any information that as American property becomes subject to confiscation that the American company formerly domesticated there would continue in some form or fashion to do business with the outfit that was formerly their own outfit?

Dr. HANNAH. It can, of course.

As of this point, of course, both Kennecott and Anaconda are continuing to operate those plants, even though one company is now being "effectively" controlled by the Chilean Government. They are paying the U.S. people to manage the plants.

What the future holds, I do not know.

(Discussion off the record.)

Mr. PASSMAN. Chile is saying, we will take the dollars, you take the pennies. You are a very fair man. Sometimes I am a little harsh. Do not take offense at the way I ask these questions.

Dr. HANNAH. I do not.

Mr. PASSMAN. You people have a difficult job of administering this program, but you are bringing America economically to its knees around the world by continuation of this give-away program in 99 nations and this year it amounts to about $13.5 billion if you take all spigots.

So I do feel a responsibility of trying to point out as near as possible what the records are. Of course, we can gloss over these things, make it look better than it is, but when you take out the two big companies in Chile, ———. Does that not represent about 85 percent of the total investment which we guarantee?

Dr. HARRAH. No.

Mr. PASSMAN. What percentage?

Dr. HARRAH. It is less than 50 percent of the total in the two.

Mr. PASSMAN. But the two big ones?

Dr. HARRAH. Yes.

Mr. PASSMAN. Put it in the record.

We could argue all day and not get the answer. I do not know.

(Note: the insert was supplied to the committee.)

DEBT SERVICING PROBLEMS OF PAKISTAN

Mr. PASSMAN. Have there been any problems this year concerning the debt servicing capacity of countries receiving U.S. assistance, especially Chile?

Dr. HANNAH. No; they have problems. Pakistan has declared a moratorium on making payments that are due on their debts for a 6-month period, other than with their own money. They are going to pay all of the creditor nations on that basis.

Mr. PASSMAN. With their own currency?

Dr. HANNAH. Their currency.

Mr. PASSMAN. What is our amount? How much do they owe us in their own currency?

Dr. HANNAH. The amount coming due is $2.3 million. Wait. Payments due AID during 6 months total $7.6 million, payments due to the Eximbank for their loans and credits total $2.3 million.

Mr. PASSMAN. That is Pakistan?

Dr. HANNAH. Yes, $6.7 million, additional payments due Eximbank, U.S. Department of Agriculture, and other agencies mainly for airline, Indus Basin, and food loans not included as consortium aid.

Mr. PASSMAN. This is all-inclusive; is it not?

Dr. HANNAH. That is right.

Mr. PASSMAN. Put it in the record.

Dr. HANNAH. We will be glad to put this in.

(The information follows:)

PAKISTAN

Pakistan has told the aid donor governments that it cannot transfer foreign exchange to cover debt service payments due them for past consortium credits for the 6 months beginning May 1 and has asked for a general rescheduling of these debts. In unilaterally declaring this moratorium it has taken the position that it is not defaulting on its debts since it will make the payments as scheduled in rupees deposited in special accounts. The donors have not yet responded to the request for rescheduling the debt.

Payments due AID during the 6 months total $7,601,000. Payments due the Eximbank for loans made as consortium credits total $2.3 million. (There are $6.7 million in additional payments due Exim, USDA, and other agencies, mainly for airline, Indus Basin, and food loans not included as consortium aid. The Pakistan Government has said it will make these payments in dollars, as originally scheduled.)

Pakistan's total foreign currency repayable debt outstanding as of Decem-31, 1969—according to the latest IBRD statement available—was $2.709 million, including $1.122 million owed to the United Nations.

Mr. PASSMAN. "Rolling over" means taking a past due loan, working out some kind of agreement to bring it up to date. Is that the proper definition of rolling a loan over?

Dr. HANNAH. That is correct.

TECHNIQUES OF DEBT SERVICING

Mr. PASSMAN. I believe last year we established that one or maybe more of the nations would not even pay the 2 percent interest they agreed to on loans and we had to add that to the principal and roll them over. Are you familiar with that kind of testimony last year?

Dr. HANNAH. Yes; I believe it was Indonesia.

Mr. PASSMAN. Yes; I made that record, because even though those loans became due with a low 2-percent interest rate, the United States paid 6 percent to give them these disguised grants, they would not even pay the low amount. They want to make it a part of the principal and roll it over.

Mr. GALIFIANAKIS. Mr. Chairman, when is the interest normally due and payable?

Mr. PASSMAN. Annually.

Mr. GALIFIANAKIS. What course of action is taken when there is an arrearage or default?

Mr. PASSMAN. You roll it over.

Dr. HANNAH. No. We have countries that have been in trouble, but again, Mr. Chairman, I am sure you want to be fair.

Mr. PASSMAN. I certainly do.

Dr. HANNAH. I do not want to be anything but honest.

Ordinarily there is a 10-year grace period when the borrower pays only the interest, no principal payments. Then from that point forward, he pays the interest and, depending upon whether the loan is 30 or 40 years, the fraction that is due in one thirtieth, or if it is 30, or one twentieth has gone by. AID has been in operation only since 1962.

Mr. PASSMAN. You mean the Agency for International Development?

Dr. HANNAH. That is right, AID. Prior to AID there was point IV, TCA, ICA, MSA, FOA, reorganized under different names. But worldwide, the total loans between 1946 and 1961 by AID predecessors was $4.8 billion.

The countries that borrowed the $4.8 billion have paid, in interest, $1.4 billion, in principal $2.0 billion, a total of $3.4 billion on the total borrowings of about $4.8 billion.

The point I want to make is that while there have been problem cases like Indonesia that got in trouble, it is not because of the loans from the free world but because of the very large loans from the Soviet Union. This took a long operation to work out a settlement and deferral of the total package, because we certainly were not going to provide more loan money for them to pay interest on Soviet loans.

TOTAL LOAN DISBURSEMENTS

Mr. PASSMAN. Dr. Hannah, I am absent-minded. Let's get this record now.

You mentioned the $4.8 billion total in loans.

Dr. HANNAH. Right.

Mr. PASSMAN. How many nations did you name?

Dr. HANNAH. This was the total of all borrowed money.

Mr. PASSMAN. All right.

How much additional grant aid and long-term concessionary loans have we made to the same nations?

Dr. HANNAH. We will have to get that for the record. I do not have it.

Mr. PASSMAN. It may be 10 or 15 times that high?

Dr. HANNAH. No, no, not through AID, or through its predecessor agencies.

Mr. PASSMAN. I am talking about AID and predecessor agencies. What have you disbursed out of AID? Talk about the entire program since its inception.

Dr. HANNAH. From 1962 to 1970 AID has provided about $18.8 billion; $9.6 billion in loans and $9.2 billion in grants.

Mr. PASSMAN. I am not going to fuss about confusing the record. I know you want to be honest and I want to be, too. Let's look at just AID, just that one spigot.

AID does not mean the amount of foreign aid, it means the name of an agency, Agency for International Development; am I correct there?

Dr. HANNAH. Correct.

Mr. PASSMAN. All right. If we go only to AID, just AID, you have provided a net of $46.143 billion to various countries for fiscal year 1946–70.

Dr. HANNAH. That is AID and all predecessor companies.

Mr. PASSMAN. OK, "predecessor" simply means AID under a different name; is that correct?

Dr. HANNAH. Correct.

Mr. PASSMAN. We changed the name seven times and we are trying to change it again, are we not?

Dr. HANNAH. Well, it could happen.

Mr. PASSMAN. They asked for it, have they not? What you mentioned is only 10 percent of this total; is that not correct?

Dr. HANNAH. No. I was talking about the amount through AID since 1962, which was $18.8 billion according to this arithmetic and I assume it came from the same source.

Mr. PASSMAN. It says here, 1962, if I pick up AID and predecessor agencies in establishing your $4.8 billion; does it not?

Dr. HANNAH. That is right.

Mr. PASSMAN. Let me use the same terminology, putting the grand total in; is it not $46.143 billion, not counting fiscal 1971?

Dr. HANNAH. Correct.

Mr. PASSMAN. OK. That is only 10 percent. So who would not pay back a dollar to get nine more?

Dr. HANNAH. When you are talking about loans of our predecessor agency, we are talking about the loans between 1946 and 1961.

Mr. PASSMAN. I used the correct figure, $46.143 billion.

Dr. HANNAH. There you have loans and grants.

Mr. PASSMAN. Loans and grants?

Dr. HANNAH. Clear back to 1946.

Mr. PASSMAN. Is it not easier to pay back a dollar loaned and get $6 in grants? It is running 10 to 1.

Now Dr. Hannah, you know that I know you have nations getting funds out of International Development Association for each $1 they put up they get $40 back, and are you familiar with that?

Dr. HANNAH. Yes.

Mr. PASSMAN. So who would not?

Dr. HANNAH. Well, Mr. Chairman, I am concerned with the Agency for International Development and I recognize there are all these other agencies of the Government and other devices.

Mr. PASSMAN. Yes, sir.

Dr. HANNAH. I have not any objection to you putting it in the record. It is all factual.

Mr. PASSMAN. As long as you say it is all factual, that is all I am interested in, but that is what is confusing. To use the abbreviated term for the name of an agency, when you refer to AID, you are talking about the Agency for International Development.

Dr. HANNAH. I am talking about the Agency for International Development, AID.

TOTAL DISBURSMENTS, ALL SPIGOTS

Mr. PASSMAN. And would you mind, you have been very accommodating, in the future would you spell it out, because so many people confuse the name of an abbreviated agency with the total amount of aid.

I will put in the record that the total disbursements, net disbursements, less any pay-backs since the inception of this total aid program have been $211 billion.

I do not want to offend you. Please do not take offense, but this is part of the game—not you, but the AID people, to confuse the Congress as to the total amount of the AID cost. I am not talking only about your agency, but total aid as such. It has been so fragmentized that it is hard to keep it together.

I do not like to haggle with you, I have a lot of respect for you, but at the expense of being irritating I am going to make the record for what it is.

What I will leave in the record are the facts as I understand them, and substantiated by your own AID agency. When I finish getting the figures that will go in the record, it will be AID's figures and not mine. So there is no misunderstanding, I believe that this new sheet showing $13,517,628,000 under 27 spigots is out of the budget, is it not, Mr. Controller?

Mr. FLINNER. Yes, sir.

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

Dr. HANNAH. Mr. Chairman——

Mr. PASSMAN. I am not fussing at you. You only operated one little spigot of foreign aid.

Dr. HANNAH. That is all I have any responsibility for, that is what I think I should be questioned on.

Mr. PASSMAN. Who am I going to get these facts from, if I do not mention it here? Are you not the highest ranking person in the aid distribution business?

Dr. HANNAH. I do not know. I doubt that. All I am responsible for is the Agency for International Development. That is not very high up.

Mr. PASSMAN. As long as you answer questions I ask, or permit your supporting witnesses to answer them, I will try to limit my questioning to what is under your jurisdiction, but put in occasionally that this is one spigot of 27, then.

Yes, I yield to the gentleman.

NEED FOR ADMINISTRATOR'S OVERVIEW OF ALL SPIGOTS

Mr. GALIFIANAKIS. Dr. Hannah, I am really trying to take two viewpoints which are exceedingly interesting to me, as one who presumably sits as an overall policymaker with the rest of my colleagues on the policy of this country.

You have made, Mr. Chairman, some remarkable observations that ought to be noted from a Presidential vantage point.

I think Dr. Hannah probably is correct that he has a very wide jurisdiction and it is tough enough to justify and support his program, which in many instances he has done an excellent job.

In the present economic circumstances in which we find ourselves, we must do something for our own people in need. If the issue narrows to doing something for our deprived populace or doing something for others, you know what the answer would be if it were put on a popular basis. There is no question.

The question that I would propound now and it would seem that it would be of interest to you is what other facets or spigots pour into your jurisdiction that you also affect, so that we can understand what the total American influence is when it puts its hand out?

I never really get a real feel what that influence is. I have really, by way of commendation, thought that you have done very wonderful things. I suppose that you would be interested in setting new provisions for some of the loans, not making them so soft, if in fact the chairman says, "Let me show you there are five other spigots."

Mr. PASSMAN. Twenty-six others.

Mr. GALIFIANAKIS. Twenty-six others.

It would seem that it is vital that the Administrator take into account in making his overall judgment as to what he is going to do, where the other spigots are and what they do and how they help your overall humanitarian program. Is that not your point?

Mr. PASSMAN. No.

Let me qualify what I am going to say by saying there is no misunderstanding between me and Dr. Hannah. I hope that you understand me as well as Dr. Hannah understands me. We get along fine. You know that, Doctor.

Dr. HANNAH. Yes.

MANY SPIGOTS BY DESIGN

Mr. PASSMAN. The doctor knows exactly what I am doing. He cannot help but smile occasionally.

This program is so confusing and it is by design that it is that way. Let's be realistic about this thing.

In foreign aid, they will break off a piece from Dr. Hannah's agency and create a new agency, almost every year some new agency is created that takes another piece out from under Dr. Hannah.

Dr. Hannah knows exactly what I am leading up to. It may be confusing to new members of this committee, but it is not confusing to Dr. Hannah. Most of the aid that we are discussing in this bill was previously carried under predecessor agencies. We have had seven names for it. Now if I am going to render a worthwhile service, I cannot make a long record here with the AID Administrator on $2.105 billion. I have to get into the area of $13.517 billion, in which Dr. Hannah has great knowledge. He has great knowledge of it, but he does not have the responsibility.

Every time he makes a point that it is $2.105 billion he is testifying for, I have to make the point then that it is $13.5 billion, and if I do not do that, I am not rendering any significant service.

Now here is something we passed over a while ago, and I noticed the doctor's face is getting a little red, what is referred to as loans under AID or predecessor agencies are really disguised grants, because some of those loans were made with three-quarters of 1 percent interest for 10 years, is that not true? That was the interest for 10 years, is that not true?

Dr. HANNAH. There were some that soft.

Mr. PASSMAN. Yes; but that was a good part of it. You only changed it recently. Now you have a lot of them at 2 percent, do you not?

Dr. HANNAH. Two percent for 10 years, 3 percent thereafter.

Mr. PASSMAN. That should give you an idea of why I proceed on the basis I do. If I do not do that, it will never make sense. We go out and borrow the money at 6 percent, make it available to these people for 40 years at three-quarters of 1 percent interest previously and we are up to that fantastically high rate of 2 percent now.

Mr. GALIFIANAKIS. Would you suggest that Dr. Hannah be elevated to the post of responsibility for that $3 billion? Would that help the problem?

Mr. PASSMAN. No.

I suggest that Dr. Hannah sit here and answer my questions, as his predecessors have for 17 years and let me make the case in the hopes that the new members will subsequently read the hearings and read my statistics that I put out which are already from the AID agency.

Off the record.

(Discussion off the record.)

EXAMINING THE FOREIGN AID PROGRAM

Mr. PASSMAN. Let me say for the record that I do not only represent the wonderful people of the Fifth Congressional District of Louisiana on this committee, I am the representative of 206 million Americans. If I knew of any other way to examine the program other than the way I am examining it, I would pursue that course. I am not a foreign

aid enthusiast because I think it is going to some day bring us to our knees economically.

I keep up with what is going on. Of course we are losing our world markets. There is only one company left in America that manufactures radios. The market, from a manufacturing level, has gone to Japan.

I look towards Japan, so great has been their progress, a lot of it at our expense, where, in all probability, in 2 or 3 years they will be the largest steel producers in the world.

The time has come for this Nation to return to "trade in firmness" and not "aid in appeasement." That is the way I feel.

As an American and elected official sitting on this side of the table, I have a right to pursue my examination on that basis. The brains are on your side of the table, but you are not elected to represent the 206 million Americans. I am going to face up to my responsibility, knowing it would be so much easier if I would go along with the theory that everything is good and just say, "You are wonderful, and it is perfectly fair and I am so glad you are here to make this wonderful case for this superb program."

I am not constituted like that, because I think my background qualifies me to know the score and where it is going to eventually take us if we do not bring it under control. I do want to assure you at this point in the record before I proceed, as I have many, many times before, there is nothing personal about the way I examine. I think our present Administrator is, by far, the most superior executive of the Government it has ever been my privilege to examine concerning the foreign aid program.

Off the record.

(Discussion off the record.)

PROTOTYPE DESALTING PLANT

Mr. PASSMAN. Dr. Hannah, I notice the $20 million for the prototype desalting plant is still carried on the AID books in an unobligated status. Is that true?

Dr. HANNAH. That is right, it is still there.

Mr. PASSMAN. Would you tell the committee what disposition will be made of this $20 million?

Dr. HANNAH. There is no final decision what disposition will be made of the $20 million. The money will stay where it is now. The Department of the Interior is in the process of making a research study of the whole matter of water desalinization, to get us the answers that are necessary to know how to proceed in Israel and elsewhere. We did not go forward with the project in Israel because we thought that it would be better to have the Department of Interior do the basic research first.

There is some question as to whether what the Israelis proposed to do was going to make much of a contribution or going to be a redo of what has already been done. So it has been put in storage and it is still there.

Mr. PASSMAN. Off the record.

(Discussion off the record.)

Mr. PASSMAN. Back on the record.

DESCRIPTION OF ILLUSTRATIVE PROGRAMS

We are dealing primarily with a program so often referred to as an illustrative program, is that correct?

Dr. HANNAH. There are illustrative programs.

Mr. PASSMAN. I mean this program. You list where you think you are going to need these funds.

Dr. HANNAH. Right.

Mr. PASSMAN. But you have the right under the law to delete or reduce and transfer to other programs in other countries? You do have that flexibility in the program?

Dr. HANNAH. Yes.

Mr. PASSMAN. On the grant program, so as to make this record not look too bad, we know you are a good administrator, but when we speak of illustrative programs under the grant aid section, you could list the project as a hospital in Guatamala, take those same funds and build a summer resort in Morocco and not be in violation of the law, is that right?

I am using the extreme.

Dr. HANNAH. It might not be violating the law, but we would have a heck of a time the next time we appear before your committee.

Mr. PASSMAN. I am talking about the law. I am doing this so as to describe what is meant by an illustrative program. That is a statement of fact, you could do that without violating the law, could you not?

Dr. HANNAH. I guess we could.

Mr. PASSMAN. Thank you, Doctor.

One or more of your predecessors stated that the subsidy element in the development loans was 60 percent, or it was a grant aid to the extent of 60 percent on account of the concessionary interest rates that were provided to the recipients of this type of aid.

I believe with the new program where you charge them 2 percent during this 10-year grace period that the subsidy under this formula has been reduced to 46 percent; is that correct?

Dr. HANNAH. It sounds reasonable, yes, correct.

Mr. PASSMAN. Thank you, Doctor.

Off the record.

(Discussion off the record.)

INCREASING ABILITIES OF THE DEVELOPING NATIONS

Mr. PASSMAN. Dr. Hannah, on page A–1 you have inserted excerpts from the President's message. I note he states that lower income countries are increasingly able to shoulder the major responsibility for their own security and development, and he also indicates that other industrialized nations have greatly increased their aid to the lower income countries.

Now, No. 1, if these developing countries are able to shoulder the major responsibility for their own security and development, then why is there an overall increase in the amount of foreign aid and assistance over last year?

Dr. HANNAH. Again we are talking about the Agency for International Development.

Mr. PASSMAN. I am talking about the overall now. The President was speaking in overall terms, I would assume; is that correct?

Dr. HANNAH. Yes; that is correct. I will not answer the question with a speech, but it is a fact——

Mr. PASSMAN. Even AID has a very substantial increase.

Dr. HANNAH. In security assistance.

Mr. PASSMAN. Security and development?

Dr. HANNAH. Yes; but the increase is largely in the security part of it.

Mr. PASSMAN. Do you mean that your part is in security assistance?

Dr. HANNAH. Supporting assistance.

Mr. PASSMAN. The President said security and development.

Dr. HANNAH. OK.

Mr. PASSMAN. He used both words. He states that the lower income countries are increasingly able to shoulder the major responsibility for their own security and development.

Now, if that be true, then we would think that this request would be lower, not higher. Am I making a point?

Dr. HANNAH. Yes, you are making a point. There is an answer to it, that is that two-thirds of the people of the world live in these LCD's. Some of them differ very widely. Some of them are almost independent, some of them are a long way from being independent.

As I indicated yesterday, I believe with conviction that what happens in the United States in the decades ahead is going to be, to a considerable degree, influenced by what happens in the poor countries of the world. Because a country has had an increase in GNP of 5 or 6 percent a year for several years, that sounds pretty good until you remember that you may be talking about a country like Ethiopia where they start with a per capita GNP of $50. When you increase the per capita GNP by 5 percent, you go from $50 to $52.50. You have a long way to go.

I do not want to prolong the discussion because you make the point and you are making the record, and it is not unreasonable that you make it, but there is another side to it.

Mr. PASSMAN. There is not another side. I am quoting the President of the United States.

If you are my ward and I am subsidizing you and you start getting income elsewhere, I should say that you are now able to look after yourself. That means I can cut off the amount of subsistence I am giving you, could I not?

Dr. HANNAH. The times come when——

Mr. PASSMAN. All right.

Dr. HANNAH. Yes.

Mr. PASSMAN. Let's quote the President again. That is exactly what he said. I feel that way. Nevertheless, it follows that they are not shouldering more, the way I interpret it, that they are merely becoming more progressive but our AID program request is getting larger.

Let's take part 2 of the President's message. He also indicates that other industrialized nations have greatly increased their aid to the lower income countries.

Dr. HANNAH. That is true.

ASSISTANCE FROM OTHER DEVELOPED NATIONS

Mr. PASSMAN. We made one case in South Vietnam. The witness was stressing the aid that Japan had given. When we finally boiled it down we found out they had given about $19 million, and $12 million of that was in short-term, high-interest rate, high-profit exports into Vietnam. Which left about $7 million, I believe, contrasted with over $1 billion of various types of aid from the United States.

We just want to indicate that when you stress these things we also want to point out that there is another side to it. In doing so, we want to be fair.

AID DIRECTED THROUGH MULTILATERAL INSTITUTIONS

Briefly, Doctor, in fiscal year 1972 do you plan to move an increasing amount of bilateral funds through the multilateral channels where the U.S. funds are mixed in the pot with other donor countries or multilateral institutions, or is that under your supervision?

Dr. HANNAH. It is under our supervision as far as the UNDP part is concerned. Whether it remains under AID will depend on the action taken by the Congress on the authorizing bills. The recommendation is, again, that we increase our annual contribution to the UNDP to $100 million, which the budget request originally made some years ago. We have not yet reached that level. This year we are giving them $86 million and we have asked for $100 million in fiscal year 1972. We will make available whatever the Congress provides.

Mr. PASSMAN. Again you are very fair. I think we have agreed there is an asking price and taking price.

Dr. HANNAH. Yes, sir.

Mr. PASSMAN. You are very fair in doing that. I have always known that this thing comes down inflated.

MORE FLEXIBLE LOAN TERMS

Dr. Hannah, you indicate under the new foreign aid proposal that you plan to provide more flexible loan terms with a minimum interest rate of 1 percent for development loans. Is that correct?

Dr. HANNAH. Well, that was the proposal that was made, that there be flexibility and instead of loaning money on 2 percent for the first 10 years with no principal and 3 percent after that, it made much more sense to charge some countries much more and the really poor countries somewhat less. I am not really grasping——

Mr. PASSMAN. Did I state it factually?

Dr. HANNAH. That is the proposal in the reorganization package.

Mr. PASSMAN. Reduce it back to 1 percent, the old elevel?

Dr. HANNAH. That is one of the recommendations of the Peterson Task Force, if you come up with the——

Mr. PASSMAN. Was that one of the President's recommendations?

Dr. HANNAH. He recommended what Peterson said.

Mr. PASSMAN. That is all I am trying to get in the record. Don't try to gloss it over. It reads too smooth if we don't get it. As far as I am concerned, you are not going to get it. The formulas these bureaucrats cook up downtown intrigue me.

U.S. FINANCIAL CONDITION

On page A–23, the following statement is made:

The amount of development assistance being provided by the United States is modest compared to this country's economic capacity and to the efforts of other economically developed countries.

That is a statement on page A–23 of the justifications.

Dr. Hannah, before this statement was drafted did you consider the budget deficit facing this country in fiscal year 1972 and the dollar crisis that we are experiencing abroad?

Dr. HANNAH. Yes, we consider it always.

Mr. PASSMAN. You are a very fair man and I must say that the money we borrowed is a firm obligation of the Federal Government, is it not?

Dr. HANNAH. Yes, sir.

U.S. PUBLIC DEBT

Mr. PASSMAN. If we pass a statute saying to certain Americans that we are going to compensate you for the service that you have rendered in past years but we created no reserves with which to pay for this compensation, it is still an obligation on the part of our Government, is it not?

Dr. HANNAH. Yes, sir.

Mr. PASSMAN. Let me put this in the record. That is why I worry so much about what I see developing in my country. As I read the public record, our country since the adoption of the Constitution 181 years ago through December 31 of last week collected in revenue from the American people $2,235 billion have created an obligation to be paid by unborn generations of about 93½ percent alongside each one of those dollars collected. Our public debt as we sit here today and discuss this matter, is approaching $2 trillion. Every man, woman and child in the United States, whether babies born this morning or the old man that reaches 100 tonight whether he is an individual in prison or whether out working, paupers or millionaires, owe their Government $8,205 for our extravagance. It is costing over $8 billion a year to take care of our veterans.

I supported those programs. We created no reserves but merely passed a law. Statutes run for a mighty long time. We will draw our last check to the present living veterans and subsequent dependents 128 years from now. It is costing $3.7 billion a year to pay pensions of retired military personnel and that will require 132 years for the obligation to run out.

Let's look at one other, the Civil War, concluded 106 years ago, but our Government is still mailing out over 1,000 checks a month to widows and children of Civil War veterans.

Interest on the public debt is running over $51 million a day. All these things are growing bigger every day because it is easy to get up and vote for a statute. We don't take into account what it is going to cost. We don't create reserves. My country or our country has placed an obligation upon the heads of unborn generations of around $2 trillion. Personally I don't think it is right. I think we have lost all control of our fiscal affairs and when we look at this budget deficit for fiscal year 1971–72, together, no doubt, if we use the proper budget accounting, it will exceed $60 billion for these 2 years.

Dr. Hannah, you know what I am saying is making sense. I am glad that you put in the record that paying these pensions is just as much an obligation as it is to pay these bonds. Of course, I know that. When you take a nation that has put itself into debt to the extent we have, it simply means you are legally confiscating the savings of the thrifty of the past. Because of our extravagance since I came here at the end of World War II, my savings have been reduced in value by 58 percent. The dollar is only good for 42 percent and I earned some of those dollars by the sweat of the brow. That is one reason I try to look at this stuff objectively.

I hope, Doctor, that you will use your great ability to try to trim every place that you can. When future generations read the record of what we are getting them into during this generation it may not look so good that we spent money we didn't have for things we didn't need, trying to be everything to everybody on borrowed money and at the expense of these unborn generations.

It is going to get us in a lot of trouble but I can have the satisfaction of knowing that as it applies to me as an individual, I am thinking about the welfare of the next generation rather than the outcome of the next election. If I really want comfort I go to the Holy Bible and read the scriptures.

Don't you believe that somewhere along the way, to every extent possible, we should get our own house in order before trying to go too far taking care of the rest of the world?

NEED FOR INTERNATIONAL INVOLVEMENT

Dr. HANNAH. My answer is that we have no alternative. We are going to have to do both. We are going to have to get our own house in order.

Mr. PASSMAN. What if you cannot do both? Which comes first?

Dr. HANNAH. There is a fraction we are going to have to do overseas. If we are really interested in the future of the country and what kind of a life our grandchildren are going to have, we cannot walk away from our share of the responsibility of providing encouragement for those people in the poor countries of the world that want to help themselves. Where they will work, use their own resources, and where we are talking about only encouraging them to do the things that will help themselves, utilizing their own resources to provide better lives for themselves, I say, with complete sincerity and all integrity, it is not either/or. We are going to have to do both. We are not going to try to back out of the world. We cannot.

Mr. PASSMAN. That is the age-old story. Let me make my case. Giving away our wealth to secure our country is a new concept in foreign policy. It started after World War II. In foreign aid, look at Burma. They said, "Get out." They ran us out twice and we got back in and now we are out. You have no program in Burma. Look at Syria. They said, "Get out. You are not going to upset the standard we are accustomed to," so they ran us out.

Look at other nations. We previously had an aid program and seemed to be getting along all right but you people get it in your minds that this new nation, 181 years old, has to go out and give away its resources to civilizations that are maybe 2,000 years old. Some of the nations that you are giving this aid to are better able to furnish aid

than they are to receive aid. Look a Thailand, if you will. You are just as familiar as I am with what we are doing. Thailand and other nations, I will mention only one nation; we looked at their foreign exchange surplus of over $1 billion and we wanted to get our paws into it. We went over there and tried to borrow one-quarter of a billion dollars and they said no. After diplomatic wrangling they agreed government-to-government to make us a loan of $100 million, payable in four and a half years at 6 percent interest. Any intelligent government would have said to Thailand, "There will be no further aid until you have reduced your surpluses down to $500 million."

You can say all you want to about underdeveloped nations. You had underdeveloped nations from time immemorial in every tongue and civilization going back thousands of years. It makes a good story, but so far as I am concerned, my country comes first. I do know that we are getting our country fouled up. You know and I know we are pricing ourselves out of the world market in many areas, as I mentioned a moment ago. Of the many manufacturers of radios in this country, only one of them survived. This industry has gone to Japan. You know very well we let our market for steel shift to Japan. Many of our other markets are disappearing. Here we are pouring so many dollars abroad until there is $50 billion floating around the world in excess of the various countries' needs to meet their commitments to commerce. We don't have any way of paying them other than with gold and goods. We don't have the gold and they don't have the goods.

I don't know what is going to happen. You know what the balance-of-payments situation is and it is growing worse. I do regret so much that I have to talk like this, but who is going to do it? I am going to put this in the record and yield to other members—I have been in Congress 25 years and here is the way this program started. Some of the older Members well fortified by seniority walked down to the well of the House and addressed the Chair: "Mr. Speaker, we are now embarking upon an aid program. Conceivably it will cost this great Nation $15 billion. It may eventually take us into 16 nations of Europe and it could last 5 years."

You could have heard a pin drop. The idea—pouring this much wealth into countries after we had gone through this war, borrowing money to help them. But now you contrast that $15 billion with $211 billion. Contrast 16 nations with 123 nations. Contrast 5 years with 25 years and it is getting bigger moneywise and broader almost every year.

I have cited the facts as they are just to show you that we have lost control of it. I just hope that we will look at both sides.

I know that you have no answers to those questions. There is no question about it.

ASSISTANCE TO EDUCATION

Dr. Hannah, on page A–29 the following statement is made:

> Nearly all present systems reach too few people with the wrong kind of education and at prohibitive costs. Thus the crucial issue for the seventies is not just education, but the kind of education and how to deliver it at reasonable cost to great numbers of people.

I believe that is the direct quote?

Dr. HANNAH. Yes, sir.

Mr. PASSMAN. I think that you know that when it can be completely

justified I support hospitals and schools abroad, providing they have plagues on there indicating clearly that this building was built by friends from the United States of America. You don't quarrel with that?

Dr. HANNAH. No, sir.

Mr. PASSMAN. I think more can be accomplished through education than many other fields. When we are discussing the amount that is under the separate title, hospitals and schools abroad, percentagewise, that is a very small part of the total amount of aid, all spigots, for education abroad. Is that true?

Dr. HANNAH. Correct.

Mr. PASSMAN. I think it is good to let the record show that. I think previously we had an estimate of maybe some $200 million for annual costs of education abroad, and I wonder if you would update whatever information you may have. We are talking about education and we are speaking of buildings, facilities, and I should say teachers and everything that goes into the field of education.

If the figure is twice that high, I really wouldn't be surprised.

(The information follows:)

AID obligations for education [1]

Fiscal year	*Obligations (in millions of dollars)*
1966	137.5
1967	190.1
1968	202.8
1969	117.7
1970	186.6
1971 (estimated)	155.0

[1] Includes funds provided through development loans. Technical Cooperation and Supporting Assistance. Also includes contributions to international organizations and the program for American schools and hospitals abroad. Does not include the special provision in fiscal year 1969 of $0.45 million in Egyptian pounds for the American University in Cairo.

Mr. PASSMAN. I want to repeat that I think education is one field where much can be accomplished.

Would you support that?

Dr. HANNAH. Yes, Mr. Chairman. Since you raised the subject, I would like to clarify what I am saying. Here I am talking about education in poor countries. In the early days of development assistance the United States and the countries of the Western World just assumed that it was going to be useful to the countries in Africa or Latin America or Asia to get them to just borrow our educational system. That was not true then and it is not true now. I am really concerned. We have two needs of education in the poor countries. We have the requirement for education to give their people the kind of skills that are required to run a society, run a government, to collect taxes, to develop industrial systems, improve agricultural production, provide health, and all the rest of it.

The second need in a free society is that it is absolutely necessary that we have as nearly as possible universal education to bring people up to what we have been calling literacy. Not because there is any magic in reading and writing but because if people are going to participate intelligently in making decisions the citizens of a free society are called upon to make from time to time, they need to be able to distinguish between facts and propaganda and make unselfish deci-

sions. It is a fact that there are 300 million kids in the world who are not in school today. On the 22d day of June it is not because it is a vacation period but they have never been to school and they are not going to school because there are no teachers and no books. You are talking about a country like Ethiopia. I would like to go further on that country because it was never a colony and not limited on the part of some imperial power that didn't provide enlightenment and all the rest of it.

Here is a country with large parts of it not even in the money economy at all. If you are as generous as you can be, you come up with a per capita income of $70 a year or something like that. We are perfectly willing to spend several hundred dollars a year for primary education in this country. It is no answer to the Ethiopian educational problem to have them follow us down the road equating education with schoolrooms, with the teacher standing in front of 20 or 30 students, with all sorts of visual aids and so on, because they are just not going to be able to maintain that kind of a school system on their own resources.

I give you all that long explanation because what I am trying to say is, if anybody but an educator said this and I spent a whole life in education, I would be regarded as a critic of education. If we are going to solve the educational problems of the poor countries, and this is one of the things we have to work out, we are not going to do it by transferring our system. We are peculiarly unqualified to solve their problems for them. If this was an appropriate occasion and there was time, I would like to tell you what I think we are going to have to do. We are starting in our agency back at the beginning. To get the people in country "X," if it is Ethiopia or whatever the country is, to answer first the very simple question: What do you want to do with your country? What is it you would like to have?

You keep on asking questions until they come up with the answers. First you have to have enough to eat. You say that is increasing agricultural production. You have to have health and all the rest of it. They don't get very far down the road before they recognize that you don't have this in Ethiopia or anywhere else unless you have an educational system that will take what God gave their kids between the ears and develop it so that they can make some kind of a contribution to their society.

Then you have to have some of these people who have to have pretty sophisticated education so they can help run their system of government. You are not going to do it by looking to the United States or Britain or Germany. We are going to have to have universities. We have them there. We are going to have to have agricultural and teacher training schools. We are going to have to find some way other than through equating education with schoolrooms. That is what this is all about. Just because they cannot afford it. Now I do not intend to make a long speech.

FOREIGN AID AND EDUCATION

Mr. PASSMAN. It sounds good.

Dr. HANNAH. Well, it is true.

Mr. PASSMAN. It necessitates a little rebuttal. I think Ethiopia has had a kingdom there for about 4,000 years.

Dr. HANNAH. Theoretically, it goes back to the Queen of Sheba.

Mr. PASSMAN. How long is that?

Dr. HANNAH. A long time.

Mr. PASSMAN. Let's say 4,000 years. We are 181 years old, are we not?

Dr. HANNAH. Yes.

Mr. PASSMAN. Who ever said it was our responsibility to educate all the people in the world?

Dr. HANNAH. I did not say that.

Mr. PASSMAN. You can channel certain money into education and I am for it, but if you start letting the record show that it is our responsibility to do all these things, I deny that. I can only say if we are going to have a foreign aid program, I would like to see some of it channeled into education.

You know that I support education. It is a rather broad subject. It is a broad program.

When you put all these pieces together, I do want the record to show about how much of the AID money, all spigots, are going into the field of education. I am not quarreling about it, Doctor. I know that we cannot assume the responsibility of educating all the people. This will go on long after Dr. Hannah and Otto Passman have been called to the great beyond.

We will make a little progress. I want to get something else into the record.

I have been out in these poor countries. I never met happier people. Some people do not want to work too hard. They would rather have less and have fun. You do not quarrel with that. We know it is true in some of these Asian countries.

I hope this committee will go out there. They are some of the happiest people you will ever meet, those poor people. They have not been accustomed to caviar, filets, and pink champagne. They are satisfied with what they have. They think we are fools; if we are going to give it to them, they are going to take it. We should not confuse the record—I know you do not intend to—by referring to the gross national product of a nation or the per capita income. You have to associate it with something.

Now we have over a $1 trillion gross national product, I believe, going in this Nation for the last year, did we not?

Dr. HANNAH. Yes.

Mr. PASSMAN. But if you want to go back to 1940 and pick up the 1940 price tags and apply that to the $1 trillion GNP, you would have about $400 billion, would you not?

Dr. HANNAH. That is right.

Mr. PASSMAN. So you have to look at what inflation has done. You could run the GNP up to $5 trillion and not increase unit production one iota.

We have, of course. But let's be sure we relate this to something. It all depends on what you get for this per capita income.

Dr. HANNAH. I do not want to argue, Mr. Chairman.

Mr. PASSMAN. But I am right, am I not, you have to associate it with something?

AMERICAN INTEREST IN EDUCATION ASSISTANCE

Dr. HANNAH. That is right, but what you started off by saying was that really they did not have any stake or interest in what happened to kids in Ethiopia.

Mr. PASSMAN. I did not say you did not have any interest.

Dr. HANNAH. Let me say why I believe we are interested, not just because it is the Christian thing to do, that it is nice to feel sorry for poor people. If you look at the map of Africa, where Ethiopia is located with Somalia and some of her other neighbors anxious to foment the development of radicalism and communism in Ethiopia—if I may go off the record for a minute.

(Discussion off the record.)

Mr. PASSMAN. I want the record to show again that I have never quarreled with the hospitals and schools abroad item. I think it is the best type of foreign aid, providing you let the people know that this is furnished by U.S. citizens.

I do not want anything on the plaques that would be derogatory to their own nation, but I think it should be known that the United States helped. If you help a man when he is sick, he is always going to like you. If you are good to a child, he is going to like you. If you help people in this area, I think we should let them know that we are doing it.

Now, do you agree with me on this question? We have a free enterprise system in America built around the profit incentive, have we not?

Dr. HANNAH. Yes, sir.

Mr. PASSMAN. And that incentive creates initiative, does it not?

Dr. HANNAH. Yes, sir.

Mr. PASSMAN. Incentive and initiative are an unbeatable pair, we they not?

Dr. HANNAH. Yes. sir.

REMOVING EXCESS SPENDING FROM FOREIGN ASSISTANCE

Mr. PASSMAN. Our country became great, free, strong, and wealthy very quickly, if we think of 181 years as being quickly.

Dr. HANNAH. Yes, sir.

Mr. PASSMAN. Through hard work and honest dealings without any outside help. Now this idea that you have to help people is something new and yet I am willing for us to do it. But do you agree with me that in the United States you have this alert young man, president of a company, and when you increase taxes at the local level, the State level, the municipal level, the Federal level, excise and otherwise, all that has to be placed in the price of this commodity that this manufacturer produces? When he arrives at his board of directors meeting on December 31, he is going to have to indicate about a 6-percent dividend for the stockholders or he is replaced, is he not?

Dr. HANNAH. Yes, sir.

Mr. PASSMAN. So it simply means that through our excess spending we are gradually getting our prices so high until we are not competitive. We are competitive in many fields, but in many fields we are not competitive?

Dr. HANNAH. That is true.

Mr. PASSMAN. Is that not correct, Doctor?

Dr. HANNAH. It is true.

Mr. PASSMAN. We do know that just as sure as you are sitting across the table from me, we can unintentionally, isolate ourselves from the rest of the world through overspending and mismanagement; do you agree with that?

Dr. HANNAH. Yes, sir.

Mr. PASSMAN. So that is all I am trying to do, at the domestic level and on foreign spending, try to help take out the excess spending. When I look at the record, I see all these programs being fragmentized.

I always have to look at the grand total, Dr. Hannah. That is the only thing I can look at as chairman of this committee. We do not handle all pieces of this, but we handle an awful lot of it. Even though it is not under Dr. Hannah, we have to get into it with him. It is good for us to have this discussion.

Mr. ROYBAL. Mr. Chairman, off the record, if you please.

Mr. PASSMAN. Yes.

(Discussion off the record.)

PRESIDENT'S CONTINGENCY FUND

Mr. PASSMAN. Now let's look at the President's contingency fund. At one time they asked for about $5 million, then they moved it up to $10 million. Unless there is a typographical error, they are asking for $100 million in this program for fiscal 1972; are they not?

Dr. HANNAH. That is right.

Mr. PASSMAN. Do you have the least bit of justification for it?

Dr. HANNAH. Yes. Of course it was part of the security assistance program and it was designed to provide——

Mr. PASSMAN. Will you describe security assistance at this place in the record so we will know what that is all about?

Dr. HANNAH. The President's new program is divided into two parts. One is the development assistance, the other is security assistance. Security assistance is programs that are designed to attain short-range political objectives or military objectives.

Mr. PASSMAN. Is that kind of like the defense support and supporting assistance?

Dr. HANNAH. That is right.

Mr. PASSMAN. It is an economic spigot?

Dr. HANNAH. Supporting assistance is the economic spigot.

Mr. PASSMAN. It used to be known as defense support.

Dr. HANNAH. I guess so.

Mr. PASSMAN. Is that not right, Mr. Knauer.

Mr. KNAUER. That is correct.

Mr. PASSMAN. Okay. Defense support, then they changed it to supporting assistance. It follows, nevertheless, that it is economic aid in these countries out in the Far East.

Dr. HANNAH. That is right.

Mr. PASSMAN. Now let me understand it.

This so-called security assistance, that is a new title and spigot of foreign aid, is it not?

Dr. HANNAH. It is what has been MAP, Military Sales, what has been supporting assistance in AID.

Mr. PASSMAN. Do you put supporting assistance in that category?

Dr. HANNAH. Supporting assistance.

Mr. PASSMAN. Then why would you need the President's contingency in there with all these other spigots to draw from?

PRESIDENT'S PROGRAM FOR SECURITY ASSISTANCE

Dr. HANNAH. Let me answer the question. This is a decision with which I am in full sympathy. I think development assistance would be much better off if MAP, military sales, and the economic input which has been supporting assistance is in one package, so that you and everyone else, the people of the country, the taxpayers of the country know what that part of the program is for and is justified on the basis of what it is being used for.

Now, when we are in a war situation as we are in Vietnam, Laos, Cambodia, and to a degree in Thailand——

Mr. PASSMAN. Korea?

Dr. HANNAH. We have no supporting assistance for Korea in the President's program as it came to the Congress.

The recommendation was that we take all of the aid, supporting assistance and the aid which has to do with increasing agricultural production, education, health, all the rest of it, because it is almost impossible in a war situation to separate what is development and what is supporting the military program. The proposal was that we put the total program in Vietnam, Laos, Cambodia, and Thailand in supporting assistance.

Now we have had a lot of experience in Vietnam. In spite of the fact, of course, as we wind down the war it is going to be a different situation over there, I think we could do a reasonable planning job for Vietnam.

In Laos and Cambodia, it is a much more difficult situation. So the $100 million contingency was to provide the President the maneuverability that might be necessary in fiscal 1972.

Now the Congress has turned the new proposals down, to all intents and purposes, and the decision has been that you are not going to enact, at least to be effective in 1972, the President's program. The hope is that you will go forward, the Congress will go forward with the security assistance package and make it effective in 1973.

Now we come back to contingency. Now if this was a part of the old AID program—you know we were accustomed to asking for $30 million and getting $15 million. I think this last year we had $22.5 million in two pieces, part of it in the supplemental.

Mr. PASSMAN. I understand.

NEW REQUIREMENTS FOR CONTINGENCY FUNDS

Dr. HANNAH. But now we have something else that has come into the package totally unexpected.

Mr. PASSMAN. Certainly.

Dr. HANNAH. Here we have 6 million East Pakistan refugees in India, plus one and a half million to 2 million people in East Pakistan who were the victims of the flood and cyclone some months ago.

Mr. PASSMAN. You will have a similar situation a thousand years from now if you live that long.

Dr. HANNAH. But never in modern history have we dealt with 6 million refugees in somebody else's country.

Mr. PASSMAN. Dr. Hannah, is it not true some of that is brought about by the war between the two segments.

Dr. HANNAH. Yes; there is not any question that we are going to pay our share, we are going to have to take a part of it. Certainly some of our political figures want to run down the road and indicate maybe we were going to take on the major share to the job as much as we did in the Peru earthquake. Well, you cannot carry this kind of a burden alone.

Mr. PASSMAN. But it was created by a civil war in Pakistan, mainly; is that correct?

Dr. HANNAH. I am only interested in the end result.

You are going to have——

Mr. PASSMAN. I know, but I have to find out so I can answer the questions of Members. This situation was created by an internal civil war in that country, is that correct?

Dr. HANNAH. Yes; the civil war was in East Pakistan; the refugees are in India.

Mr. PASSMAN. Now if I may, Dr. Hannah, this President's contingency, is it limited purely—if this legislation is to become effective—to the countries that you named in the Far East, or is it worldwide?

Dr. HANNAH. As it was asked for in the President's budget, it was a part of the security assistance package, but it would have been available worldwide for security, development, and humanitarian purposes.

Mr. PASSMAN. Wait just a minute, Doctor. Let's get the record. It is worldwide.

Dr. HANNAH. But——

Mr. PASSMAN. Wait a minute, let me ask the question.

It is applicable to the entire world?

Now you further make the case that the bulk of it no doubt would be spent in a certain area.

Dr. HANNAH. Yes.

Mr. PASSMAN. But so far as the flexibility, it is worldwide, is it not?

Dr. HANNAH. It would have been.

Mr. PASSMAN. Just like the old program, worldwide?

Dr. HANNAH. It would have been.

Mr. PASSMAN. Thank you, Dr. Hannah.

Dr. HANNAH. But——

TITLES FOR SECURITY ASSISTANCE

Mr. PASSMAN. Let me make the case, please. You are the spender. As I say, you are a past master at a lot of things, too, and it is very much in your favor that you possess that great wisdom. I am only a country boy now trying to make a record.

Now this security package, with this new title, I should assume that the people who cooked this up think it is easier to get funds if they put the label "security" on there; would that follow as being a fair observation?

Dr. HANNAH. It could be.

Mr. PASSMAN. That is all I am asking, if it could be. And I would assume that they have special men cooking up these names like "De-

fense Support." It sounds like you are going to buy guns, but in reality it is just nothing but economic aid.

Then that kind of began to smell a little. They buried that. They cooked up Supporting Assistance. That began to smell a little. So they bury that. They cook up Security Assistance. You know and I know it is the same thing, economic aid with a different name and with something that sounds just like you are going to buy gunpowder with it. That is what makes this thing so confusing.

If they would give it the correct title, then, of course, we could live with it.

Now, with respect to this $100 million President's contingency fund, what are you going to ask for inasmuch as you do not expect this legislation? Are you going to ask for any contingency fund at all, Dr. Hannah?

Dr. HANNAH. The contingency fund level proposed in the Morgan bill was $100 million.

Mr. PASSMAN. How much?

PAKISTAN REFUGES AND THE CONTINGENCY FUND

Dr. HANNAH. They are now in the process of looking at it. They have just begun to consider this bill.

The point I made with Dr. Morgan yesterday was that no one conceived of having this number of Pakistan refugees in India. We are going to have to face up to it.

Mr. PASSMAN. Could they not be helped greatly out of Public Law 480?

Dr. HANNAH. Yes, part of our assistance will be Public Law 480.

Let me give you the size of this thing. Our experience is, we are carrying 300,000 refugees in Laos in supporting assistance.

It is costing us, and this is a very modest program, people in their own country, all you are doing is feeding them a little rice and a little fish and living in tents, camps; this costs us $17 million a year. Six million people is 20 times 300,000.

Now if you could feed and maintain these East Pakistan people at that rate and I do not think you can because of the heavy costs now for shelter and sanitation, but you are talking about $340 million a year. We are not going to carry all of that. We will only carry a part of it. For the moment the cost is going to fall to disaster relief, which is part of my responsibility.

Mr. PASSMAN. Do you have an estimate as to the cost of trying to take care of these people who are panic-stricken on account of a civil war in Pakistan?

You are still dealing with the civil war in Pakistan.

Dr. HANNAH. The 6 million refugees would cost minimally $340 million a year for food, medicine, fuel and so on.

Mr. PASSMAN. Are they going to be refugees from here on in?

Dr. HANNAH. We hope not. We hope that Pakistan is going to welcome the refugees back. India does not want them.

Mr. PASSMAN. We are still dealing in the civil war in Pakistan that created this situation?

Dr. HANNAH. Right.

Mr. PASSMAN. Have you suspended aid to Pakistan because of some of the mistreatment of the people in East Pakistan or are you continuing to disburse aid?

Dr. HANNAH. We have made no new aid commitments except for the food and relief programs. In addition to the food programs in East Pakistan, we have tried to keep existing projects going where possible.

Mr. PASSMAN. Financed under your agency or under Public Law 480?

Dr. HANNAH. Some of it was Public Law 480, part of it was some money that we put in.

Mr. PASSMAN. How about development loans?

Dr. HANNAH. There are no new loan programs.

Mr. PASSMAN. It has been suspended?

Dr. HANNAH. Yes.

Mr. PASSMAN. You are dealing entirely in Pakistan with food and——

Dr. HANNAH. In East Pakistan that is about all you can deal with now.

Mr. PASSMAN. Have they not to a very large extent neutralized the billions of dollars we have given them in the past through this civil war?

Dr. HANNAH. They certainly have not helped their development prospects. It is a very discouraging part of the world, but the point I make now, you are talking about the $100 million contingency——

Mr. PASSMAN. I am talking about the over-all program now. You make your case.

Dr. HANNAH. I am not arguing.

Mr. PASSMAN. You make your case for the contingency fund based upon what we may give in Pakistan in the way of——

Dr. HANNAH. Refugee relief.

Mr. PASSMAN (continuing). Food supplies.

Dr. HANNAH. I started to say that is the point I was making with Dr. Moragn when I was talking with him yesterday. If they are going to reduce the contingency fund substantially, I would like them to take into consideration that some way or other we are going to have to have available funds to handle disaster relief of the magnitude that we are going to face.

USING CONTINGENCY FUNDS FOR REFUGEE RELIEF

Mr. PASSMAN. You asked for $100 million in the President's contingency fund before you had the civil war in Pakistan?

Dr. HANNAH. Yes, sir; then we were talking primarily about security assistance needs.

Mr. PASSMAN. The $100 million had been requested prior to the civil war in Pakistan?

Dr. HANNAH. Yes.

Mr. PASSMAN. Now you are using Pakistan to kind of shore it up.

Dr. HANNAH. No.

Mr. PASSMAN. Are you?

Dr. HANNAH. No; I am pointing out to the people that have before them the authorization for our appropriations for the year that

begins in 10 days or less that they ought to give some thought to handling this refugee problem. It can be done in a separate appropriation. deficiency appropriation, or emergency appropriation, or put into contingency fund some sort of funding for this effort.

Mr. PASSMAN. Shouldn't we firm up a program because a lot of the other nations of the world, in this one instance, are coming to the rescue of Pakistan?

Dr. HANNAH. Yes, sir; but the costs are very high.

Mr. PASSMAN. At this time could you give any reasonable estimate what it would cost us?

Dr. HANNAH. My guess is that in the end we are going to have to carry somewhere between 25 percent and one-third of the cost of caring for those refugees.

Mr. PASSMAN. It is too early to determine whether or not these refugees will start returning to their homes?

Dr. HANNAH. They are not going to return very fast.

Mr. PASSMAN. I don't know whether they are or not. They are working toward a settlement of this misunderstanding; are they not?

Dr. HANNAH. We hope they are.

Mr. PASSMAN. Aren't they working toward that?

Dr. HANNAH. I think they are. It is going to be slow.

Mr. PASSMAN. You don't want this committee to get itself involved in making recommendations unless you can give us some idea——

Dr. HANNAH. You were talking about the contingency fund and——

Mr. PASSMAN. You branched over in the other area, I didn't. The total refugee cost is $340 million. You used that figure, didn't you?

Dr. HANNAH. We estimate it will cost that much at a minimum.

Mr. PASSMAN. It necessitated further discussion of it as to what our cost may be. If it is, we are going to be in the maximum figure of $340 million, 25 percent of that would be what?

Dr. HANNAH. $80 million or $90 million.

Mr. PASSMAN. You are thinking in terms maybe of a maximum of $80 million or $90 million?

Dr. HANNAH. Right.

OTHER SPIGOTS FOR REFUGEE RELIEF

Mr. PASSMAN. What different spigots could this $90 million be funded from?

Dr. HANNAH. Public Law 480 food——

Mr. PASSMAN. How much would you think would be out of that?

Dr. HANNAH. We have only a preliminary breakdown of costs. I am just pointing out the magnitude. I am not asking for an appropriation for Pakistan refugees now.

Mr. PASSMAN. We have to make the case of what you are going to need. Now you said a maximum of $90 million. We are trying to break it down as to what part of the funds appropriated by this committee would have to be used toward the $90 million. Would you find out what part may represent Public Law 480 contribution?

Dr. HANNAH. Yes, sir. I would rather give you some kind of a better figure rather than just off the top of my head.

Mr. PASSMAN. We worked this down to reasonable proportions and

$90 million is a maximum figure under the most difficult circumstances, but then find out how much would be funded out of Public Law 480 and other spigots so that we can take into account when we mark up the bill about what part would need to be funded from the President's contingency fund.

Dr. HANNAH. Yes, sir.

HISTORICAL SIZE OF THE CONTINGENT FUND

Mr. Chairman, the average appropriation for the President's contingency fund for the last 10 years has been $99.8 million each year. This is the way all disaster relief——

Mr. PASSMAN. You are mixing the contingency fund of this committee up with this disaster relief item, aren't you?

Dr. HANNAH. It all comes out of the contingency fund. There has never been a separate item. The contingency fund has financed all of the disaster relief, at least in the 2 years plus that I have been the Administrator.

Mr. PASSMAN. How much did you state earlier that you usually asked for, $30 million and got $15 million?

Dr. HANNAH. We are talking about the 2 years I have been here.

Mr. PASSMAN. That is what I am talking about, too.

Dr. HANNAH. We got a total of $22.5 million this year.

Mr. PASSMAN. How much of that have you obligated toward this $90 million in Pakistan?

Dr. HANNAH. None. But $2.8 million of the $22.5 million has been obligated for Pakistan relief, another $1 million is authorized and we are reviewing an additional $4.7 million.

Mr. PASSMAN. You can ask any kind of a question and get any kind of an answer, can't you?

Dr. HANNAH. No, I don't think so.

Mr. PASSMAN. This thing is really complicated.

Dr. HANNAH. It is complicated but I don't want to leave the impression that $100 million contingency fund is a grab bag for the President to spend here and there and other places around the world.

Mr. PASSMAN. What was the year the President asked for $10 million and we gave him $10 million?

Dr. HANNAH. 1968 was $10 million.

Mr. PASSMAN. 1969 was how much?

Dr. HANNAH. Five.

Mr. PASSMAN. 1970 was how much?

Dr. HANNAH. 12.5.

Mr. PASSMAN. 1971?

Dr. HANNAH. 22.5.

Mr. PASSMAN. That makes the record, gentlemen. I believe that you stated this $100 million was under the old proposal?

Dr. HANNAH. That is right.

Mr. PASSMAN. You didn't expect to get anything like that?

Dr. HANNAH. Correct.

Mr. PASSMAN. That is good enough. I think that you are about right, too. That is a part of the asking price. You are very fair. A lot of trading we have to do yet.

TOTAL U.S. ASSISTANCE

What will be the total U.S. assistance to foreign nations in fiscal year 1972 from all spigots?

Dr. HANNAH. The program for fiscal year 1972 for "Development Assistance" is $2,701,745,000 and for "Security Assistance" it is $2,244,200,000. The combined total is $4,945,945,000.

TOTAL AID PACKAGE

Mr. PASSMAN. In addition to the AID request for new obligational authority of $2,105,218,000 what other funds or commodities will be available to AID in fiscal year 1972 to provide assistance to other countries? And how do these amounts compare to the last 2 fiscal years?

Dr. HANNAH. The estimated obligations of U.S.-owned currencies in fiscal year 1972 for all types of foreign assistance is $276 million equivalent. Of this total about 50 percent or $143 million is for purposes prescribed in Public Law 480, 104(c), for common defense and the remainder is for development assistance. For fiscal year 1970 the comparable data are $313 million total with $116 million for 104(c), and for fiscal year 1971, $426 million total with $140 million for 104(c).

In addition, advances of foreign currencies by participating countries, pursuant to bilateral agreements, to pay certain administrative and program expenses in connection with economic assistance and development grant projects total an estimated $76 million for fiscal year 1972, $82 million for fiscal year 1971, and $85 million for fiscal year 1970.

PROGRAM BREAKDOWN

Mr. PASSMAN. Please provide a breakdown of the fiscal year 1972 request of $2,105,218,000 into the various programs and compare these totals with fiscal year 1971.

Dr. HANNAH. You are aware, of course, that the fiscal year 1972 budget request was structured in consonance with the President's proposals for new legislation. Accordingly, the suggested appropriations for 1972 are somewhat different from the actual appropriations for fiscal year 1971. The following table illustrates these differences but shows the comparison in understandable form.

(The table follows:)

INTERNATIONAL DEVELOPMENT AND SECURITY ASSISTANCE

FISCAL YEAR 1972 APPROPRIATION REQUEST COMPARED WITH FISCAL YEAR 1971 APPROPRIATIONS

[In thousands of dollars]

Fiscal year 1972		Fiscal year 1971	
Item	Appropriation requests	Item	Appropriation
International development assistance:		International development assistance:	
Technical cooperation	[1] $386,025	Technical assistance	[8] ($249,625)
		Worldwide	166,750
		Alliance for Progress	82,875
American school and hospitals abroad	10,175	American schools and hospitals abroad	12,895
Development lending	[2] 65,118	Development loans	(707,500)
		Worldwide	420,000
		Alliance for Progress	287,500
International organizations and programs:	(168,000)	International organizations and programs	(116,715)
International organizations and program	[3] 141,000	Multilateral technical assistance	103,810
Indus Basin, grants	15,000	UNRWA (Arab refugees)	1,000
Indus Basin, loan	12,000	Indus Basin, grants	4,925
		Indus Basin, loans	6,980
		Administrative expenses, A.I.D.[6]	[7] 51,000
Total, international development assistance	1,220,318	Total, international development assistance	1,137,735
International security assistance:		International security assistance:	
Administrative and other expenses, State	4,400	Administrative and other expenses, State	4,100
Economic supporting assistance	[4] 780,500	Supporting assistance	569,600
Contingency fund	100,000	Contingency fund	22,500
Total, international security assistance	884,900	Total, international security assistance	596,200
Total, international development and security assistance	2,105,218	Total, international development and security assistance	1,733,935

[1] Includes $90,035,000 for population technical assistance and an estimated $29,000,000 ($27,600,000 in new obligational authority and $2,000,000 in reimbursements) for administrative expenses; also includes $3,600,000 for increased pay costs.
[2] Includes an estimated $20,000,000 for administrative expenses and $1,118,000 for increased pay costs.
[3] Includes an estimated $13,300,000 for UNRWA financed in fiscal year 1971 from supporting assistance.
[4] Includes an estimated $10,000,000 for administrative expenses and $2,500,000 for increase pay costs.
[5] Excludes $96,267,000 for population technical assistance which was financed with loan funds.
[6] In fiscal year 1972 administrative expenses are included in the technical cooperation, development lending, and economic supporting assistance accounts.
[7] Excludes $6,800,000 transferred from development loans for increased pay costs.

UNEXPENDED BALANCES

Mr. PASSMAN. What is the anticipated unexpended balance for fiscal year 1972 concerning all the programs contained in the $2,105,218,000 estimate and how much of the total will be unobligated as of the end of fiscal year 1972? You might also provide the same figures for fiscal year 1971.

Dr. HANNAH. We estimate the unexpended balance for these accounts at the end of fiscal year 1972 will be $3,538,928,000. This is all unliquidated obligations; we do not anticipate any unobligated amounts in these programs.

At the end of fiscal year 1971 we estimate unobligated balances in the same accounts at $1 million; unliquidated obligations at $3,301,689,000; for a total unexpended balance of $3,302,689,000.

I should note, however, that these figures do not include the $20 million for the prototype desalting plant. This will be unobligated at June 30, 1971, and June 30, 1972. This was carried over from fiscal year 1970 and there was nothing in the budgets for fiscal year 1971 or fiscal year 1972 for this activity.

PARTICIPANT TRAINING

Mr. PASSMAN. How many participants are programed for this total AID activity for fiscal year 1972 and how does this compare to the last several years and how many of these will be going to a third country?

Dr. HANNAH. We anticipate the number of AID sponsored participants "intraining" worldwide during fiscal year 1972 will be around 13,000. Of that number, approximately 25 percent, or around 3,250 will be "intraining" in third countries worldwide. The total number of participants in 1970 was 13,575; in 1969, 13,645; and in 1968, 15,235.

COST OF PARTICIPANT

Mr. PASSMAN. What is the average cost per participant projected for fiscal year 1972 and how does this compare to the last several years?

Dr. HANNAH. The projected average yearly cost per participant for fiscal year 1972 is approximately $6,000 per year. This figure is furnished with the understanding that the projected average number of months "intraining" worldwide for fiscal year 1972 is approximately 5.8 months/participant. This compares as follows with the last several fiscal years:

Fiscal year	Average cost per man-month	Average number man-months per trainee	Average cost per participant
1967	$622	4.7	$2,923
1968	517	5.3	2,740
1969	497	6.3	3,131
1970	502	6.2	3,112
1971 [1]	568	6.5	3,692
Average	541	5.8	3,119

[1] Estimated.

AMERICAN SCHOOLS AND HOSPITALS

Mr. PASSMAN. On June 7, 1971, Dr. Morgan introduced a bill to amend the Foreign Assistance Act of 1961 and in that bill it is proposed to authorize $25 million for the American schools and hospitals. Since your request for this item was only $10,175,000, could you tell us what schools are included in this new total and for what amounts?

Dr. HANNAH. H.R. 8961, introduced in the House of Representatives on June 7, 1971, provides for a fiscal year 1972 authorization of $25 million to overseas institutions under section 214 of the FAA. This resolution includes some institutions not covered by the AID budget request of $10,175,000 because applications were not received from them by AID in sufficient time for its presentation. The following list includes institutions endorsed by AID for support within the proposed authorization of $25 million. In addition, support is endorsed for the American Hospital, Rome, Italy; the Beth Yaackon Avat Girls School, Ramat Can, Israel; and Jerusalem College, Israel.

(The list follows:)

	Amount (thousands)
American Farm School, Thessaloniki, Greece	$275
Anatolia College, Thessaloniki, Greece	200
Athens College, Athens, Greece	70
Escuela Agricola Panamericana, Tegucigalpa, Honduras	250
Educational Center of Galilee, Rachasim, Israel	400
Kolel Shomre Rachomos (home and hospital for the aged), Israel	400
Weizman Institute of Science, Rehovot, Israel	3,700
Yeshiva Shearith Hapletah Kiryat Sanz, Israel	150
American University of Beirut, Lebanon	6,000
University of the Americas, Puebla, Mexico	3,000
Gorgas Memorial Institute, Panama	1,000
American Research Hospital in Poland, Krakow, Poland	600
Admiral Bristol Hospital, Istanbul, Turkey	100
Robert College, Istanbul, Turkey	1,175
American University in Cairo, Cairo, United Arab Republic	1,450
Cairo American College, United Arab Republic	1,000
International Eye Foundation	200
Project Hope	1,500
Teacher Training Institute, Kyriat Yearim, Jerusalem, Israel	1,000
Program support	200
Total	22,670

INCREASED APPROPRIATION

Mr. PASSMAN. Could you tell us briefly what areas account for the $371.3 million increase over last years appropriations?

Dr. HANNAH. Mr. Chairman, the total increase that we are requesting is comprised of the following elements:

An increase of $210.9 million in economic supporting assistance, which will allow us to carry out a commercial import program of $310 million in Vietnam (approximately $50 million higher than in fiscal year 1970) and also to establish an economic stabilization fund of $150 million in that country. The supporting assistance account also contains $12.5 million of administrative expenses previously shown in a separate account, but excludes $13.3 million for the U.S. contribution to the U.N. Relief and Works Agency (UNRWA), now in the international organization (IO) account, so the requested increase actually equals $211.7 million.

An increase of $136.4 million in the technical cooperation account, which includes $90.9 million of population programs previously funded in the loan account, and $31.2 million of administrative expenses previously contained in a separate account. The requested increase in technical cooperation, therefore, amounts to $15.2 million. Virtually all of the requested increase ($15.0 million) is to be devoted to special costs that will arise as a result of the transition to new technical assistance arrangements. These additional requirements will include: (1) extra costs to accelerate certain projects so they can be completed earlier than planned; (2) extra costs associated with terminating certain technical assistance contracts ahead of schedule; and, (3) extra costs incurred in bringing additional direct hire technicians home ahead of schedule.

An increase of $77.5 million in the President's contingency fund, which will be used for disaster relief and also to respond to political and military contingencies.

An increase of $51.3 for contributions to international organizations, which will permit us to increase our contribution to the UNDP to $100 million and to the Indus Basin Development fund to $27 million, and

will allow us to fund our UNDP and U.N. population contributions completely from this account. This account now includes the U.S. contribution to UNRWA of $13.3 million, so the real increase requested equals $38 million.

An effective increase of $13.8 million in administrative-AID account, the costs of which are distributed among the supporting assistance, technical assistance, and loan acounts, as described above.

A decrease of $51.4 million in the loan account. The amounts requested for this account would not fund population programs (corresponding to the $90 million in technical cooperation), but they do contain some $21.1 million of administrative expenses, so there is requested, in effect, an increase of $17.5 million in loan programs.

Those are the major changes that we are requesting. An increase in administrative expenses for the State Department ($.3 million) and a decrease of $2.7 million for American schools and hospitals abroad complete the changes, which add up to a requested increase of $371.3 million.

NUMBER OF NATIONAL STATES IN WORLD

Mr. PASSMAN. Dr. Hannah, could you tell us how many nations are presently in existence throughout the world?

Dr. HANNAH. There are currently 138 national states that have been generally accepted as independent in the World Community. In addition, there are five political areas and regimes: The People's Republic of China, the People's Republic of Korea, the Democratic People's Republic of Vietnam, 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 114 of the 138 independent States.

Mr. PASSMAN. Is it not true, the United States has provided aid to most of these?

Dr. HANNAH. Since July 1, 1945 the United States has given some type of assistance to 125 of the 138 independent States. This includes postwar United Nations Relief and Rehabilitiation Administration (UNRRA) assistance, Surplus Property Credits, Export-Import Bank long-term economic loans, Peace Corps volunteers, Surplus Agriculture Commodities (PL 480) made available through Voluntary Relief Agencies as well as Agency for International Development and predecessor agencies loans and grants and Military Assistance grants and credit assistance.

NUMBER OF NATIONS RECEIVING U.S. AID IN FISCAL YEAR 1972

Mr. PASSMAN. Would you also tell us how many nations in fiscal year 1972 will receive some form of U.S. assistance from all spigots?

Dr. HANNAH. In fiscal year 1972 98 nations or their territories will be receiving economic or military assistance of one type or another from the United States.

EMPLOYMENT TABLE

Mr. PASSMAN. Could you please include in the record a table similar to that which appears on page 19 of last year's hearings showing the

total number of people being paid under the entire foreign aid program as of the latest available date?

Dr. HANNAH. Yes, sir; I am including a table similar to last year's.

(The table follows:)

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

	Actual at March 31, 1971		
	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	6,928	7,194	14,122
Military [1] [2]	4,047	762	4,809
Total, direct hire	10,975	7,956	18,931
2. Persons participating in program other the direct hire (includes certain contractor employees and man-year equivalent of reimbursable supporting services of other agencies):			
Economic	3,355	1,174	4,529
Military [1]	131	238	369
Total, other than direct hire	3,486	1,412	4,898
3. Number of foreign national trainees programed during the year (number in training at any given date is approximately half this number): [3]			
Economic		10,714	10,714
Military		8,520	8,520
Total, foreign national trainees programed		19,234	19,234
Total economic and military assistance	14,461	28,602	43,063
Peace Corps:			
1. Direct-hire personnel	1,093	151	1,244
2. Volunteers and trainees:			
Volunteers	7,001		7,001
Trainees	529		529
Total, volunteers and trainees	7,530		7,530
3. Contractor and reimbursable detail employees	1,047		1,047
Total, Peace Corps	9,670	151	9,821

[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.

AID WITHHELD

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

Dr. HANNAH. No fiscal year 1971 funds have been withheld for this purpose.

CONTRACT EMPLOYEES RECEIVING PER DAY ALLOWANCE IN EXCESS $100

Mr. PASSMAN. Would you place in the record a list of the individuals receiving a per day allowance from A.I.D. in excess of $100 to date, indicating the name of the contract employee, the term of his employment, the per diem wage, country where employed, contractor and employees, title?

Dr. HANNAH. Yes, sir.

(The information follows:)

FISCAL YEAR 1971 SALARY WAIVERS

Name	Contract number	Country	Amount (per annum/ per day)	Period of time	Contractor	Title
William Holstein, M.D	ea–152	Regional	$225.00	Apr. 28, 1971–Sept. 30, 1971	Cresap, McCormick & Paget	Management development Consultant.
Stephen Fuller, M.D	ea–152	do	225.00	do	do	Do.
L. L. Kornfeld		do	138.50	do	do	Director, educational services.
Ira Baldwin		Indonesia	35,000.00	July 1, 1970–June 30, 1971	MUCIA	Project administrator.
Paul Gordon		NESA/regional	138.00	42 days	Paul Gordon	Education expert.
Jerome Jacobsen, M.D	la–650	LA/regional	153.85	Maximum—3 months	Robert R. Nathan Associates, Inc.	Overall planning, scheduling and direction—sectoral evaluations.
Robert K. Somers, M.D	la–584	Uruguay	150.00	Approximately 10 days	International Development Services, Inc.	Meat sanitation inspection expert.
Taylor Bodkin	la–584	do	160.00	Approximately 40 days	do	Slaughterhouse construction and processing engineer.
Do	la–528	do	160.00	2 weeks	do	Do.
Mandel Lerner	la–516	Panama	150.00	15 days	National Training Laboratories	Consultant (professional applied behavioral scientist).
Henry Bahnson, M.D	vn–76	Vietnam	204.00	6 to 8 weeks	American Medical Association	Assistance to University of Saigon, Department of surgery.
Leon P. Sudrabin	vn–86	do	200.00	Approximately 2–3 weeks	Metcalf & Eddy, Inc	Corrosion engineer.
Heinz Eichenwald, M.D	vn–76	do	161.00	30 days	University of Texas, South Western Medical School, Department of Pediatrics.	Professor and chairman.
Everett A. Johnson, M.D	vn–75	do	200.00	21 days	Caudill, Rowlett, Scott & Pope, Evans & Robbins, Inc. (J.V.).	Hospital administrator.
A. S. Anderson	vn–88	do	140.00	Oct. 5, 1970–Jan. 23, 1971	Sanderson & Porter, Inc	Transmission and distribution consultant.
Cameron Chisholm	vn–63	do	150.00	60 days	University of Minnesota	Consultant (beef cattle production).
Robert Eaton	vn–63	do	150.00	30 days	do	Do.
Henry Underwood, M.D	vn–76	do	154.00	3 weeks	Southwest Medical School, University of Texas.	Department head—pediatrics professor.
Fred Lucas, M.D	vn–76	do	146.00	1 month	University of Missouri	Department head—pathology professor.
Archie McPherson, M.D	vn–76	do	138.00	1 month	Georgetown University	Professor of Neurology.
Desmond S. O'Doherty, M.D	vn–76	do	146.00	1 month	do	Do.
James F. Glenn, M.D	vn–76	do	140.00	2 weeks	Duke University	Professor of urology.
Norman Paris	csd–2796	Worldwise	300.00	June 30, 1970–June 29, 1971	National Training Laboratories, Institute for Applied Behavioral Science.	Organizational development specialist.

U.S. SECURITIES HELD BY AID COUNTRIES

Mr. PASSMAN. Would you list for the record the amount of U.S. securities held by various countries which are programed to receive economic or military aid in fiscal year 1972, indicating the dollar value, date of purchase, maturity date and interest rate of the securities?

Dr. HANNAH. Yes, sir; we would be happy to provide that information.

(The information follows:)

NONMARKETABLE U.S. TREASURY BONDS AND NOTES, ISSUED TO OFFICIAL INSTITUTIONS OF FISCAL YEAR 1972 AID RECIPIENT COUNTRIES, OUTSTANDING AS OF MAY 31, 1971

[Dollar amounts in millions]

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

AID TO COUNTRIES RECEIVING AID FROM COMMUNIST COUNTRIES

Mr. PASSMAN. What countries is the United States providing economic or military assistance to in which they are also receiving some type of aid from Communist countries?

Dr. HANNAH. To the best of our knowledge, seven less-developed countries in Africa—Algeria, Guinea, Morocco, Nigeria, Sudan, Tanzania, and Zambia—were extended economic grants or credits by Communist countries in calendar year 1970. Of these seven, five—Guinea, Morocco, Nigeria, Tanzania, and Zambia—are receiving assistance from AID during fiscal year 1971; Guinea and Zambia are receiving only self-help funds. Only two of the seven receiving Communist aid—Morocco and Nigeria—also are getting military aid from the United States.

In Latin America, five less-developed countries considered as "Free World" (Excluding Cuba, of course)—Bolivia, Costa Rica, Peru, Uruguay, and Venezuela—received Communist economic grants or credits in 1970. All five of these are receiving assistance from AID in fiscal year 1971; and all but Costa Rica are getting either military grants or credits from the United States.

In the Near East and South Asia, six countries—Afghanistan, Ceylon, Iran, Iraq, Pakistan, and Southern Yemen—are known to have received new extensions of Communist economic grants or credits during 1970. (The United Arab Republic did not receive any in 1970.) Of these six, Afghanistan and Pakistan also are receiving assistance

through AID in fiscal year 1971. Three of the six countries—Afghanistan, Iran, and Pakistan—are receiving U.S. military aid.

There are no countries in East Asia which in 1970 received Communist economic grants or credits and U.S. assistance.

RESEARCH PROJECTS

Mr. PASSMAN. Would you provide for the record a list of the projects funded in fiscal year 1971 from the $9,000,000 provided for research under section 241 of the FAA of 1961, as amended?

Dr. HANNAH. The requested information is furnished as follows:

(The information follows:)

FY 1971 AID Central Research Project Funding
under Section 241 of the Foreign Assistance Act of 1961 (as amended)

Project Number	Project Title	Project Duration	Project Contractor	FY 1971 Funding ($000)
AGRICULTURE AND FISHERIES				
931-17-130-209	Improvement of Grain Legume (pulse) Production	6/25/63-6/30/73	Agricultural Research Service-USDA	230
931-17-130-452	Inheritance and Improvement of Protein Quality in Sorghum Vulgare	6/30/66-6/29/72	Purdue University	240
931-17-130-471	Improvement of the Nutritional Quality of Wheat	6/29/66-6/28/74	University of Nebraska	251
931-17-130-443	Farm and Power Equipment Requirements for Rice	6/28/65-1/28/72	International Rice Research Institute	189
931-17-130-463	Control of Weeds in the LDCs	6/30/66-6/29/72	Oregon State University	364
931-17-190-473	Control of Vertebrate Pests	4/5/67-4/4/72	Bureau of Sports Fisheries and Wildlife, Dept. of Interior	558
931-17-190-477	Rural Development Analysis Agricultural Sector Models	6/30/67-6/30/71	Michigan State University	72
931-17-120-489	Water Management Research	6/28/68-6/27/73	Utah State University	527
931-17-120-489	Water Management Research	6/28/68-6/27/73	Colorado State University	418
931-17-140-506	Capital Formation and Technological Innovation at the Farm Level in LDCs	6/30/69-6/29/74	Ohio State University	233

Project Number	Project Title	Project Duration	Project Contractor	FY 1971 Funding ($000)
AGRICULTURE AND FISHERIES Cont'd.				
931-17-140-523	New Agricultural Technology Impact on Rural Employment/ Income	6/15/70-6/15/73	Cornell University	119
931-17-130-524	Improvement Protein Quality/ Content of Maize	6/15/70-6/15/75	Purdue University	188
931-17-130-499	Hemoprotozoal Disease of Livestock	6/30/68-6/29/73	Texas A & M University	269
931-17-130-080	Sterility Control of Tsetse Fly	6/14/63-6/30/76	Agricultural Research Service, U.S.D.A.	13
931-17-120-505	Soil Fertility in the Tropics	6/30/69-6/29/74	Cornell University	197
931-17-130-514	Problems of Cattle Feeding	6/30/69-6/29/74	University of Florida	150
931-17-190-494	Tailoring of Fertilizers for Rice	7/1/68-6/30/72	Nat. Fertilizer Dev. Ctr., TVA	135
931-17-190-533	Agricultural Diversification and Trade	5/1/71-12/31/71	U.S.D.A. and North Carolina State University	62
931-17-140-536	Agricultural Simulation Model to Sector Analysis	6/1/71-6/1/74	Michigan State University	263
931-17-190-543	Employment Generation in West and Central African Agriculture	6/1/71-11/30/71	Michigan State University	50
	Sub-total Agriculture and Fisheries			4,528

Project Number	Project Title	Project Duration	Project Contractor	FY 1971 Funding ($000)
HEALTH				
931-17-511-033	Malaria Eradication (Worldwide) Research	1/17/62-6/30/72	NCDC/USPHS	610
931-17-590-474	Central American Malaria Research Ctr.	3/1/67-6/30/72	NCDC/USPHS	426
931-17-511-485	Serologic Diagnosis of Malaria	4/1/67-12/31/72	NCDC/USPHS	111
931-17-511-503	Thailand Malaria Operations Research	7/69 - 6/75	NCDC/USPHS	154
931-17-511-453	Malaria Immunity and vaccination	6/30/66-6/29/72	University of Illinois	363
931-17-590-455	Inter-American Investigation of Mortality in Infancy and Childhood	6/30/66-3/31/72	Pan American Health Organization	110
931-17-560-508	Nutrient Loss Due to Intestinal Malabsorption	6/15/69-6/30/72	NP/USPHS	4
931-17-510-513	Investigation of Schistosomiasis	6/27/69-12/1/71	University of North Carolina	8
931-17-521-507	Design Capacities of Small Water Supplies	6/30/69-6/29/71	North Carolina	-
931-17-521-454	Water Pump Research for LDCs	6/30/71-4/30/74	Battelle Memorial Institute	30
	Sub-Total Health			1,816

Project Number	Project Title	Project Duration	Project Contractor	FY 1971 Funding ($000)
NUTRITION				
931-17-560-522	Coconut Protein Products for Use in Foods	6/15/70-6/15/72	Texas A & M University	61
931-17-560-481	Improving Nutritive Value Cereal Foods	6/30/67-6/29/72	Kansas State University	140
931-17-560-492	Nutritional Improvement of Rice by Fortification	6/30/68-6/29/74	Harvard University	168
931-17-560-519	Dietary Caloric Intake	6/15/70-6/14/73	Massachusetts Institute of Technology	74
931-17-560-459	Clinical Evaluation of New Protein Sources	6/27/66-6/25/76	British American Hospital (Peru)	76
931-17-560-482	Extrusion Processing High Protein Mixtures	6/30/67-12/29/71	University of California, (Davis)	30
931-17-560-529	Clinical and Sub-Clinical Malnutrition	6/15/71-6/14/73	Medical College of Wisconsin	84
931-17-560-530	Influence of Maternal Diet on the Offspring	6/15/71-6/14/74	Johns Hopkins University	105
	Sub-total Nutrition			738

Project Number	Project Title	Project Duration	Project Contractor	FY 1971 Funding ($000)
SCIENCE AND TECHNOLOGY				
931-17-995-531	Design, Siting, and Construction of Structures To Withstand Earthquakes and Storms	5/1/71-6/30/72	Nat. Bureau of Standards, Commerce	15
931-17-995-553	Economic Feasibility of Genetic Control of Aedes Aegypti Mosquitoes	6/15/71-6/14/74	University of Notre Dame	152
	Sub-Total S & Tech.			167
PPC/PDA ECONOMICS/TITLE IX				
931-17-995-476	Comparative Study of Resource Allocation/ Development Policy	5/31/67-1/21/72	Harvard University	314
931-17-995-520	Exchange Control, Liberalization, etc.	6/15/70-12/31/72	Nat. Bureau of Economic Research	261
931-17-995-511	Employment-Unemployment in LDCs	6/30/69-6/30/73	Yale University	156
931-17-780-501	Comparison of Indian Real Per Capita Income/Purchasing Power	6/16/69-12/31/71	University of Penna	-

Project Number	Project Title	Project Duration	Project Contractor	FY 1971 Funding ($000)
PPC/PDA ECONOMICS/TITLE IX Cont'd.				
931-17-995-926	Import Substitution and Economic Policy in Economic Development	12/13/64-6/30/72	Williams College	27
931-17-995-516	Participation Patterns in Modernizing Societies	6/30/69-6/30/72	Harvard University	153
931-17-995-534	Research on Distribution of Gain, Wealth and Income in LDCs	6/15/71-6/14/74	Rice University	131
	Sub-total Economics and Title IX			1,042
EDUCATION & HUMAN RESOURCES				
931-17-690-542	Effectiveness and Cost Efficiency of Instructional Technologies	6/15/71-6/14/74	Stanford University	240
	Sub-total Education & Human Resources			240
	Add share of Program Support Costs:			330
	Grand Total FY 1971 Program Funded			8,861

TERMINATED AID

Mr. PASSMAN. You list on page A–10 six countries which were former aid recipients but are no longer in need of such assistance. I assume you are only talking about economic assistance because most of these countries are in fact still receiving some kind of military assistance, is that correct?

Dr. HANNAH. Yes; economic development assistance by AID has been terminated to the countries which we listed—Nationalist China, Argentina, Mexico, Iran, Greece, and Israel. However, it should be noted that Nationalist China, Iran, and Israel received Public Law 480, title II food donations in fiscal year 1971 and are expected to need such donations in fiscal year 1972. All of these countries do receive some type of military assistance. Nationalist China, Argentina, and Greece receive both assistance under the military assistance program and foreign military credit sales; Mexico and Iran receive only MAP grants; and Israel receives only foreign military credit sales assistance.

FUTURE AID FOR KOREA AND TURKEY

Mr. PASSMAN. You also go on to mention on the same page that Korea and Turkey may not need, and again I assume you are talking about economic assistance only, assistance in a few years. Do you consider that a fairly firm timetable for conclusion of economic aid to those two countries?

Dr. HANNAH. Supporting assistance grants to support the Korean defense and economic development budget terminated in fiscal year 1970. Development loans for Korea are scheduled to terminate in fiscal year 1972, subject to review on a case-by-case basis, if circumstances warrant. With the termination of supporting assistance and phasing down of development loans, the major portions of assistance from AID will be over. We have not as yet fixed a firm phase out date for Public Law 480 or technical assistance. However, 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. The $4.1 million technical assistance program will help the Koreans in a number of high priority activities for which they have requested U.S. advisers and training. We plan to continue limited technical assistance through the seventies.

My statement concerning Turkey referred to development loans. The Turkish Government continues to estimate that Turkey should be able to finance its external capital requirements with nonconcessional borrowing by 1975. We believe this to be a reasonable estimate, given Turkey's improved balance of payments resulting from its August 1970 devaluation and the stabilization program worked out with International Monetary Fund.

ASSISTANCE IN THE NEXT DECADE

Mr. PASSMAN. However, on a more discouraging note, you further state most countries will require some type of concessional assistance for the next decade, or more. So it appears we will have the U.S. foreign

aid program for many years to come, providing Congress does not terminate the program; is that correct?

Dr. HANNAH. I am encouraged by what has happened in the past decade in the developing countries. As I mentioned in my statement, a number of countries have already achieved a level of self sustaining growth and others will join them in the next few years. However, the one thing I think all of us need to recognize is that the process of development is a long-term effort. A decade ago we believed—falsely, I think—that it would be possible to conclude this effort in a relatively short period of time. We have learned in the past 10 years that this process cannot be completed quickly, that it requires a long-term, sustained effort with long-term sustained contributions. While I know the American people weary of the problems we face at times in international areas, I believe they understand and support the President's efforts to contribute meaningfully, adequately, and effectively to this important effort. I am sure that we will require a substantial aid program, both bilateral and multilateral, for at least the next decade or so.

CONSORTIA AND CONSULTATIVE GROUPS

Mr. PASSMAN. How much of your fiscal year 1972 request will be allocated to the various countries through consortia or consulting groups?

Dr. HANNAH. The AID request for development loan assistance for fiscal year 1972 is $915.0 million; 67 percent of the development loans are for countries with consortia or consulting groups. Another 25 percent of the loan request is for Latin American countries, other than Colombia (the only country for which a consulting group exists). Development programs of Latin American countries are subject to annual review by the Inter-American Committee for the Alliance for Progress (CIAP).

(A table follows:)

U.S. DEVELOPMENT LOAN ASSISTANCE PROPOSED FOR FISCAL YEAR 1972 THAT IS TO BE PROVIDED UNDER A MULTILATERAL ARRANGEMENT

[In millions of dollars]

	Sponsor	Program amount
Consortia:		
India	IBRD	220
Pakistan	IBRD	110
Turkey	OECD	40
Total		370
Consultative groups:		
Colombia	IBRD	75
Ghana	IBRD	15
Korea	IBRD	20
Morocco	IBRD	11
Nigeria	IBRD	16
Tunisia	IBRD	10
Total		147
Other aid coordinating groups: Indonesia	Chaired by Netherlands	100

CIAP (INTER-AMERICAN COMMITTEE ON THE ALLIANCE FOR PROGRESS)

Colombia	(1)
Brazil	$60.0
ROCAP (Regional Office of Central America and Panama)	10.0
El Salvador	10.5
Guatemala	15.0
Honduras	9.0
Nicaragua	10.0
Bolivia	10.0
Dominican Republic	15.0
Ecuador	14.0
Guyana	3.5
Jamaica	10.0
Panama	25.0
Paraguay	6.0
Peru	10.0
Uruguay	12.0
E. Caribbean	10.0
Regional	5.0
Total	235.0

[1] Proposed development loan assistance to Colombia of $75 million is included in consultative group figure above.

DEVELOPMENT LOAN PROGRAM

Mr. PASSMAN. Would you please provide for the record a table showing how much of the development lending request of $655 million for fiscal year 1972 will be for project loans, program loans and sector loans?

Dr. HANNAH. We have that information only for the full amount programed, which includes the $655 million requested appropriation and $260 million of loan reflows.

(The information follows:)

AID development loan program, fiscal year 1972

	Millions
Project loans	$377.5
Program loans	353.0
Sector loans	184.5
Total	915.0

OPIC

Mr. PASSMAN. According to testimony by the Overseas Private Investment Corporation (OPIC), they have decided not to request the $20 million for their capital account as reflected in the budget. Since this request was not supported by OPIC, and the funds were to be transferred from AID, the $20 million in reflows would revert to AID to be used for additional program purposes; would it not?

If that is the case, your new obligational authority request (NOA) could be reduced by at least this amount, is that correct? We hope to reduce it much more.

Dr. HANNAH. It is true that the $20 million of reflow originally scheduled in the President's budget for transfer to OPIC will revert to AID to be used for program purposes. At the time the President's budget was prepared, it was estimated that recoveries of prior year loan funds would total approximately $107.6 million. However, later computations have indicated that this projection was probably over-

optimistic, and that recoveries will be about $20 million less. In preparing the congressional presentation, we therefore included the later, more realistic estimate of loan recoveries, which will permit the same total lending level as contained in the President's budget.

PUBLIC LAW 480 SALES

Mr. PASSMAN. You indicate on page A–17 that Public Law 480 sales for nonconvertible local currencies will be discontinued after December 31, 1971. Would you please explain this change?

Dr. HANNAH. This step is being taken pursuant to section 103(b) of Public Law 480, as amended, which requires that we assure a progressive transition from sales for foreign currencies to sales for dollars or on terms which permit conversion to dollars. Section 103(b) requires that this transition be completed by December 31, 1971.

PERCENTAGE AID REQUEST FOR GRANTS

Mr. PASSMAN. What percentage of your total request of $2.1 billion for fiscal year 1972 is for grants?

Dr. HANNAH. Approximately 69 percent.

POPULATION PROGRAMS

Mr. PASSMAN. How much is being requested in fiscal year 1972 for the population program?

Dr. HANNAH. $100 million is being requested for the population assistance program in fiscal year 1972.

Mr. PASSMAN. Is this program coordinated through any international organization such as the U.N. to insure against duplication of effort?

Dr. HANNAH. Substantial initiatives are undertaken by the Agency for International Development to coordinate its worldwide population programs with major organizations in the population field, such as the United Nations Fund for Population Activities (UNFPA), UNESCO, WHO, FAO, and UNICEF, the International Planned Parenthood Federation, the Population Council, the Ford Foundation, the Pathfinder Fund, and others. AID mission in the developing countries formulate population and family planning assistance with an eye to the activities of other donor organizations and the requests of the governments of the developing countries.

The UNFPA has a population advisory board made up of distinguished, nongovernmental individuals who meet at least once a year. There is also the program consultative committee, a group of technical specialists from U.N. donor and other organizations who advise the UNFPA on coordinative aspects of family planning. The Director of the AID Office of Population is a member of the committee.

In addition, the Assistant Administrator of the Technical Assistance Bureau and the Director of the Office of Population call together frequently a population advisory group consisting of the heads of the major donors, and prominent leaders in the population field to consider the direction of population and family planning assistance.

Mr. PASSMAN. You indicate on page A–28 that this assistance is

given only upon request. What has been the response by the countries concerning this program?

Dr. HANNAH. AID assistance to population and family planning programs has continued to expand rapidly in the last 5 years to meet the requests of developing nations seeking initial or increased assistance. AID-supported family planning assistance reached 34 developing countries in fiscal year 1971, almost three times the number who sought population assistance in the 1965–66 period, when there were 12 developing nations asking for AID support. Moreover, more than 50 developing countries are receiving resource assistance through international organizations such as the International Planned Parenthood Federation, the Pathfinder Fund, the Population Council and Ford Foundation and others.

AID LOANS TO INTERMEDIATE CREDIT INSTITUTIONS

Mr. PASSMAN. On page A–29 you further indicate that development banks and intermediate credit institutions of the less developed countries use U.S. loan funds to make sub-loans to local entrepreneurs. Are these sub-loans audited to insure that large interest rates are not charged and increased profits are not flowing to these banks?

Dr. HANNAH. AID loans to intermediate credit institutions are audited to insure reasonable and satisfactory compliance with loan requirements. This includes a review of sub-loan terms, the limits of which are established in AID's loan agreement. The range of sub-loan terms is set at a level to assure viable operation based on sound management, but do not permit unreasonable or unwarranted profits.

RESEARCH

Mr. PASSMAN. Could you tell the committee how much of the fiscal year 1972 request will be allocated for research of all types?

Dr. HANNAH. A total of $16 million of the fiscal year 1972 request will be allocated for centrally funded research programs. Of this amount, $7.5 million is to be devoted to research in areas related to population and family planning.

"UNDISTRIBUTED" AID

Mr. PASSMAN. On page B–17 you indicate that $13,951,000 for fiscal year 1972 and $23,401,000 for fiscal year 1971 is undistributed under the population program. Would you please explain this item?

Dr. HANNAH. The undistributed amounts in the population program represent the difference between the total proposed population program ($100 million in each fiscal year) and the reasonably firm requirements which had been identified at the time our request was prepared. The undistributed balances will be allocated as additional requirements are precisely defined and developed. Several possible areas of additional activity which are being reviewed are: funding of local costs of population programs, further research on motivational factors in family planning, and the extension of family planning activities through local institutions engaged in such areas as education, health, agriculture, and labor whose programs could relate in a substantial way to population matters.

DISASTER RELIEF

Mr. PASSMAN. How much of AID funds for the last 2 years were used for disaster relief and where was this relief assistance provided?

Dr. HANNAH. In fiscal year 1970, $5,834,239 was used by AID for the purposes of disaster relief. As of May 31, 1971, there has been $8,186,000 allotted for disaster relief purposes for fiscal year 1971 with $8,045,000 obligated.

The following table shows the areas and amounts where this relief assistance was provided for fiscal year 1970.

(The table follows:)

	Obligated June 30, 1970
NESA	
Cyprus	300
Lebanon	1,000
Pakistan	519
Turkey	225,000
East Asia	
Indonesia	8,000
Korea	237,527
Laos	32,939
Taiwan	12,500
Latin America	
Bolivia	25,000
Colombia	5,555
Costa Rica	25,592
Ecuador	20,000
El Salvador	27,623
Guatemala	396,942
Honduras	447,957
Panama	100,000
Peru	3,188,924
Africa	
Algeria	75,000
Chad	51,762
Ethiopia	25,000
Malagasy	7,220
Mali	56,428
Morocco	240,732
Niger	36,974
Somali	14,085
Togo	25,000
Tunisia	150,560
Upper Volta	69,200
Romania	325,000
Disaster preparedness	2,000
Total	5,834,239

DEOBLIGATIONS

Mr. PASSMAN. How much was deobligated from the various AID accounts in fiscal year 1971 and was all of this also reobligated to other projects?

Dr. HANNAH. I will provide that for the record.

(The information follows:)

Deobligations (preliminary) fiscal year 1971 (in thousands):

Technical assistance	$13,758
Development loans	105,289
Supporting assistance	28,321
Contingency fund	3,600
Administrative expenses	950

Dr. HANNAH. All of the above amounts were reprogramed for the same purposes except as follows:

(The list follows:)

Transfers of deobligations to other purposes

Development Loans:

Transfer to support assistance for Vietnam	$40,000
Transfer to multilateral organizations for UNDP	7,016

Transfer to refugee and migration assistance, State, for Pakistan refugees pursuant to presidential determination under Section 2(c) of the Refugee Act 6,155.

Contingency Fund:

Transfer to refugee and migration assistance, State for Pakistan refugees pursuant to presidential determination under Section 2(c) of the Refugee Act 1,625.

Unprogramed:

Development loans	$3,596
Supporting assistance	2,288
Contingency fund	413
Administrative expenses	950

TRANSFER OF FUNDS

Mr. PASSMAN. How much was transferred out of AID to other organizations in fiscal year 1971 and what transfers took place between AID accounts in fiscal year 1971?

Dr. HANNAH. I will provide that information.

(The information follows:)

From—	To—	Purpose	Amount
Supporting assistance	Military assistance	Cambodia	$60,000,000
Contingency fund	Refugees and migrants	Pakistan refugees	[1] 3,000,000
Development loans	do	do	[2] 3,438,000
Alliance loans	do	do	[3] 3,562,000
Do	Inter-American Social Development Institute.	Complete funding of $50,000,000 authorized.	40,000,000
Development loans	Overseas Private Investment Corp	Payment of capital subscription for fiscal year 1971.	20,000,000

[1] Includes $1,625,000 deobs reflected above under 43a.
[2] Includes $2,592,000 deobs reflected above under 43a.
[3] Full amount represents deobs reflected above under 43a.

TRANSFERS BETWEEN AID ACCOUNTS IN FISCAL YEAR 1971[1]

From—	To—	Purpose	Amount
Supporting assistance	American schools and hospitals	Project HOPE	$500,000
Do	Administrative expenses	Expanded Vietnam	3,600,000
Development loans (deobs)	Supporting assistance	Vietnam (CIP)	25,000,000
Alliance loans (deobs)	do	do	15,000,000
Alliance loans (receipts)	Development loans	Worldwide loan programs	29,720,000
Development loans (NOA)	Administrative expenses	Pay raise costs	7,006,000
Development loans (deobs)	Multilateral organizations	UNDP	7,016,000

[1] Includes transfers of deobs shown under 43a above.

Mr. PASSMAN. Are any transfers expected to take place in fiscal year 1972 of total AID funds available to other organizations?

Dr. HANNAH. There are no transfers planned for fiscal year 1972.

TOTAL FUNDS AVAILABLE

Mr. PASSMAN. Your fiscal year 1972 request of $2,105,218,000 does not take into account the additional amounts that will come available from repayments, recoveries, and so forth. Could you tell us what total amount will be available for obligation?

Dr. HANNAH. The following additional amounts are estimated to become available for fiscal year 1972 for a total available for obligation of $2,473,203:

	Thousands
Receipts and reimbursements	$197,625
Recoveries	150,360
Unobligated carryover	20,000
Total	$367,985

SEPARATING SUPPORTING ASSISTANCE

Mr. PASSMAN. Is it not true that many of the same projects handled under supporting assistance are similar to those which appear under development assistance?

It would therefore seem that people proficient in the same general areas will be part of the staffs located in the supporting assistance programs and the development assistance program. If that is the case, why is it necessary to separate the entire supporting assistance program?

Dr. HANNAH. Yes; it is true that a number of people in such technical areas as education, agriculture, and public administration are interchangeable between supporting assistance and development assistance programs. We will still require changes in the legislative authorities and our personnel regulations to permit these people to move back and forth between programs in security assistance related countries and development assistance related countries. However, this should not be an impediment to the separation of the security assistance and the development assistance programs in an administrative sense. These two assistance programs are aimed at quite different objectives. The bilateral assistance program is a long-term effort to help the developing countries secure a measure of economic and social justice, whereas the security assistance programs are aimed at our short-term political and military efforts primarily in the Southeast Asia and Middle East countries. Such a separation of these two programs is sound and is clearly in our own interest.

AID TO PAKISTAN

Mr. PASSMAN. Could you please briefly indicate what funds have been provided by AID to Pakistan since the internal crisis has taken place?

Dr. HANNAH. I would be pleased to. As of July 14, 1971 the following assistance had been provided since the internal crisis:

	Millions
Technical assistance	$ 1.3
Family planning	1.1
Contingency funds	5.7
Indus Basin	19.8

AID TO INDIA FOR PAKISTANI REFUGEES

Mr. PASSMAN. Have we also provided increased aid to India in order to take care of the Pakistani refugees entering that country?

Dr. HANNAH. Yes sir, since the beginning of the crisis and the movement of Pakistani refugees into India in late March, the United States has contributed, or has pledged to contribute, $70.5 million in grants for direct refugee relief, plus a $20 million development loan.

PAKISTANI REFUGEE SITUATION

Mr. PASSMAN. How is the refugee situation presently being handled and have there been any new epidemics?

Dr. HANNAH. The international relief effort is being coordinated by the U.N. High Commissioner for Refugees (UNHCR). U.S. grant funds are being allocated directly to the Government of India and some to the U.N. High Commissioner for Refugees (UNHCR) or directly to other international and voluntary agencies, depending upon priority needs of the refugee situation and capabilities and plans of the various organizations involved.

In regard to there being any new epidemics, the answer is that there have been none. The cholera epidemic in early June was halted effectively by massive efforts of the Indian Government and foreign donors.

AID TO PAKISTAN

Mr. PASSMAN. Has the United States considered stopping the flow of aid to Pakistan, other than emergency aid until the crisis is settled?

Dr. HANNAH. Since the outbreak of hostilities in East Pakistan in March, we have continued to disburse funds on previous AID commitments. No development loans have been authorized during fiscal year 1971. We have continued our technical assistance activities although they have been necessarily limited by the evacuation of most of the personnel in East Pakistan.

In addition to this limited assistance, we have also continued disbursement of funds previously provided for reconstruction and rehabilitation of the areas affected by the major cyclone of last December. We have also provided assistance from contingency funds for the transportation of food and other commodities in East Pakistan.

In fiscal year 1972 we now expect relief assistance to receive the highest priority. As port problems are resolved and the internal distribution system is reestablished in East Pakistan, we expect to resume shipments of Public Law 480 food grains and other supplies to that province. Ongoing technical assistance and previously committed development loans—project and program—will continue to the extent possible. However, under current conditions it is doubtful that any major activities will resume in East Pakistan in the near future. In the absence of any loan commitments in fiscal year 1971, there is no question that development progress will be set back a great deal. However, it is important that we be in a position to resume appropriate development aid as soon as possible in fiscal year 1972 when conditions are favorable to carry on the tasks of national economic development and Pakistan has made some progress in implementing a revised development program responsive to the needs in both wings of the coun-

try. I should note that this economic assistance cannot be used for military purposes. It is used to finance very specific nonmilitary development imports, such as fertilizer for farmers and raw materials for private industry. The food aid will feed hungry people. Our loan assistance, when it is extended, will be used to support an expansion of development activity which has been cut sharply in both East and West Pakistan because of an inability to implement a development program in East Pakistan and a general shortage of money for development.

SUGAR ACT

Mr. PASSMAN. I am sure you are aware of the comments that the Sugar Act, actually is a form of foreign aid because the foreign producers are able to sell sugar in the United States at a much higher price than could be sold on the world market. Perhaps this should be included under AID and place a provision in the act requiring profits to be used for development purposes. Would you comment?

Dr. HANNAH. The administration of the U.S. Sugar Act should not be included under AID or counted as development assistance or foreign aid. The administration of the act involves no significant Federal Government outlays, and was primarily intended to protect U.S. producers, primarily by regulating the flow imports; to promote the export trade of the United States; and to assure U.S. domestic consumers an adequate supply of sugar at stable prices. At the same time, producers, both domestic and foreign, are assured of continued access to the U.S. market within reasonable limits.

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

All transactions in the production, distribution and consumption of sugar are private commercial transactions, although they fall within the systems established by the United States and other governments. In this respect, they are similar to import regulations maintained by the United States and other countries on items entering international trade.

It would be impossible to determine exactly the "profits" of the Sugar Act and to use them for development purposes. It is true that the Sugar Act has acted at times to raise the price of sugar above what it otherwise would have been. However, the precise measurement of such benefits to producing countries is subject to dispute among experts and could not form a satisfactory basis for bilateral or multilateral negotiations on the programing of such benefits.

In countries where the United States assists development programs, AID does encourage the effective use of all resources for development purposes, including income derived from sugar exports. However, the United States has no direct influence in the use of income from sugar quotas. The trading countries view commodity export receipts as something they have earned, rather than something granted or loaned; therefore, any U.S. attempt to program the allocation of export earnings would most likely be resisted.

NATIONALIZATION OF U.S. COMPANIES

Mr. PASSMAN. I think we should touch on the subject of nationalization of U.S. companies in foreign countries. We have companies in various Latin American countries that have been nationalized where no satisfactory agreements have been worked out in regard to financial settlement. A specific example comes to mind. The International Metal Processing Corp. was nationalized by Bolivia in January of this year. The vice president of the corporation has been to Bolivia several times and has talked to officials in Washington on the subject of obtaining a settlement. At the present time the Bolivian Government won't talk to him at all. Why doesn't the United States terminate all aid to a country when this happens until a satisfactory settlement is made?

This situation is going to get worse because we all know the situation in Chile.

Don't you think we owe it to the American taxpayers to protect their interests?

Dr. HANNAH. As you know, under section 620(e) of the Foreign Assistance Act, the President is required to suspend assistance to the government of any country which expropriates U.S. property in that country and which fails within a reasonable time to take appropriate steps to discharge its obligations under international law toward the owner of the property.

On the other hand, suspending assistance before the country has had a reasonable time to come to an agreement with the U.S. owner may reduce rather than improve the chances for the owner to obtain a fair settlement. This would be to the detriment of the U.S. investor and also to the U.S. Government whenever OPIC investment insurance against expropriations had been maintained by the investor.

In Bolivia, the International Metals Processing Corp. (IMPC), to which you refer, was nationalized on January 11, 1971. At that time, the Government of Bolivia announced it would provide adequate compensation and President Torres immediately appointed a commission to set an appropriate figure. The Bolivians have not yet held serious discussions with the corporation because they have not finished their internal review. In view of the agreement already reached by Bolivia with Gulf Oil Corp. regarding compensation for the very large nationalized Gulf properties, we are hopeful that the Bolivians will also settle the IMPC case, which involves a relatively small claim of up to $3 million———

Regarding the situation in Chile, there are a number of cases in which U.S. investors have already come to agreement with the Allende government regarding selling out their interests in Chile, either completely or partially. These include the Bethlehem Steel Corp., RCA, Anglo Lautaro Nitrate (the largest nitrate producer in Chile) and the Northern Indiana Brass Co. The Government of Chile is negotiating now with a number of other U.S. firms over the divestment of their interests in the country. There are OPIC investment insurance policies against expropriation now in effect which total about $312 million, but up to this point no claims have become due for payment.

The interests of American taxpayers in Chile and elsewhere are, as you know, of much concern to us and a great deal of attention is being given to this matter, to supplement the protection which the

investor may maintain for himself through the OPIC insurance program.

Our position is, and we have made it clear specifically to the Government of Chile, that under established principles of international law, just compensation means compensation that is paid promptly, in an amount that is adequate, and in a form that is effectively available to the investor.

PERSONNEL REDUCTION

Mr. PASSMAN. It has been mentioned in the various publications that overseas personnel employed by AID could be reduced due to the increased reliance on multilateral organizations to handle projects and requiring countries to increase their participation in the projects. Could you tell us what reductions in personnel can be foreseen at this time and do you feel you will still be able to keep a close eye on the projects in order to insure U.S. aid is being spent wisely?

Dr. HANNAH. While we expect the downward trend in direct hire employment to continue, we cannot at this time estimate the specific effect on our staffing levels of gradually increasing reliance on multilateral institutions and recipient country programing, project development and implementation. There are several reasons for this. More reliance on multilateral agencies and host countries are but two of several innovations designed to streamline the administration of U.S. foreign assistance, while substantially reducing official presence overseas. We also expect to change some of our operating methods, such as maximum feasible centralization of lending staff and increased use of intermediate institutions to carry out approved programs and projects.

Of course, we do not want to act precipitously. We want to carefully reengineer our operations and relationships so that we are sure U.S. aid is being spent wisely. We intend to take sufficient time in this transitional process to be sure that adequate controls over expenditures are maintained, program quality improved and the aims of development strengthened. When complete, we expect that fewer people will be required to manage the program.

BILATERAL TECHNICAL AID PROGRAM

Mr. PASSMAN. Dr. Hannah, how long has the U.S. bilateral technical aid been in effect?

Dr. HANNAH. There was some bilateral technical assistance furnished the Latin American republics in the early 1940's by the Office of Inter-American Affairs, which in 1946 became the Institute of Inter-American Affairs; later, a technical assistance was furnished under Greek-Turkish aid in 1946 and then by the Economic Cooperation Administration which was established in 1948. I would say that some U.S. bilateral technical assistance has been in effect as the way we know it today since 1946.

Mr. PASSMAN. What has been the total cost since inception?

Dr. HANNAH. In the early days of the programs there was not a separate appropriation for technical assistance and some of the programs were in different departments. Therefore, our breakout of cost for bilateral technical aid from 1946 through 1953 is not absolutely precise. However, from 1954 through 1971 we have had appropriated

$3,755 million for technical cooperation and/or technical assistance, so I would say that since 1946 the cost of the U.S. bilateral technical aid has been well over $4 billion.

Mr. PASSMAN. How many nations have we provided bilateral technical aid?

Dr. HANNAH. Again, the records going back to the early days of the program are not to specific, but I would say that we have given bilateral technical assistance to somewhere from 100 to 105 independent countries.

WITHDRAWAL OF TECHNICAL AID PERSONNEL

Mr. PASSMAN. Have we ever had a country ask us to withdraw our technical aid people?

Dr. HANNAH. To my knowledge we have not had any request to specifically withdraw our U.S. AID technicians. We have of course withdrawn all of our people when diplomatic relations were broken with several of the Arab States at the time of the Arab-Israel conflict.

Mr. PASSMAN. I am not referring to countries where we temporarily suspend diplomatic relations and withdrew all of our personnel.

Dr. HANNAH. I know of no instance where a country has specifically requested us to suspend our bilateral technical assistance program or to recall our U.S. technicians administering the programs.

Mr. PASSMAN. I believe in several instances we continued technical assistance to nations who broke off diplomatic relations, is that correct?

Dr. HANNAH. In the United Arab Republic, U.A.R., we are continuing to give grant assistance to the American University in Cairo. This is under section 214 of our authorizing legislation, which permits us to furnish assistance to schools and libraries outside the United States founded or sponsored by U.S. citizens and serving as study and demonstration centers for ideas and practices of the United States. The school is still operating with American teachers and the U.S. sponsors of the school as well as the United Arab Republic Government is interested in it continuing in operation.

Mr. PASSMAN. Mr. McEwen?

PRIMARY MISSION OF THE AGENCY FOR INTERNATIONAL DEVELOPMENT

Mr. MCEWEN. Thank you, Mr. Chairman.

Dr. Hannah, let me say that I am a new man on the committee, a country lawyer who brings the insular point of view to foreign operations. I have had no opportunity to observe the impact of AID or Export-Import Bank and Inter-American Development Bank and World Bank and other banks. I am now obliged to become acquainted with it.

I will correct that. Mr. Chairman, at your direction I did go to Mexico with my colleagues, Mr. Roybal and Mr. Hathaway.

Mr. PASSMAN. You brought back a very excellent report.

Mr. MCEWEN. We did see an institution down there, the University of the Americas, and I was quite impressed with it and AID has had a hand in its development. I did see a rehabilitation center in Mexico City where a limited amount of technical assistance brought something worthwhile.

What is the primary mission of the Agency for International Development? Is it development of underdeveloped countries? Is it emergency relief in the case of the refugees from Pakistan? Is your mission a multimission?

Dr. HANNAH. The principal objective of the AID, as I see it, is development assistance. That is what it was way back in the Marshall plan. That is what it was in point four. In the intervening years it has been given additional assignments. One of them is along the line we have been talking about, the responsibility for playing a role in Vietnam. A decision made back in 1962 that because AID had a substantial number of people that had a good deal of experience in operations around the world, they would be useful in that kind of emergency situation.

The decision was made that the Defense Department would fight the war and AID would be concerned with the controlling of inflation, with part of the pacification program, with trying to increase agricultural production and build schools where they were destroyed or never been any, help develop the kind of competence that there was not in Vietnam, to manage the infrastructure of the Government and all of these things. This has been financed by the Congress under the title of supporting assistance. This is one of the President's recommendations now before the Congress, which I was in part responsible for, because I think it would be good both for the military and for AID if they were completely separated.

If AID could return to development assistance where our No. 1 responsibility would be, as it was originally, it would help these people in the poor countries move in the direction of providing better lives for their people through using their own resources, not with the idea that you are going to pump in large assets from the United States, but primarily concerned with providing the kind of human competence that gets them focused on increasing agricultural production where food is a problem, with basic health facilities, if they have competence, and raw materials that will support an industrial economy, move in the direction of using what they have in raw materials to provide income so that they can provide education and give hope to the people. That is the basic role.

This is the one we would like to return to. The Congress decided after weeks of hearings before the Foreign Affairs Committee that this is too big a mouthful to include and now they are considering an authorization continuing AID as it is for 1 more year. Through agreement between the State Department and AID, we are going to centralize what has been supporting assistance and operate a little differently. We can do that within the existing legislation so that the bulk of our emphasis will be again on, as it has been in the past, a third of our people or money spent for supporting assistance, two-thirds in the development role.

That is a long answer to a simple question. I am sorry when you were in Mexico you didn't see the agricultural center project. When you were at the University of the Americas you were within a few miles of this agricultural research operation in which AID provided 25 percent of the input responsible for the development of the wheat and the rices which were a side issue with producing the whole "Green

Revolution." That is where the basic corn work is being done for the world. As you can well see——

AID'S SUCCESSES

Mr. McEwen. I should like to have seen that. Dr. Hannah, I had an editor in my district who put what I am about to say in focus. He said we have been waging a number of wars. We had a war in Southeast Asia and war on crime and war on poverty and war on narcotics. He said, "I would like to see us win a war."

Has AID or its predecessor organizations, now going back to the initiation of the foreign assistance programs following World War II?

Dr. Hannah. It has been successful in many places.

Mr. McEwen. Let me define what I am saying by success. I am referring to places where we have terminated the program, where they are on their own.

Dr. Hannah. Israel is a typical case. Iran, Taiwan, Argentina—a good many others. Those come to mind because they have been terminated rather lately. Korea, if the time can arrive when we don't have a requirement to maintain large military forces that they now have to maintain to defend themselves. Korea is about to move out so far as being able to stand on their own feet economically. That day is not far down the road.

Let me take another piece out of that. Take the most discouraging part of the world up until a few years ago, the subcontinent of Asia—India and Pakistan—where we despaired of whether or not it was possible ever for them to feed themselves. This agricultural development, this "Green Revolution," made possible great increases in the production of cereal grains. India is now in its third consecutive crop of cereal grains and rice, West Pakistan is more than self-sufficient, and India can be. But what didn't look to be possible is possible. We have some other examples.

Additionally, in the "Green Revolution" a great increase in agricultural production has been possible only in areas where you have water and either irrigation water or subsoil water that you can pump. With our agricultural research people putting the first emphasis on how do we move the gains in agricultural production to the areas that are rainfed, this is more difficult. We have not done much in this country because for the most part the agriculture in America is where the original, reasonable rainfall and semiarid areas—that has not been done anywhere else. Presently AID is financing one-quarter of the operating costs of these four worldwide research institutitons that were started by the Ford and Rockefeller Foundations. These institutions continue to be financed 25 percent by Ford and 25 percent by Rockefeller and 25 percent by AID and the other one-quarter is a rotating one; Canada, West Germany a part of one, United Kingdom has one of them. Increasingly they will eventually move so that they will be supported by the countries in the area where they are.

AID'S PRIORITIES ON DEVELOPMENT ASSISTANCE

However, I am saying that there are whole countries that have made real progress. There are countries that have still a ways to go that are well along. We have four principal emphases on development as-

sistance. Agriculture is No. 1. It gets first emphasis. It always has and will continue. Basic health is a high priority. Education is a high priority, and two pieces of education: one, training of sophisticated people for skills that are required to do the difficult things in society, and then across-the-board literacy education to bring people along to be responsible citizens in society. Population planning is a high priority because until you can bring some order into some control at the rate of human increase it is a pretty discouraging thing everywhere. Industrial development is one of the areas in which we put some emphasis. I think that the relatively small amount that we spend in the first AID appropriation for nonmilitary aid runs about $1,300,000,000 a year; almost $1 million of it is loans.

We have had a lot of discussions in the last 2 days on what the loans amount to. They are concessional. Two percent the first 10 years with no principal repayments, and 3 percent after the first 10 years. Very small percentage of them that have ever been in default. Most of these countries pay and we have a very large fraction of all of the loans that we have in default in the Arab countries that broke off relationships with us. I think we have $27 million in default now of which $22 million is in Egypt and Syria. While we don't want to take a lot of time here today, I think it is a defensible program and I am sure that we really have no alternative. We have to be concerned with the domestic problems, problems of the cities and the ecology and clean air and water and recreation space and employment and all the rest of it.

We have got to recognize that the kind of world our grandchildren are going to live in, and children—everybody is going to live in 30 or 40 years from now, is going to be determined to a substantial degree by what happens to the two-thirds of the people in the LDC's. This is what bothers me. It is long range, poor risk sometimes. A good deal of accomplishment, too.

RATIO OF BENEFITS TO COSTS

Mr. McEwen. Doctor, before coming to this committee I served on the Public Works Committee where we used to deal in B–C ratios in an effort to determine what the benefits were in relation to costs. Do you apply anything like this in evaluating projects? Where would you say to me as a new member of this committee I would have the greatest opportunity to see successful foreign assistance programs? That is, of one of the countries receiving assistance now.

Dr. Hannah. I would say you pick out the part of the world that you would like to visit and we will pick out the country.

Mr. McEwen. Anywhere in the world, where would be the one country, Doctor, that is now receiving assistance from us where the benefit-cost ratio, everything we have done, we have the greatest benefits for the cost?

Dr. Hannah. Probably Korea.

Mr. McEwen. Where would be the most unsuccessful?

Dr. Hannah. It would be one of the very primitive countries. When we group together two-thirds of the people of the world and the LDC's, you have got everything from the countries that are not on a money economy at all. Countries like Chad or Niger, some of the

other countries, where in spite of the fact that they are moving, it is hard to see. It is pretty discouraging and I would guess, if I wanted to discourage you as to the size of the problem ahead, it would be a country like Chad and Niger. Of course, you could pick out a country that has a good deal of sophistication where the cost-benefit ratio is less than one would wish.

Mr. PASSMAN. Would the gentleman yield?

Don't you ever let AID pick out the country or programs? You hear a lot of laughter over there. Don't let them know what you are doing while you are there. They are very wonderful people but it is only natural they are going to steer you where they want you to go and let you see what they want you to see.

JUSTIFYING THE AID PROGRAM

Mr. MCEWEN. I would say to my chairman, I come from a rather economically poor country district where if we were not a part of the United States we might well qualify.

Mr. ROONEY. All you have up there is beautiful scenery.

Mr. MCEWEN. That is right.

Mr. ROONEY. And a lot of highly successful farms near the St. Lawrence River.

Mr. MCEWEN. I am sure that I am not unlike many Members of Congress, Dr. Hannah. I get flak from my district on the aid program; my people ask why we engage in quixotic experiments in trying to bring up the standards of living of people who, as the chairman said, have been at that level for maybe 3,000 or 4,000 years. Having now some more direct responsibility for looking at this, being on this subcommittee, I have difficulty understanding, justifying, if you will, what it is we are trying to do. Korea and Taiwan you cite as successes. To hear AID, it has apparently been effective. Yet, there are other countries where it is rather discouraging. I wonder why this is. Is it the people themselves? Is it the Koreans? Is it the Chinese on the island of Formosa that make the difference?

Dr. HANNAH. I think that you would have to say that they are a part of it. It depends on where the people are when you start. When you are dealing with the Chinese you are dealing with a very competent sophisticated people. When Chiang moved from the mainland to Taiwan and brought many mainland Chinese with him, he brought a very, very large part of the top competence of China and not much to work with excepting a lot of will to work, and in a surprisingly short period they made that island not only self-sufficient but able to compete in the world, maintaining a great military force at the same time.

In Korea you have people that are not Chinese but they are oriental and somewhat related in geographic proximity, and in a country that was dominated by its neighbors for most of the last century.

Basically they have been far up the scale as compared to the primitive African countries where they had nothing in the way of education, no institutions of the kind that serve people. The colonial powers didn't really encourage them to move in the direction of development. That is one of the differences.

When you talk about the poor countries you have got everything from countries like India, where there is terrific poverty, 550 million

people, but they still have a substantial number of people well educated and sophisticated and can do most anything.

They take new ideas and industrial operations and so on which the British left them. The British did a great job in training Indian civil servants and instilling them with a basic sense of integrity. These are all factors that enter into this and are important. It is a pretty complex subject.

REQUIREMENTS FOR DEVELOPMENT

Mr. McEwen. Doctor, how much money and how many years would it take, do you think, if you could have all the resources that you need to do it? How much would you need in dollars and time to bring India up to a standard where you would say they could then make it on their own?

Dr. Hannah. It takes more than money. You have got the matter of will. You have got to put in the society somehow an equalization of the value of people. This is hard to do.

When you get into social areas you have a real problem because one of the basic problems in many parts of the world is people were accustomed to the notion people are not born equal but born entitled to equal opportunity. There is a vast difference. In much of the world that is not true. If you are born at the bottom you stay at the bottom.

Mr. McEwen. Are you saying that no amount of time and money would do it in India?

Dr. Hannah. It is going to be done.

Mr. McEwen. How much time and money will it take?

Dr. Hannah. It is going to take more of their money and not a whole lot of ours as compared to the size of the problem. India is a No. 1 aid recipient.

Mr. Passman. If the gentleman would yield.

We must put this in the record. Our net aid through fiscal year 1970 to India is $7,715,100,000. To that we must add another fiscal year. In placing these figures in the record, this is not the total because we have had to borrow this money. The amount of interest that we paid on it has reached astronomical figures. This is the net disbursements.

Mr. McEwen. Is this through AID?

Mr. Passman. It is through the many spigots. AID is an abbreviation for Agency for International Development?

OTHER SPIGOTS OF ASSISTANCE

Dr. Hannah. Yes, sir.

Mr. Passman. In the past this has been very confusing when we said AID. They mean this one Agency. This is an all-inclusive statement but it is the net amount of money provided to India.

Mr. McEwen. Would that include World Bank loans?

Mr. Passman. No, it does not include World Bank loans. We will include it this year because in previous years we had not been including World Bank and the International Finance Corporation because they were funded some 15 or 20 years ago to a sufficient amount to carry them. They came back in this year for a supplemental that they didn't need. We didn't give it to them and they have not complained. In previous years we did not pick up that agency. We did

pick up the International Development Association but not the so-called World Bank.

I want the record to show when we give you these capitulations, we include only the percentage of the total disbursements equal to the amount that we contributed. So if they have disbursed $1 billion and we only provide 34 percent, we only include 34 percent in our recapitulation table.

Is that not correct, Mr. Controller? I think that is the way we have handled it in the past.

Mr. FLINNER. We have used those figures, I believe, Mr. Chairman, in the unexpended balance. I am not sure we have used them in the total.

Mr. PASSMAN. You will have a look. This year we want to include all things we have previously included.

Would you look at your submissions and make them all-inclusive?

Dr. HANNAH. Mr. Chairman and Mr. McEwen, there is in this page I am looking at a breakdown of all the expenditures by AID and its predecessor back to 1946. It shows that AID and its predecessors have loaned India $2.622 billion and we have given India in grants in the 20-odd years $450 million.

Of course it is the No. 1 recipient. We put emphasis there. Our predecessors did this long ago because they thought it was the way to keep India and Pakistan out of the Communist orbit.

MEASURING THE IMPACT OF ASSISTANCE

Mr. MCEWEN. After all that assistance, how much has the level of income, standard of living, whatever you want to term it, however you wish to define it, of the average Indian citizen increased?

Dr. HANNAH. It improved materially. I do not have a measure of it. Going to India for the last 20 years as I have occasionally, it is not the same country at all.

Mr. MCEWEN. Do we have any measure in any country where we have pumped out these millions upon millions of dollars where we have made any measurements at all of what the benefit has been?

Dr. HANNAH. If you put a dollar figure, per capita GNP is the only measure.

Mr. PASSMAN. Do we have information to show the relation to our assistance?

Mr. ROONEY. It is obvious. You have it in front of you when you think of what this Nation did under the Marshall plan.

Dr. HANNAH. That was the beginning of it.

Mr. ROONEY. Think what it did for Italy, for the British, the French, the Germans.

Mr. MCEWEN. Our assistance to Japan.

Mr. ROONEY. Japan, also.

Mr. MCEWEN. Japan has done so well that I have to meet with the clinical thermometer plant people in my district this week because they cannot compete with the Japanese on clinical thermometers.

Mr. ROONEY. You may get some money for them out of the Department of Commerce bill that you reported out of committee yesterday.

Mr. PASSMAN. Would you yield to go off the record?

Mr. MCEWEN. Yes, sir.

(Discussion off the record.)

Mr. McEwen. Thank you, Mr. Chairman.

Mr. Passman. Mr. Rooney?

INTERNATIONAL AGENCY FOR RESEARCH ON CANCER

Mr. Rooney. I am looking at this item with regard to cancer research. It is to be found at page F–10 under International Organizations and Programs. It amounts to $312,711, to be contributed by the United States to the International Agency for Research on Cancer. Now I take it that that is a subsidiary, is it, of the World Health Organization?

Dr. Hannah. Yes.

Mr. Rooney. And there are about a half dozen members in that organization. That is about right, is it?

Dr. Hannah. I think there are more than that, sir.

Mr. Rooney. Six or eight?

Dr. Hannah. You think there are only six nations that belong to WHO?

Mr. Rooney. I think so. The others contribute $150,000 each except the United States and the U.S.S.R., and they contribute $312,000. Is that right?

Dr. Hannah. Each of the 10 members contributes for 1971 a basic amount of $150,000 and an additional amount varying roughly with its capacity to pay. The United States and the U.S.S.R. contribute $312,352 each.

Mr. Rooney. The United States, the U.S.S.R.

Dr. Hannah. Australia, France, Germany.

Mr. Rooney. Italy, Israel, the Netherlands and the United Kingdom.

Dr. Hannah. That is this IARC, International Agency for Research in Cancer, I take it?

Mr. Rooney. Right.

Dr. Hannah. That is those countries.

Mr. Rooney. Where do we find that in the bill, itself?

Dr. Hannah. The World Health Organization?

Mr. Rooney. This particular item of $312,000 for cancer research——

Dr. Hannah. That would be a part of the I.O. operation. Mr. De Palma will be up here to defend the I.O. part of the appropriation estimate.

Mr. Passman. What is that abbreviation for?

Dr. Hannah. Bureau of International Organization Affairs in the State Department.

Mr. Passman. In the State Department?

Mr. Rooney. He is also going to find a place to put up our ambassador who is being evicted from the Waldorf, you know.

(Discussion off the record.)

Mr. Rooney I want to inquire: To whom is this money given?

What information do we have on this? Do you think Mr. De Palma will have some information?

Dr. Hannah. Yes. In any case, I will make sure I will get it.

Mr. Rooney. Of course, Mr. De Palma is a trusting soul.

Dr. Hannah. I will get this for you and get it to you within a day or two.

Mr. ROONEY. I would like some details with regard to it. The American Cancer Society is interested in this item. They approve of it. At the same time, I would like to know what the score is, where the money is being spent.

Dr. HANNAH. We will put it in the record and I will get a note to you.

Mr. ROONEY. Very good.

(The information follows:)

INTERNATIONAL AGENCY FOR RESEARCH ON CANCER

Convening in 1964 at the invitation of the French Government, representatives of the United States, the United Kingdom, Italy, the Federal Republic of Germany, and France drafted a proposal for the establishment of an international agency to collect and disseminate information on the epidemiology of cancer, on cancer research, and the causation and prevention of cancer throughout the world; to conduct research on cancer; and to train cancer research personnel. The proposal was drafted in the form of a resolution for action by the World Health Organization and was approved by that body's assembly in May 1965.

Membership in the IARC is open to all WHO members who desire to participate and who engage to contribute to its support. In addition to the five original members, Australia, Belgium, Israel, Netherlands and the U.S.S.R. have joined. (Israel has subsequently given notice of withdrawal, effective August 22, 1971.)

The agency has its own governing council, composed of representatives of each of the participating states.

The council establishes policy, approves programs and budgets, and appoints senior staff personnel. A scientific council, composed of experts in cancer research, provides advice on the technical aspects of the Agency's operations. The executive head is Dr. John Higginson, an American.

The headquarters of the IARC is in Lyon, France. The agency is temporarily housed in space provided by French central and local authorities, pending completion of the construction of a 13-story building, also financed by the French authorities. There are small regional centers in Nairobi, Kenya, and in Singapore.

The operations of the Agency are financed primarily by annual contributions from members. For the first 5 years, each member paid $150,000. In 1970 the governing council voted to increase the annual budget by 5 percent and to adopt a contributions scale which provides for a basic contribution of $150,000 from each member and additional amounts based roughly on capacity to pay. Quotas for 1971 are as follows:

United States and U.S.S.R., $312,352; France, Germany and the United Kingdom, $231,176; Italy, $190,588; Australia, Belgium, Israel, and Netherlands, $170,295. Payments are made to the World Health Organization and are deposited in a separate account maintained solely for the Cancer Agency. A contractual arrangement exists between IARC and WHO, under which the latter provides administrative, financial and budgetary services at a cost lower than if the Agency carried them out itself.

The work program of the Cancer Agency is concentrated on those programs that are clearly international in scope, such as:

Studies on cancer-causing air pollutants in populations of various countries;

Cancer virology investigations in countries which have unique strains of viruses;

The search for clues to account for the difference in various cancers among selected populations in different countries;

A range of scientific activities which require common terminology, classification framework, biological and chemical assays, if data from various countries is to be analyzed in a meaningful fashion.

The Director of the U.S. National Cancer Institute has reported that work of high priority for the United States, such as studies in causation of cancers by chemicals and viruses and the production of demographic and epidemiologic data, can only be conducted through an international organization such as the IARC.

Mr. PASSMAN. Would you yield a moment?

Mr. ROONEY. Yes, Mr. Chairman.

Mr. PASSMAN. That does not come out of the UNDP fund?

Dr. HANNAH. No; that is WHO.

Mr. PASSMAN. World Health Organization.

What is the total amount they are requesting. It is not under your jurisdiction. What are they requesting?

Dr. HANNAH. $312,000.

Mr. ROONEY. That is the only item they have on the list here for WHO.

Mr. PASSMAN. That is the total amount they are requesting?

Dr. HANNAH. That is what they are requesting for this particular purpose.

Mr. ROONEY. Yes.

Mr. PASSMAN. To the World Health Organization?

Dr. HANNAH. That is right.

Mr. PASSMAN. In the past we have had other programs under the World Health Organization. Have they been completed or deleted?

Dr. HANNAH. Apparently that is all we have this year.

Mr. PASSMAN. Do you recall? We have had a large list of projects.

Dr. HANNAH. I will check it.

Mr. PASSMAN. Will you search that out?

Dr. HANNAH. We will put it in the record.

Mr. PASSMAN. What we could do in this instance is make mention of this in the report.

Dr. HANNAH. We will put it in the record. I will have to get it and put it in the record.

Mr. PASSMAN. If we are contributing to the World Health Organization through the United Nations and we have only one project and that one project is for cancer research and $312,000 is the amount we are contributing, then I wonder why it would not be done on a bilateral basis. There is something confusing about this one.

Dr. HANNAH. We will have to get the answer.

Mr. ROONEY. That is the information we are going to get, Mr. Chairman.

Thank you, Doctor.

(The information follows:)

U.S. VOLUNTARY CONTRIBUTIONS TO THE WORLD HEALTH ORGANIZATION AND ITS AFFILIATED AGENCIES

Beginning in 1958 the United States had made voluntary contributions to the WHO to initiate and stimulate activities of special interest to us. Most of the contributions were financed from appropriations for foreign assistance and the remainder from funds appropriated to the Department of Health, Education, and Welfare.

The contributions from the United States, together with similar voluntary contributions from other governments, were, in most cases, administered by the WHO Secretariat in accordance with the organization's procedures and regulations. However, the International Agency for Research on Cancer, established by a resolution of the World Health Assembly, is administratively separate from WHO and has a separate governing body composed of representatives of those governments which elect to join the Agency and a separate staff.

The following table lists funds obligated for voluntary contributions through fiscal year 1971 (amounts in thousands of dollars):

Fiscal Year	Appropriation	Malaria eradication	Community water supply	Medical research	Drug monitoring	Cancer agency	Vietnam project	Total
1958	Foreign Aid	5,000		300				5,300
1958	HEW							
1959	Foreign aid	3,000		300				3,300
1959	HEW							
1960	Foreign aid	3,000	300	500				3,800
1961	do	4,000	175	500				4,675
1962	do	2,500	400	500				3,400
1963	do			500				500
1964	do			500				500
1965	do					75		75
1966	do					150		150
1967	do					150		150
1968	do					150	1,000	1,150
1969	do					150		150
1967–69	HEW				440			440
1970	Foreign aid					150		150
1971	do					150		150
Total		17,500	875	3,100	440	975	1,000	23,890

Voluntary contributions to the malaria eradication program supplemented regular budget funds for providing overall direction to the worldwide malaria eradication program and for furnishing technical assistance fellowships, and some supplies and equipment to individual countries.

Voluntary contributions to the community water supply program helped finance WHO assistance for developing national and local water supply administrations, in carrying out preliminary engineering and feasibility studies necessary to attract funds from lending agencies, and in training personnel.

In 1958, the United States initially made a special contribution to finance a study of the ways in which WHO could play an intensified role in the international stimulation and coordination of medical research. WHO staff developed a plan for carrying out the study which in its second stage involved intensive research, evaluation, and planning activities by about 20 groups of experts in such fields as cardiovascular diseases, malaria, virus research, insecticide resistance, leprosy, and tuberculosis. In each field the group assessed the present state of knowledge, the outstanding research needs, and the areas of research which WHO could most appropriately stimulate or undertake.

Subsequent contributions by the United States and other countries helped to finance the recommendations of these groups, including the initiation of nearly 200 new collaborative research projects, the establishment of 20 new reference centers and the convening of more than 40 scientific groups. In 1964, the U.S. contribution was specifically earmarked for research in the biology of human reproduction.

In the wake of the discovery of the adverse effects that such drug as thalidomide can have, the United States made a special contribution to help expand WHO activities in the drug monitoring field.

In order to assist the Government of Vietnam in meeting its requirements for health technicians, the United States made a special contribution in 1968 to WHO to help finance a National Institute of Public Health in South Vietnam.

These voluntary contributions were designed as "seed money" to get new activities underway. Subsequently the costs of continuing most of these activities have been met from the WHO budget, supported by assessments on all members. The International Agency for Research on Cancer was, however, established on a different basis. It is supported by the wealthier members of WHO with separate contributions; the less developed members place cancer low on their priority list after such endemic diseases as malaria, cholera, and smallpox.

Mr. PASSMAN. Mr. Shriver?

FERTILIZER TAX IN INDIA

Mr. SHRIVER. Thank you, Mr. Chairman. On page 8 you mention advice given to recipient governments regarding taxation policies. Does India still impose a tax on fertilizer imported under our aid program?

Dr. HANNAH. The Government of India taxes all fertilizer, imported and produced domestically. This represents an equitable tax on incomes derived from the use of high-yielding varieties of wheat and rice, which of course require substantial amounts of fertilizer. Since for political reasons the Indian states have not imposed direct taxes on agricultural incomes, the fertilizer tax acts indirectly to tap a legitimate source of much-needed government revenue. And the profitabilitiy of growing high-yielding varieties so far outweighs the tax that there is still a very large incentive for the farmer to use fertilizer.

POPULATION PROGRAMS

Mr. SHRIVER. You are requesting another $100 million for population programs overseas in fiscal 1972. Including this amount, how much have we put into these efforts since fiscal 1965; what tangible results can you quote from these expenditures; how much have other donor countries given during this period; and how much have the underdeveloped countries spent in their own behalf in this area?

Dr. HANNAH. From fiscal year 1965 through fiscal year 1971, the United States has put approximately $260 million into efforts to lower population growth rates in the developing countries. The $100 million requested for fiscal year 1972 would raise the 8-year total to about $360 million. Nearly $23 million funding to date has gone for research on improved methods of fertility regulation.

AID assistance to population and family planning programs in the developing countries has resulted in a greatly expanded awareness of need to curb population growth; in provision of needed commodities, including contraceptives; for family planning programs in numerous developing countries; in the training of thousands of family planning leaders and workers; and in intensive research and testing of population control methods.

Also resulting from this assistance are advances in much-needed biomedical research. These include the development of prostaglandins, an extremely promising method of birth control which is now nearing the marketing stage.

Along with these measures has come the adoption of family planning practices by many millions of people in the LDC's, although in most countries population policies and programs are still in the early stages of development. Decreases in birth rate attributed directly to family planning programs have been reported to both Korea and Taiwan. Also the population increases in India since 1961, as reported in the 1971 Census of India, is about 14 million less than was projected by demographers on the basis of 1961 trends. Pakistan also reports decreases in the birth rate.

Although there are tangible and measurable results, further AID efforts are needed on all fronts before the population explosion in developing countries can be brought under control by their programs.

Data are not available on the amounts spent by other donor countries in assistance to population programs. However, a number of countries, such as Sweden, Denmark, Norway, the Netherlands, West Germany, Japan, and the United Kingdom, have been actively assisting these programs with funds and commodities, in some cases since the late 1950's and early 1960's.

The U.N. fund for population activities, established in 1971, has also

received contributions from many nations. Assistance is also provided by private and international organizations.

Efforts to arrive at the total amount which underdeveloped countries have spent on population and family planning programs, from their own resources, have not been successful due to accounting difficulties and other problems, including political factors. However, in countries where national programs are under way, it is clearly evident that each country's input of its own resources far exceeds the flow of foreign aid into the program, including aid from all sources. In total, LDC investments in these programs are much greater than AID's assistance, which is necessarily of supplementary character and proportions.

EDUCATION

Mr. SHRIVER. We might get comparable statistics in the field of education, such as the total we have sent overseas through all spigots since fiscal 1965, the total of other donors, and the total spent by the recipient governments in their own behalf. The total figure should be considerable, yet you say on page 10 that over half of the school age population in the less developed world is still not in school. On page 11 you say that nearly all present education systems reach too few people with the wrong kind of education and at prohibitive costs. How much is in this request for education? How much of this is to support present systems.

Dr. HANNAH. AID obligations for education since fiscal year 1965 are as follows:

Fiscal year:	*Obligations (in millions)*
1966	$137.5
1967	190.1
1968	202.8
1969	117.7
1970	186.6
1971 (estimated)	155.0

These amounts include development loans, technical cooperation, supporting assistance, contributions to international organizations other than UNESCO, and support for the American schools and hospitals abroad program. The amount for fiscal year 1969 does not include $45 million in Egyptian pounds for the American University in Cairo.

We do not have comparable figures for other donor countries or for the developing countries themselves. However, it is estimated that the less-developed countries have been increasing their own budgets for education an average of 15 percent annually and that they spend from their own resources about $8 billion annually.

Approximately $200 million is in this request for education. Almost the entire amount is being used to improve and make more effective educational program in the developing countries.

USE OF DEVELOPMENT LOANS FOR POPULATION CONTROL

Mr. SHRIVER. On page 18 you say that since the authorization for technical assistance in the proposed Morgan extension is too low, you will merely use other funds—development loans—for some technical programs, such as population control. While I realize you can do this

legally, it would seem that this would conflict with the stated policy of Congress if the Morgan proposal is passed. Would you comment on this?

Dr. HANNAH. We feel that such a use of development loan funds for grant population programs is not in conflict with the stated policy of Congress in that section 292 of the Foreign Assistance Act of 1961, as amended, provides that any funds available under part I of the act may be used for population purposes and furthermore than "notwithstanding any other provision of this act, funds used for such purposes may be used on a loan or grant basis."

DEVELOPMENT LOANS

Mr. SHRIVER. You have requested a lower amount for development loans than you usually request, although it is still higher than past appropriations. Does this mean that you are shifting more to a grant foreign aid program than loans? What is the percentage of grants and loans in this request?

Dr. HANNAH. The loan request appears lower than in past years because the fiscal year 1972 request assumes that grant population activities will be funded principally from the technical cooperation account —$90 million of $100 million total—rather than from the development loan accounts as in the past—$96.3 million of $100 million in fiscal year 1971. The agency is not shifting more to a grant program, but is merely shifting its grant programs out of the loan accounts.

Of the new funds requested from the Congress, 55 percent of the development and humanitarian assistance funds would be loans. Of the total economic assistance request—including supporting assistance and contingency funds—32 percent would be loans.

INDUS BASIN PROJECT

Mr. SHRIVER. What is the status of the Indus Basin project, both in terms of physical development and in terms of contributions?

Mr. HANNAH. Over 95 percent of the replacement works of the Indus Basin has been completed, including the Mangla Dam, 300 miles of link canals, and seven barrages. The Chasma-Jhelum link canal was substantially completed on November 2, 1970, 5 months ahead of schedule. Commissioning is due to commence in May 1971. The Taunsa-Panjnad 50-mile link canal and the Chasma Barrage are currently under construction. Completion of the former is expected by October 1971 and the Chasma Barrage will be fully constructed by May 1971.

Of the total international commitment to the Indus fund of $1,565.3 million, the U.S. contribution through June 30, 1971 amounted to $224.1 million in grants, $89 million in loans, $235 million equivalent in Pakistan rupees.

UNDP—JACKSON STUDY

Mr. SHRIVER. Would you tell us more about what actions are being taken by the United Nations Development Program to meet the criticisms of the Jackson study? After these actions are completed, would the UNDP meet the administrative criteria used to judge the effectiveness and efficiency of our own bilateral aid programs?

Dr. HANNAH. The Jackson report recommended extensive reform to reorganize and strengthen the UNDP. Since the Jackson study, the UNDP has been in the throes of reorganization aimed at strengthening its capacity to manage a program intended to double the size by 1975. The Governing Council has approved the following reforms:

(1) A new system designed to shift the focus of UNDP planning, programing, and operations from an individual project basis to a country program basis has begun to be implemented. It aims at coordinating U.N. assistance with the recipient country's own development plan. A country program is to be formulated by the government of each recipient country in cooperation with representatives of appropriate U.N. organizations, under the leadership of the UNDP Resident Representative.

The UNDP has circulated guidelines for country programs and, initially, has requested the preparation of country programs in about 20 countries.

(2) In order to give the developing countries an indication of the order of magnitude of resources which may be available from the UNDP over a 5-year term, and thus to facilitate formulation of their country programs, the Governing Council has approved "indicative planning figures" proposed by the Administrator for each recipient. These figures are for planning purposes and do not represent a commitment.

(3) At the country level, the Governing Council has called for greatly strengthening the role of the Resident Representative and the maximum possible delegation of authority to him. In his expanded role, he is recognized as having full overall responsibility for the UNDP program in the country concerned and serves as leader of the team in relation to the representatives of other U.N. agencies. The Governing Council has approved arrangements between FAO and UNDP instituting a unified system under which all Senior Agricultural Advisors/FAO Country Representatives assigned to the office of the Resident Representative would serve as UNDP officers under the administrative authority and policy guidance of the Resident Representative.

(4) UNDP has reorganized its headquarters by establishing four regional bureaus each under an assistant administrator. The bureaus, are to approve country programs and be responsible for the formulation, evalution, and followup of projects. In addition to planning bureau has been established to carry out long term planning, program analysis, research, and overall evaluation of the UNDP program.

(5) The June 1971 Governing Council improved its capacity to review UNDP's budgetary and financial matters by establishing a budget and finance committee of the Governing Council. The new committee will permit the Governing Council, for the first time to have a significant impact on UNDP's budget preparation and other financial questions.

Some of the key decisions taken by the UNDP can be implemented only over a period of several years. For example, the institution of a country programing system will probably take about 3 years to extend to all recipient countries. When fully implemented, country programing will go a long way toward correcting weaknesses of existing U.N. procedures under which projects are formulated, con-

sidered and approved without necessarily relating them to a country's resources, development objectives and other external assistance.

Other reforms, such as restructuring the specialized agencies and the institution of systematic evaluation also require considerable time to be made operational. Our goal is to help improve the U.N. system of development aid to meet the highest possible standards of effectiveness and efficiency. It will clearly be some years before the U.N. system can meet this objective.

PAY RAISE

Mr. SHRIVER. On page 24 you mention that the Morgan proposal for administrative expenses does not include enough to meet the costs of the latest pay raise. Where will you cut back if the additional $2.6 million is not authorized?

Dr. HANNAH. The proposed authorization does not include this pay raise. A transfer from economic assistance program appropriations will be requested to cover the raise.

CORN PRODUCTION

Mr. SHRIVER. The Comptroller General issued a report dated April 27, 1971, regarding an AID project which helped Thailand increase its export of corn, a surplus crop in America, to Japan, the principal foreign export market for U.S.-grown corn. The GAO recommended that the Department of Agriculture have an effective voice in the decisionmaking on such projects in the future. What have you done in this regard?

Dr. HANNAH. OPIC has consulted with the Department of Agriculture on the subject of this GAO report. I understand that policies and procedures have been developed to assure that the Agriculture Department's views are considered on projects which may affect U.S. exports of crops which are in U.S. surplus. These policies and procedures will be submitted to OPIC's board of directors for approval.

IBRD BOND ISSUE

Mr. SHRIVER. On March 2, 1971, the World Bank announced a $200 million issue of U.S. dollar bonds which were purchased by central banks and other governmental institutions of 67 different countries and by one international organization. Would you provide for the record a list of these countries and the international organization?

Dr. HANNAH. There is attached a schedule showing in detail the purchasers of this issue and of the Bank's previous three issues of similar 2-year bonds. The international organization, which is not listed by name, is the Bank for International Settlements.

(The list follows:)

SA-5

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

PURCHASERS OF LAST FOUR TWO-YEAR ISSUES OFFERED BY IBRD

(Expressed in millions of United States dollars)

	8% of 1969 due Sept. 15,1971	8-1/8% of 1970 due March 15,1972	7-7/8% of 1970 due Sept. 15,1972	5.20% of 1971 due March 15,1973	TOTAL
Abu Dhabi	$ -	$ -	$ -	$ .500	$ .500
Argentina	4.000	7.500	4.000	10.000	25.500
Australia	5.000	2.000	5.000	8.000	20.000
Austria	1.500	2.000	5.000	2.500	11.000
Belgium	5.000	5.000	5.000	10.000	25.000
Bolivia	.500	.500	.500	.500	2.000
Brazil	-	2.000	10.000	12.000	24.000
Brunei	.100	1.000	.200	-	1.300
Canada	12.500	12.500	12.500	12.500	50.000
Chile	2.000	1.000	1.000	1.000	5.000
China	3.000	2.000	1.000	2.000	8.000
Colombia	1.000	1.000	2.000	-	4.000
Congo, Democratic Republic of the	5.000	5.000	-	-	10.000
Cyprus	.500	1.000	.500	1.500	3.500
Denmark	2.000	2.000	2.000	2.000	8.000
El Salvador	-	-	-	.200	.200
Ethiopia	-	2.000	3.000	2.000	7.000
Finland	3.000	3.000	6.000	5.000	17.000
France	1.000	2.000	1.000	2.000	6.000
Germany	3.97	-	-	-	3.975
Ghana	.100	.300	.100	.300	.800
Greece	1.000	1.500	1.000	1.000	4.500
Guatemala	-	-	.250	-	.250
Guyana	.500	.500	-	-	1.000
Honduras	-	.250	.500	.250	1.000
Iceland	1.000	1.000	1.000	2.000	5.000
India	1.500	2.000	3.000	2.500	9.000
Iran	2.000	4.000	4.000	3.000	13.000
Ireland	2.000	2.000	2.000	1.000	7.000
Israel	2.000	2.000	2.000	2.000	8.000
Italy	7.500	12.500	10.000	10.000	40.000
Ivory Coast	.500	1.000	.700	-	2.200
Japan	10.000	-	5.000	5.000	20.000
Jordan	2.000	1.000	2.000	2.000	7.000
Kenya	1.000	2.000	2.000	1.000	6.000
Khmer Republic	-	-	1.000	1.000	2.000
Korea	-	1.000	-	1.000	2.000
Kuwait	4.000	.500	.250	1.000	5.750
Libya	5.000	5.000	-	10.000	20.000
Luxembourg	-	.200	-	.200	.400
Malagasy Republic	-	-	-	1.000	1.000
Malaysia	12.000	5.000	2.000	-	19.000
Mexico	2.500	10.000	10.000	10.000	32.500
Morocco	-	-	.200	.200	.400
Nepal	2.500	1.000	-	.500	4.000

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

PURCHASERS OF LAST FOUR TWO-YEAR ISSUES OFFERED BY IBRD

(Expressed in millions of United States dollars)

	6% of 1969 due Sept. 15,1971	8-1/8% of 1970 due March 15,1972	7-7/8% of 1970 due Sept. 15,1972	5.20% of 1971 due March 15,1973	TOTAL
Netherlands	$ -	$ 2.000	$ 1.000	$ 2.000	$ 5.000
New Zealand	3.000	2.000	-	2.000	7.000
Nigeria	1.000	3.000	5.000	1.000	10.000
Norway	7.000	8.000	10.000	9.000	34.000
Pakistan	2.000	2.000	-	-	4.000
Portugal	1.000	1.000	1.000	-	3.000
Qatar	-	-	.100	.100	.200
Saudi Arabia	10.000	10.000	10.000	5.000	35.000
Sierra Leone	-	1.500	-	-	1.500
Singapore	6.000	7.850	5.000	6.000	24.850
South Africa	1.000	1.000	1.000	1.000	4.000
Spain	2.000	-	6.000	2.000	10.000
Sudan	.100	.100	-	-	.200
Tanzania	3.000	3.000	-	-	6.000
Thailand	15.000	15.000	15.000	15.000	60.000
Trinidad & Tobago	.250	.200	.200	.500	1.150
Uganda	-	-	-	1.000	1.000
Venezuela	2.000	2.000	2.000	10.000	16.000
Viet-Nam	1.000	-	1.000	2.000	4.000
Yemen, People's Democratic Republic of	-	1.000	-	2.000	3.000
Yugoslavia	2.000	2.500	2.000	2.000	8.500
Zambia	-	4.000	3.000	4.000	11.000
Banque Centrale des Etats de l'Afrique de l'Ouest*	1.400	2.000	2.100	1.700	7.200
Banque Centrale des Etats de l'Afrique Equatoriale et du Cameroun**	-	-	-	.500	.500
Other Governmental Institutions	.075	.100	.100	.150	.425
International Organizations	10.000	2.000	4.800	6.400	23.200
TOTALS	$ 175.000	$ 174.500	$ 175.000	$ 200.000	$ 724.500

* Central Bank for: Dahomey, Ivory Coast, Mauritania, Niger, Senegal, Togo and Upper Volta.

** Central Bank for: Cameroon, Central African Republic, Chad, Congo (Brazzaville) and Gabon.

Treasurer's Department
Securities Division
March 2, 1971

U.S. VESSEL SHIPPING REQUIREMENT

Mr. SHRIVER. Can you estimate the effect on U.S. exports to the developing world of the President's recent action to drop the 50-percent U.S. vessel shipping requirement? What commodities will benefit most from this action?

Dr. HANNAH. The President did not drop the 50 percent U.S. vessel shipping requirement for AID cargoes. Therefore, there is no question of estimating the effect on U.S. exports under the AID program.

TAX RECEIPTS AS PERCENT OF GNP

Mr. SHRIVER. The United States now collects approximately 20 percent of our GNP in Federal tax receipts. Would you provide a table for the record showing the percent of GNP as represented by central government tax receipts for the countries for which you are requesting 1972 funds?

Mr. HANNAH. I have a table that shows central government tax receipts as a percent of GNP.

(The table follows:)

Central Government tax receipts as percent of GNP for calendar year 1970 or closest fiscal year

Country:	Percent
Latin America:	
Bolivia	10
Brazil	12
Colombia	10
Dominican Republic	15
Ecuador	[1] 15
El Salvador	10
Guatemala	8
Guyana	[2] 21
Honduras	11
Jamaica	20
Nicaragua	9
Panama	13
Paraguay	11
Peru	15
Uruguay	13
Africa:	
Congo (k)	32
Ethiopia	8
Ghana	13
Liberia	[2] 20
Morocco	17
Nigeria	[2] 11
Tanzania	13
Tunisia	21
Uganda	13
Near East and South Asia:	
India	8
Pakistan	8
Turkey	18
East Asia:	
Indonesia	11
Korea	15
Philippines	9

[1] 1968.
[2] 1969.

It should be noted that these figures are based on tax receipts of the central government only. In many countries State and local governments collect substantial amounts of taxes. Data for these are not available.

BUILDING INTERNATIONAL ASSISTANCE

Mr. SHRIVER. I notice that for the first time in years, your statement does not mention that the United States must increase its aid in order to stimulate others to increase theirs. Is this because that is not actually the case? The latest figures I have seen indicate that as our foreign aid appropriations under this bill have been reduced by the Congress over the past 5 years, other members of the Development Assistance Committee have more than taken up the slack. Is this correct?

Dr. HANNAH. As you and other Members of Congress recognize, the United States has been the primary leader in building international development assistance efforts over the past two decades. Today the United States is no longer providing the bulk of international development assistance; we now provide less than half of this assistance. Beyond our efforts to encourage other countries to increase their assistance, they also recognize that they have a major stake in the overall effort of development and are now able to provide more such assistance than in the earlier post war period. In fact, several nations have committed themselves to provide at least 1 percent of their gross national product in assistance to the developing countries. Although we have not made such a commitment, it is important for us to continue to provide our share.

In the words of the President, the United States has "a profound national interest" in joining with other nations to help build a more economically prosperous and stable community. This is what our development assistance programs seek to do. The needs of the developing nations continue to grow. For this reason, it is imperative that our assistance level increase in the near future. While other members of the Development Assistance Committee have increased their levels in the past several years, there are still not adequate resources available to meet all the needs of the developing countries. It is not possible, therefore, to conclude that the DAC members have taken up the slack. The slack remains.

ETHNIC BREAKDOWN OF AID GS EMPLOYEES

Mr. PASSMAN. Mr. Roybal?

Mr. ROYBAL. Dr. Hannah, yesterday we discussed employment in Latin America and you were to supply for the record the ethnic breakdown of employees of AID in Latin America.

I have since received a worldwide survey of employees of AID and it is most interesting.

There are 2,259 employees of AID under the general schedule, GS–1 to 18, 2,259; 733 are black, 30 Spanish surname, one Indian and 12 Orientals. In other words, at least 94 percent of all minority group employees in AID are Negro or black. This is what I was trying to say yesterday when I made some remarks with regard to employment practices by AID.

Dr. HANNAH. I got the point and I initiated a study, independent of this one. I am in full sympathy with the point you are making, that the Spanish-Americans are underrepresented. We must focus increased attention on this group, as well as improving the representation and grade levels of other minorities, including blacks and women. Furthermore, most blacks are in grade levels below GS–6 and are recruited locally, reflecting the racial composition of the Washington, D.C., area.

Mr. ROYBAL. Now I am going to compare your figures when they are submitted to us with this. I want to know how many of the people with Spanish surnames, employees throughout the world, are actually in Latin America.

Dr. HANNAH. We will get that.

(The information follows:)

SPANISH-SURNAMED AMERICANS EMPLOYED BY AID

In addition to the minority figures quoted by Mr Roybal, as of the end of November 1970, AID had 13 more Spanish-surnamed Americans in Washington for a total of 43. All 13 were foreign service employees in the United States on rotation: 12 Foreign Service Reserve Officers and one Foreign Service staff employee.

There were, on the same date, 78 Spanish-surnamed Americans overseas distributed as follows:

Africa	3
East Asia	5
Latin America	47
Near East and South Asia	6
Vietnam	17
Total	78

NEED FOR FAIR HIRING PRACTICES

Mr. ROYBAL. It would be interesting to make those comparisons to find out exactly where these people are serving, but the mere fact that more than 94 percent of all minority group employees in AID are of one particular group, I do not think speaks too well for the hiring practices of AID.

Dr. HANNAH. What you are saying is that this has not had very much emphasis. I suspect that is right.

I can tell you where one of them is, because I spent a good share of this forenoon in conversation with a finance and economic minister from Peru, and with their ambassador. He was not there but, getting ready for it, of course, it was necessary for me to dig up some information.

One of them is our mission director in Peru, Mr. Perez.

Mr. ROYBAL. Yes; I know him. He is a good man.

Dr. HANNAH. He is a good man, done well.

Mr. ROYBAL. It is also interesting to note that other departments, other bureaus have almost the same kind of a record. Even the Inter-American Development Bank could not tell me the names of Mexican Americans or Spanish-surname employees that are citizens of the United States and working for the Inter-American Development Bank.

So when one sees that situation, one wonders why it is that people do not complain more and more about the AID program, particularly in districts such as the one that I represent.

Dr. HANNAH. Well, I think it is a matter of neglect. They have not focused on this one. There have been great pressures on the blacks. They have made great progress. This one has not had the visibility it should have.

Mr. ROYBAL. We have Civil Rights Commissions, that don't apply civil rights equally? Why are they in existence if they let a thing like this go by?

These are things beyond your control at the moment. I read them into the record because I think something has to be done about this kind of a situation, not only in AID but in all other agencies of Government.

Dr. HANNAH. You have made the point effectively and I am in full sympathy with it.

Mr. ROYBAL. Thank you.

SUPPORTING POPPY SUBSTITUTES IN TURKEY

I also made reference yesterday to a situation in Turkey.

On page D–25 there is a statement that says that in Turkey AID is supporting a new 5-year project which will deal with government agricultural policy and the administration of government programs.

Can you elaborate as to what the new governmental agricultural policy really is?

Dr. HANNAH. No, I am afraid I cannot, Mr. Roybal. It would be foolish for me to bluff it out. I would much rather look into it and get a thorough understanding of it and put it in the record and get a copy of it to you.

Mr. ROYBAL. All right. I would appreciate it if you would put it in the record.

I am also interested in knowing whether or not this new government agricultural policy would also deal with the substitution of crops——

Dr. HANNAH. For opium?

Mr. ROYBAL (continuing). For opium in Turkey.

Dr. HANNAH. That is a very high priority. When Mr. MacDonald, who is scheduled for next Tuesday before the committee, appears, he knows the answers better than I do. In any case, I am not going to wait for that. I will get you the answer.

(The information follows:)

AGRICULTURAL POLICY

The Government of Turkey is in the process of developing a new overall agrarian reform program to be included in the third 5-year plan, which begins with 1973. Our agriculture administration and planning project is designed to assist the Ministry of Agriculture to determine what new policies are required and to improve its ability to implement programs to carry out these policies. Heavy emphasis is being placed on administration and management practices and agriculture economic research.

CROP SUBSTITUTION

The Government is expected to develop special programs to assist those farmers who now grow opium to produce other crops. We are prepared to provide technical or financial assistance to develop and carry out such programs.

Mr. ROYBAL. All right, sir.

I will also ask Mr. McDonald when he comes to make clarification of that point.

Dr. HANNAH. This one I think you would be interested in off the record.

Mr. PASSMAN. Off the record.

(Discussion off the record.)

USE OF THE CONTINGENCY FUND FOR DISASTER RELIEF

Mr. ROYBAL. One more question. This is with regard to the contingency fund of the President.

Is this used for such programs as humanitarian relief in Chile, for example?

Dr. HANNAH. All of the disaster relief is financed through the contingency fund. There never has been a special item.

Mr. ROYBAL. Never has been a special item?

Dr. HANNAH. No, not in the last few years.

Mr. ROYBAL. So the 36—I am pretty sure it was 36 disasters throughout the world.

Dr. HANNAH. All our part of it. Of course we get some Public Law 480 food. We have a very small disaster relief office—five people. When the disaster occurs, if it is a flood, an earthquake, or something of that kind, immediately we make an allocation from the contingency fund. It is a guess as to what we are going to have to have.

We marshal all the forces of the Federal Government. The Defense Department responds if we have to have planes to move tents, food, medical supplies or whatever. They make their planes available because we pay the cost. There is no question about doing it. It is charged to our account.

If we have to have some help from the Public Health Service, they fall to. The State Department, we get complete support from all agencies of the Government because they know that if we are using their men, we will pay all of the cost.

As soon as the disaster is over, the operation is dispersed. It has been a very inexpensive program.

Mr. ROYBAL. Then the money is actually earmarked for specific purposes?

Dr. HANNAH. That is right; it is the intent, accounted for. We know exactly what it cost us when we get through.

Mr. ROYBAL. If there is no disaster, it is not spent?

Dr. HANNAH. It is not spent.

Well, we have a staff of about five people all the time.

Mr. ROYBAL. I understand.

Dr. HANNAH. We actually maintain some supplies of tents, blankets, and other disaster relief supplies in Panama with Defense Department cooperation in their warehouses, so you do not have to bring it from the United States to Panama.

Mr. ROYBAL. Thank you. I think I understand the contingency fund a little better now. I did not know how it operated.

Mr. PASSMAN. Will the gentleman yield?

Mr. ROYBAL. Yes.

USE OF OTHER FUNDS FOR DISASTER RELIEF

Mr. PASSMAN. May we read into the record at this point the contingency fund by year for the last 5 fiscal years: 1967, $35 million; 1968, $10 million; 1969, $5 million; 1970, $12.5 million; 1971, with the regular and supplemental, $22.5 million. These are appropriations.

Now this is 5 years. I think it has been the policy of this committee in previous years to reappropriate any unexpended funds out of the President's contingency.

Now, if the gentleman will yield further, I think we should indicate in the record that, in case of a disaster, the President could transfer out of funds into the contingency fund, could he not?

Dr. HANNAH. He could. Up to 20 percent of the contingency fund.

Mr. PASSMAN. Twenty or whatever it is.

Dr. HANNAH. Twenty percent.

Mr. PASSMAN. Up to 20 percent?

Dr. HANNAH. That is right.

Mr. PASSMAN. But I have read this in the record correctly, have I not?

Dr. HANNAH. Yes.

Mr. PASSMAN. The items that you used the contingency fund for, if the funds were not available, then he could take it out of any other grant-aid funds that we would have; is that correct, in case of a disaster?

Dr. HANNAH. He could, if there were funds——

Mr. PASSMAN. I mean if they are available in the many different spigots. I indicate that because you say you would be shocked if we provided $100 million. We want to indicate we are not tying the President's hands, just in case the committee in its wisdom should reduce this amount to the figure that you said is about what you thought the asking price would be, $30 million, and the taking price would be around $15 million.

Dr. HANNAH. I did not say anything about below $30 million.

Mr. PASSMAN. We will let the record speak for itself. I remember that distinctly.

I thank the gentleman for yielding.

Dr. HANNAH. I think if we are going to talk about expenditures of the size we are talking about as possible for East Pakistan relief, that this is going to require something more than shifting the charges to the contingency fund.

Mr. PASSMAN. Will the gentleman yield further?

Mr. ROYBAL. Yes.

Mr. PASSMAN. We did pin down that the maximum could be, under what you are looking at today, $90 million, and that you do not know at this time how much of that would represent Public Law 480.

Dr. HANNAH. Correct.

Mr. PASSMAN. We have to keep the record straight. It may be that they will provide $75 million of it, Mr. Roybal. We are just not going to overfund you; it would not be fair to you.

Dr. HANNAH. That would not be funding at all.

Mr. PASSMAN. I say it would be unfair to you to give you too much more than you need.

Mr. ROYBAL. Thank you, Mr. Chairman.

Mr. PASSMAN. Mrs. Reid?

FOOD PRODUCTION VERSUS POPULATION

Mrs. REID. Thank you, Mr. Chairman. In your statement on page 7 you say that food production in developing nations has expanded impressively in recent years. How has the increase in food production compared with the increase in population?

Dr. HANNAH. In my statement I noted that in several countries there have been impressive increases in cereal grain output in recent years resulting from important technological breakthroughs. The striking success to date in these countries offers hope that similar gains can be made in others. Although since 1967 food production in the less developed world as a whole has been expanding at a slightly faster pace than the rate of population growth, we are still faced with the immense problem of conquering hunger and malnutrition.

POPULATION CONTROL

Mrs. REID. Are you satisfied generally with the progress being made by AID in the critical area of population control?

Dr. HANNAH. The population effort by AID in developing countries is a relatively new one. AID is satisfied that since its programs began in 1965, it has already made a meaningful contribution to the knowledge, understanding, and control of the population problem.

AID assistance to population and family planning programs in the developing countries has resulted in a greatly expanded awareness of need to curb population growth; in provision of needed commodities including contraceptives; in the development of family planning programs in numerous developing countries; in the training of thousands of family planning leaders and workers; and in intensive research and testing of population control methods.

Also resulting from this assistance are advances in much needed biomedical research. These include the development of prostaglandins, an extremely promising method of birth control which is now nearing the marketing stage.

Along with these measures has come the adoption of family planning practices by many millions of people in the LDC's, although in most countries population policies and programs are still in the early stages of development. Decreases in birth rate attributed directly to family planning programs have been reported to both Korea and Taiwan. Also, the population increase in India since 1961, as reported in the 1971 census of India, is about 14 million less than was projected by

demographers on the basis of 1961 trends. Pakistan also reports decreases in the birth rate.

Although there are tangible and measurable results, further AID efforts are needed in all areas of family planning before the population explosion in developing countries can be brought under control by their programs. The size of the problem is so vast in terms of all manner of difficulties—political liabilities in some countries in promoting birth control, bureaucratic problems of starting new programs, lack of trained personnel, already overburdened staffs, thin channels of family planning communication to the people, the substantial costs of the programs in the competition for funds, the inertia of high fertility in some cultures, the slowness with which people accept new cultural values and programs, and the sheer size of the population problem—all of these difficulties stand in the way of assuring that the world population can live within its global means. AID is pleased that it has been able to achieve real progress to date, but is also aware of the critical and difficult tasks which still must be accomplished.

LOCAL CURRENCY USED BY AID

Mrs. Reid. Could you furnish for the record the estimated amount of United States-owned currencies as well as country funds that will be spent in all phases of the AID program for fiscal year 1972?

Dr. Hannah. The estimated total use of United States-owned currencies in fiscal year 1972 for all type of foreign assistance is $301 million. Of this amount 50 percent, or $150 million, is for purposes prescribed in Public Law 480, 104(c), which are identified as uses for common defense.

In addition, about $80 million equivalent are expected to be advanced, as "Country Trust Funds," by participating countries, pursuant to bilateral agreements, to pay certain administrative and program expenses in connection with economic assistance and development grant projects.

PRIVATE ENTERPRISES IN LATIN AMERICA

Mrs. Reid. In regard to private enterprise in the developing countries, what efforts are being made to improve the economy of Latin America?

Dr. Hannah. AID's main initiative to assist private enterprise in developing countries in the hemisphere has been its continued assistance to help form and develop intermediate credit institutions. AID has loaned over $500 million for this purpose in Latin America. These institutions channel AID funds to the local private sector for the expansion and modernization of existing enterprises, as well as the creation of new enterprise. In addition, AID is currently developing programs to assist individual Latin countries to develop their capital markets and expand tourism.

The intermediate credit institutions referred to above emphasize the promotion of almost every sector of private endeavor. We have helped develop agricultural banks, mining banks, industrial banks, and cooperative banks. In recent years, we have also initiated direct loans to assist in the development and expansion of the credit union movement.

RESEARCH AND EDUCATIONAL INSTITUTIONS

Mrs. REID. Approximately how many research and educational institutions are receiving grants or have contracts to do research and carry on technical assistance for AID?

Dr. HANNAH. As of December 31, 1970, there were 133 research and educational institutions receiving grants or having contracts to do research and carry on technical assistance for AID.

VIETNAMIZATION

Mrs. REID. Are you optimistic about the Vietnamization effort as it pertains to AID's programs?

Dr. HANNAH. On the whole, yes. The Vietnamese are now doing many of the jobs that our people used to do, as evidenced by the sharp decline in AID personnel. Also, Vietnam's economic prospects look bright, if security continues to improve. The Vietnamization effort and AID's programs will help Vietnam to develop many of the factors—an education system, roads, communications, hospitals—which are essential to a successful development effort.

OFFICE OF AUDITOR GENERAL

Mrs. REID. In last year's hearings you stated that the establishment of the Office of Auditor General had proven to be a good step in its first 9 months of operation. How well has this office functioned in the past year?

Dr. HANNAH. Well, I continue to be quite pleased with the contribution this centralized approach to audit, inspection, appraisal and security is making to improved management within the Agency. Ed Tennant, the Auditor General, reports directly to me, and we meet several times a week. He and his staff are valued members of AID management, both in Washington and overseas.

Accomplishments during the past year include improvement in audit coverage, both in quality and quantity, continued aggressive investigation and security programs, and the conduct of a new type of constructive appraisal geared to stimulate improved management, principally in the area of preventive work to avoid operational problems. A great deal of effort has been expended to recruit auditors skilled in modern management audit techniques, techniques endorsed by GAO and other leaders in effective management, to train those auditors now on the staff and to improve policy guidelines and operational procedures applicable to the investigators, auditors, analysts, and other professions that comprise the AG staff.

PARTICIPANT TRAINING—MEDICAL

Mrs. REID. You mention that more than 150,000 persons have been brought to this country for training under AID's programs and that about 99 percent have returned to their own countries to asume positions of leadership. Do you have any figures on medical personnel brought here for training and the percent who have returned to their own countries?

Dr. HANNAH. Since 1967, when computerization of statistics for participant training began, the following numbers of participants came to the United States for study in "health and sanitation," which is the computer category that includes medical personnel: Fiscal year 1967, 235; 1968, 416; 1970, 387; the total is 1,314.

During the same 4 years 17 of this total (1.3 percent) did not return to their home countries as scheduled. Several of these are waiver cases awaiting administrative or legislative determination.

Mrs. REID. Thank you, Mr. Chairman.

Mr. PASSMAN. Dr. Hannah, we thank you for your appearance.

Mr. HANNAH. Thank you very much, sir.

Mr. PASSMAN. The committee will adjourn until tomorrow at 1 o'clock.

MONDAY, JUNE 14, 1971.

EAST ASIA—SUPPORTING ASSISTANCE

WITNESSES

RODERIC L. O'CONNOR, ASSISTANT ADMINISTRATOR, BUREAU FOR EAST ASIA, AGENCY FOR INTERNATIONAL DEVELOPMENT
MARSHALL GREEN, ASSISTANT SECRETARY, 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
HENRY BARDACH, SPECIAL ASSISTANT ECONOMIC AFFAIRS, BUREAU OF EAST ASIAN AND PACIFIC AFFAIRS, DEPARTMENT OF STATE
ALLAN R. FURMAN, DEPUTY DIRECTOR, OFFICE OF LEGISLATIVE AFFAIRS, AGENCY FOR INTERNATIONAL DEVELOPMENT
CHARLES F. FLINNER, CONTROLLER, OFFICE OF THE CONTROLLER, AGENCY FOR INTERNATIONAL DEVELOPMENT
DOUGLAS ROBBINS, REGIONAL BRANCH CHIEF, BUDGET DIVISION, OFFICE OF THE CONTROLLER, AGENCY FOR INTERNATIONAL DEVELOPMENT
COL. FRANK BURDELL, OFFICE OF SPECIAL ASSISTANT FOR CONGRESSIONAL RELATIONS, OSD/ISA, DEPARTMENT OF DEFENSE

Mr. PASSMAN. The committee will come to order.

We will begin our examination on the request for funds to finance the Agency for International Development. New legislation was submitted to Congress proposing a reorganization of this program. However, this is almost the end of the fiscal year and we don't know yet when this legislation will finally be approved by the Congress. It is my understanding that under the proposed legislation, one new title will be called International Security Assistance which would be divided into two sections, military assistance and supporting assistance.

Is that correct?

Mr. O'CONNOR. That is my understanding, sir.

Mr. PASSMAN. Today, we will examine on the supporting assistance section. We have as the principal witness Mr. Roderic L. O'Connor, Assistant Administrator, Bureau for East Asia, Agency for International Development.

We also have as a witness Mr. Marshall Green, Assistant Secretary, Bureau of East Asian and Pacific Affairs, Department of State. I should think, gentlemen, each of you would like to make a statement to the committee, Mr. Secretary and Mr. Director.

STATEMENT OF THE ASSISTANT ADMINISTRATOR FOR EAST ASIA

Mr. O'CONNOR. Mr. Chairman, I appreciate this opportunity to appear bfore you and members of this subcommitte in support of our request for economic assistance funds for East Asia in fiscal year 1972.

We are requesting a total of $376.5 million in the two separate legislative proposals that have been transmitted to the Congress: $202.7 million in economic supporting assistance and $173.8 million in development assistance.

The separate proposals not only serve to sharpen the distinction between security and developmental objectives, but also provide for us a natural framework for grouping our programs in accordance with the two most important features of the East Asia setting: The continuing conflict in Indochina on the one hand and the economic progress made by countries outside of Indochina on the other.

Self-defense must, of course, be the primary concern of those countries involved directly or indirectly in the Indochina conflict. Excluding South Vietnam which Mr. Nooter will be discussing with you, this grouping includes Cambodia, Laos, and Thailand. For each, we are requesting economic supporting assistance to bolster defensive capabilities and internal security.

The security situation in other countries of the region is such that they can center their attention by and large on economic and social development issues. We are requesting assistance for three such countries in East Asia: Indonesia, Korea, and the Philippines. For this grouping, we are proposing development assistance.

We are also requesting both economic supporting and development assistanc for our East Asia regional program. While primarily developmental, this program includes two projects involving the Indochina countries in Mekong River and Basin activities for which we are requesting economic supporting assistance.

ECONOMIC SUPPORTING ASSISTANCE

Let me turn to economic supporting assistance first.

Economic supporting assistance is an integral component of U.S. security assistance programs in countries where economic aid is needed, generally in conjunction with military aid, to meet the recipient country's defense requirements. For such countries, economic supporting assistance is essential to the achievement of the central aim of the Nixon doctrine: Assumption by the country of the primary responsibility for its own defense and thus a reduced need for U.S. military presence.

We are requesting economic supporting assistance for three countries in East Asia: Cambodia, Laos, and Thailand. Both Cambodia

and Laos have been invaded by North Vietnamese forces and the defensive efforts required to survive are far beyond the capabilities of their war-torn economies. While Thailand has not been invaded by military forces, it has been infiltrated with Communist-trained and supported insurgents. In addition, Thailand's proximity to the actual fighting in Laos and Cambodia makes her defense capabilities a matter of growing Thai concern.

Over half of the requested funds are for Cambodia, $110 million out of the total of $202.7 million. $50.6 million and $40 million are for Laos and Thailand respectively. Much smaller amounts are for public safety activities in the Philippines ($800,000) and for regional projects ($1.4 million) in the Mekong River Basin.

The amount requested, while large, is only a fraction of that which the United States has spent to maintain U.S. military personnel in the area. U.S. military personnel stationed in East Asia are estimated to decline between January 1969 and June 1971 by over 320,000 men and the savings can surely be counted in the millions.

CAMBODIA

We have a single program objective in Cambodia: the financing of essential imports. The ravages of war have greatly reduced Cambodian export earnings—from a level of $62 million in 1969 to an estimated $14 million for 1971. Without aid, Cambodia could not long pay for the imports needed to keep the economy functioning and to prevent drastic lowering of living standards, thus weakening the country's ability to resist further North Vietnamese invasion.

The import program for Cambodia also absorbs some of the excess spending power created by the Government's deficit financing of its military costs. While this absorption helps to relieve inflationary pressures, the maintenance of price stability within reasonable limits will depend primarily on fiscal measures undertaken by the Cambodian Government.

The proposed fiscal year 1972 import program of $110 million will include petroleum products, transportation equipment and spare parts, chemicals, industrial raw materials, machinery, and other capital equipment. We are implementing the Cambodia program with a minimum of direct U.S. involvement, relying heavily on existing Cambodian institutions and encouraging Cambodia to seek and use multilateral advice and assistance.

However, we are aware of the very legitimate congressional concern that we assign sufficient personnel to monitor the program properly. We share this concern. We will continue to make maximum use of temporary duty personnel, but will not hesitate to increase the permanent staff in Cambodia as necessary for sound management.

LAOS

Our economic aid program in Laos has three major aspects: economic stability, refugee relief and resettlement, and support of basic government operations. $50.6 million has been requested in economic supporting assistance funds for these activities in fiscal year 1972 and this is the figure included in our formal presentation. However, since

that presentation, we have reached agreement to shift to other agencies various support costs for paramilitary personnel and their dependents. These include certain medical, protein supplement, air support, and other costs which have been estimated at $3.3 million for fiscal year 1972. Thus, the committee may consider our request for Laos reduced by that amount, i.e., from $50.6 million to $47.3 million.

The narrow tax base of the primitive Lao economy provides only enough revenue to cover one half of the costs of the Lao Government which are almost equally divided between civilian and military requirements. The other half must be met by deficit spending, increasing the money supply and thus producing serious inflationary pressures.

The United States has joined with other donors (Australia, France, Japan, and the United Kingdom) to support the Lao Foreign Exchange Operations Fund (FEOF) which uses the AID contributions to buy local currency (kip) on the open market, thus reducing the money supply. A small U.S. Import Program (USIP) supplements FEOF by financing the dollar costs of selected equipment and raw materials needed for local industries. The Government in turn has made strong efforts to increase taxes, improve tax collection, and exercise stringent budget controls. As a result, relative price stability has been maintained despite mounting military and war-related costs. For fiscal year 1972, we are requesting $18.2 million for the Laos stabilization program: $16.7 million for FEOF and $1.5 million for the USIP.

We expect to need about the same amount for refugee assistance. This burden of between $15 and $20 million, depending upon the actual number of refugees created by North Vietnamese/Pathet Lao offensives, is far beyond the capability of the Lao Government. We are now assisting about 300,000 refugees with food, clothing, medical care, seeds, tools, shelter materials, etc. We also provide air services for emergency relocation and air drops of food. In view of the diversity of the actual assistance to refugees, only a part is channeled directly through our refugee relief project for which we have proposed $4.7 million in fiscal year 1972. The major part of the assistance to refugees is included in other projects, air support, health, rural development, roads, and agriculture.

The final third of our aid to Laos is designed to strengthen the Lao Government's ability to provide essential services and facilities in rural areas. These include schools and teachers, medical care, public safety, roads, and a variety of development activities, particularly in agriculture.

THAILAND

After several years of impressive growth, the Thai economy has slowed down. The narrowing world market for leading Thai exports (rice, rubber, kenaf, and tapioca) and diminishing receipts from U.S. military spending have reduced Thai foreign exchange earnings. Continued budget deficits and high import demand have put pressure on foreign exchange reserves which have dropped from their peak in 1968–69 and are projected to decline further over the next 2 to 3 years.

Nevertheless, the Thai are legitimately concerned with their military security and are projecting annual increases of about 10 percent in defense expenditures. This will squeeze the civilian budget, particularly

on the development side, further dampening the economy, and making a reversal of the declining GNP growth trend more difficult.

In this situation, economic supporting assistance is essential to the Thais in their efforts to carry out effective programs in each of the three vital areas: military defense, counterinsurgency, and development.

Thus, we are requesting $40 million in economic supporting assistance for fiscal year 1972 for Thailand, focusing primarily on rural security and development, but also assisting the Thais in improving general governmental administration. We propose about $9 million to assist the Thai National Police to develop a rural security capacity which can counter threats of terrorism and subversion by the Communist insurgents. Our aid will primarily equip rural police stations and train and equip policemen.

Secondly, we proposed about $22 million to support Thai rural development programs designed to offset the claims of governmental neglect and the fact of unremitting poverty which the insurgents exploit. These rural activities include the development of feeder roads, irrigation systems, wells, agriculture extension, and research. We also plan to use about $2 million to support Thai efforts to expand medical services in rural areas and about $4 million for rural expansion of education facilities.

Finally, we are also supporting Thai programs designed to improve government administration both at the rural level to help narrow the gap between villagers and officials and at the national level to improve planning and resource allocation abilities.

DEVELOPMENT ASSISTANCE

Turning to development assistance, two areas of major change shape our continuing programs in East Asia. First, the economic progress made throughout the region has freed a number of countries from the need for concessional aid and has changed the needs of those countries still requiring concessional aid. Second, other donor assistance to the area has grown substantially, surpassing that of the United States and enabling us to adopt a lower profile generally in aid matters.

Outside of war-torn Indochina, the economic growth of the region has been rapid. The Republic of China no longer needs concessional economic aid. Korea has one of the fastest growing economies in the developing world and continuing problems spring largely from the stresses and strains caused by that growth. Indonesia has stabilized its economy which had been badly distorted by the excesses of the Sukarno regime and the country is now focusing on development.

The Philippines has also made reasonable economic progress although high birth rates have served to reduce per capita gains and rural areas continue to require special attention.

The non-Communist countries of East Asia, excluding South Vietnam, received nearly $1.5 billion in aid in calendar year 1970. Of this amount, the United States provided just over $600 million, or about 40 percent. Only 2 years earlier in calendar year 1968 the United States had provided over 50 percent of the aid to the area. This lowered U.S. share marks significant progress in that aspect of the Nixon doctrine calling for other more developed nations to assume greater responsi-

bility for leadership and initiative in the affairs of the major regions of the world.

As the most industrially developed nation in East Asia, Japan has played a part in the increased aid to developing countries of the area, committing $336 million in concessional aid in calendar year 1970. Also, international agencies have assumed a central role in East Asia in mobilizing and coordinating foreign assistance. The Intergovernmental Group for Indonesia (IGGI), led by the Netherlands, but relying on the analytical and evaluation work of the World Bank and the IMF, has mobilized and coordinated aid for Indonesia since 1967. A consultative group (CG) for Korea has met annually since it was formed in 1967.

With the establishment this year of the CG for the Philippines, there is now such a group for each of the East Asian countries to which we are extending development assistance. In addition, the Asian Development Bank, formed in 1966, now plays a major role in the area.

Our request for $173.8 million in development assistance for fiscal year 1972 is divided as shown in the attached comparative summary. Indonesia, $107.3 million; Korea, $24.1 million; the Philippines, $29.1 million, and the East Asia regional program, $13.3. Let me deal with each of these programs separately.

INDONESIA

With the help of several aid donors, including the United States, Indonesia has successfully undertaken measures to stabilize its economy which had been severely disrupted during the Sukarno regime. These policies have included fiscal and credit restraints, increased taxation, and rescheduling of foreign debt. They have reduced the annual rate of inflation from over 600 percent in 1966 to under 10 percent in 1970.

With this success, Indonesia has turned to development programs. Requirements for aid to Indonesia in fiscal year 1971–72 have been estimated at $640 million. This aid will be coordinated through the Intergovernmental Group on Indonesia (IGGI), chaired by the Netherlands and comprising 10 donor nations, the World Bank, International Monetary Fund, and the Asian Development Bank. The United States expects to contribute up to one-third of the $375 million bilateral capital assistance needed and the $100 million requested for development lending for fiscal year 1972 will be used for this purpose. The United States fiscal year 1972 program will focus on the promotion of private productive investment through: (1) continued rehabilitation and expansion of basic infrastructure, (2) establishment of industrial estates, and (3) import of capital goods and raw materials needed by the economy.

The $7.3 million technical assistance program will center on education and training ($2.8 million) and family planning ($1.8 million). Other activities will include support for agricultural research, geological surveys, a private investment center, and general program development.

KOREA

Korea's remarkable economic growth, 9.7 percent in real terms in 1970, and the availability of aid from other donors have reduced the need for U.S. assistance. Other sources are now financing the industrial and public utility projects which the United States had formerly assisted.

The growth has not been uniform throughout the economy, however, and serious distortions have appeared. The rural sector has lagged behind and agriculture needs priority attention. Educational and other institutions are not adequate to provide the continuing technological adaptation and human skills necessary to continue the high rate of industrial expansion. Agricultural production has not kept pace as high production costs and inefficient marketing systems have kept returns, and thus investments, low. Thus, the U.S. lending program for fiscal year 1972 will focus on agriculture and education with loans of $10 million in each of the two sectors.

The proposed technical assistance program of $4.1 million will also focus on the imbalances created by the rapid economic growth: the planning and research needed to resolve the agricultural and educational bottlenecks, the socio-economic problems of too rapid urbanization, environmental pollution, and the general policymaking requirements of the Korean Government.

The technical assistance program will also continue to support the Korean family planning program which has been a continuing success, but which will need new impetus to reach the planned target of a 1.5 percent population growth rate by 1976.

THE PHILIPPINES

The fiscal year 1972 development assistance program for the Philippines of $29.1 million will continue to focus on family planning on the one hand and rural development on the other.

The Philippines has one of the highest population growth rates, 3.4 percent per year, in East Asia. This has kept the growth in per capita income much lower than the estimated average GNP growth of some 6 percent per year during the sixties.

The government has only recently adopted a national family planning policy and extensive external support for actual programs is required. We plan to use over half ($5.4 million) of the $9.1 million technical assistance request for this purpose.

Most of the balance of the technical assistance will be used for rural development programs, including support for expanded agricultural services, local development programs mounted by provincial governments, and the establishment of rural electric cooperatives.

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In addition to the technical assistance for rural electrification, we plan to make a development loan of $20 million in fiscal year 1972 to finance (a) imported materials and equipment for the distribution system, and (b) engineering and construction supervision costs. In addiiton, loan funds would be used to purchase electrical equipment from United States excess property sources.

REGIONAL PROGRAM

In addition to our requests for the three bilateral programs, we are requesting development assistance of $13.3 million for the East Asia regional program. This program has been designed to encourage regional cooperation and has been instrumental in the growing awareness through East Asia of the advantages of working together with others on mutual problems.

The regional program has focused on (a) the establishment of regional educational institutions, (b) Mekong Basin development, and (c) family planning.

We plan to continue in fiscal year 1972 to support seven regional educational institutions which have been established with our help. A total of $3.5 million is requested for these educational centers.

We also plan to use $1.4 million to continue the surveys and analytical studies required for the optimum development of the Mekong Basin.

As the third major aspect of the regional program, we plan to provide $2.3 million for family planning activities, primarily in support of programs undertaken by the East-West Center ($1.4 million) and the population council ($650,000).

Other activities supported through the regional program include SEATO cholera research ($650,000); Asia free labor union development ($800,000); Southeast Asia Development Advisory Group ($625,000); telecommunications ($220,000); the International Rice Research Institute ($750,000); and the Asian Vegetable Center ($525,000).

In summary, the assistance which we are requesting for east Asia will, by bolstering the self-reliance of the friendly countries of the area, serve our own security interests and permit continued reduction in our direct military presence. We urge you to approve the request.

EAST ASIA PROGRAMS—AID, FISCAL YEARS 1970–72

[In millions of dollars]

Country/Fund	Fiscal year 1970 actual	Fiscal year 1971 estimate in fiscal year 1972 CP	Fiscal year 1972 proposed
East Asia total	191.4	285.1	376.5
TA (except FP)	38.3	37.4	23.5
SA (except FP)	72.4	124.2	200.6
DL (except FP)	71.4	111.3	140.0
FP (family planning)	(DL) 9.3	(DL) 10.7	[1] 12.4
CF (contingency fund)		1.5	
Cambodia—SA		70.0	110.0
Laos	51.9	45.9	50.5
TA	7.2	6.6	
SA	43.6	38.4	50.0
FP	(DL) 1.1	(DL) .9	(SA) .5
Thailand	26.5	23.1	40.0
TA	6.4	6.1	
SA	18.8	15.6	38.4
FP	(DL) 1.3	(DL) 1.4	(SA) 1.6)
Indonesia	56.1	63.5	107.3
TA	4.3	5.4	5.5
DL	51.4	56.3	100.0
FP	(DL) .4	(DL) 1.8	(TA) 1.8
Korea	35.0	59.2	24.1
TA	4.1	3.4	3.3
SA	10.0		
DL	20.0	55.0	20.0
FP	(DL) .9	(DL) .8	(TA) .8
Philippines	9.1	10.8	29.9
TA	4.1	4.3	3.7
SA			.8
DL			20.0
FP	(DL) 5.0	(DL) 5.0	(TA) 5.4
CF		1.5	
Regional development	12.8	12.6	14.7
TA	12.2	11.6	11.0
SA		.2	1.4
FP	.6	.8	2.3
International security assistance	79.6	140.4	202.7
Cambodia		70.0	110.0
Thailand	26.5	23.1	40.0
Laos	51.9	45.9	50.5
Philippines—police program	.8	.9	.8
Korea—police program	.4	.3	
Regional development		.2	1.4
Development assistance	111.8	144.7	173.8
Indonesia	56.1	63.5	107.3
Korea	34.6	58.9	24.1
Philippines	8.3	9.9	29.1
Regional development	12.8	12.4	13.3
Grand total	191.4	285.1	376.5

[1] $2,100,000 SA; $10,300,000 TA.

STATEMENT OF THE ASSISTANT SECRETARY OF STATE FOR EAST ASIANS AND PACIFIC AFFAIRS

Mr. GREEN. Mr. Chairman, I appreciate this opportunity to appear before you and members of this subcommittee in support of our request for economic assistance funds for east Asia in fiscal year 1972. As you know, this request which covers a total amount of economic assistance of $376.5 million comprises two distinct types of economic aid—economic supporting assistance of $202.7 million and development assistance totalling $173.8 million. For Vietnam, the administration requests $565 million in economic supporting assistance for fiscal year 1972 which will be presented in detail to this committee on June 16. These types of assistance are closely related to the changing conditions in the Asian scene and our continuing interests in the area. I believe therefore that I could be of greatest use to this committee in speaking to the general situation in east Asia with some reference to those areas where our economic assistance has the greatest impact—Korea, the Philippines, Indonesia, Thailand and Indochina.

First, let me say that I value the support and advice which this committee has given to our assistance programs over the past decade. I believe that the funds approved by this committee have been well spent in support of U.S. foreign policy in East Asia. Without this assistance, there would not have been the great progress in the area—progress which now permits us to draw back somewhat from East Asian involvement, turning over to our friends increasing responsibility for their own defense and development with increasing assistance from other countries, thereby relieving the American people of some of the heavy burdens that they have borne over the years. We encourage the forces of nationalism, self-help and Asian solutions which lie at the very core of a viable free Asia. After a period of deep U.S. involvement, occasioned by post-World War II occupation and other responsibilities in a war-torn Asia, we are now seeking our proper place and role in Asia in concert with our friends. We are not seeking American solutions to Asian problems, but rather to support the good Asian problem solvers, which now number in the thousands.

In saying all this, I do not wish to leave you with the impression that I feel we have disposed of the basic problems of the area. We are still faced with one of the most difficult problems of all—that occasioned by divided countries of the world—most of which are located in Asia. We are faced with a mainland China which, whatever its latest welcomed degree of seemingly greater flexibility in international affairs, has presumably not abandoned its basic objectives of greater dominance over free East Asian countries. We would like to think the opposite, but we have no way of ascertaining at this time whether this is so. Meanwhile, we cannot assume that that basic objective has changed. In Southeast Asia, for example, we are painfully aware there are such things as "wars of liberation" and people's wars" and Communist parties, mostly Maoist oriented, which seek to undermine free governments. We know where the inspiration and, in some cases, the physical support for such forces of insurrection and disruption are centered. We are not blind to realities. Our policies must be based on these evident truths, whatever our hopes for the future may be.

Under the circumstances and in response to these constant threats in Asia, it is essential that we remain faithful to our purposes as well

as to our alliances and our commitments. These have borne fruit. And it is not in the tradition of the United States that we abandon principles or friends.

One of the practical conclusions of this important premise is that, as our presence is reduced in Asia, adequate self-help measures must be taken to avoid the creation of unacceptable strategic risks. A country can hardly prosper and grow and provide the kind of climate that induces trade and investmnet if it does not have the capability to maintain internal stability and sufficient self-defense and deterrents against aggression. Moreover, self-reliance, a cardinal premise of the Nixon doctrine, can hardly be achieved unless there are the resources—technical, human, and financial—to cope with the problems of public safety, insurgency, and external provocations. We want the countries of the area to develop a stable economic base, and in the case of those who already are enjoying a buoyant growth rate, we want to avoid actions that would cause a decline in this rate. Finally, the objective of security and growth in the area is in our own self-interest; our economic programs are designed to buttress the efforts of the countries to achieve that objective.

CHANGES IN THE ASIAN SCENE

Now let me cite several of the important changes that are taking place in the area.

First and foremost is the growth that has taken place within free Asia itself. The Asians' ability to govern themselves, to organize their economies, and to defend themselves has grown steadily and in some cases spectacularly. The increasing number of meaningful, open and free elections which have taken place in Asia, the most recent example of which has been in Korea; the economic explosions in Japan, Korea, the Republic of China and Singapore; the miraculous turnaround in Indonesia's political outlook and economic policies; the dramatic increase in the size and capability of Korean, South Vietnamese, and other Asian military forces—all are hard evidence of the Asians' increasing ability to fend for themselves. As the capability of these various areas has grown and been tested, Asian self-confidence has grown; retreat from fear has turned to search for challenge and for Asian paths to Asian goals, and to assumption of a larger share of the burden of their own development and defense.

Second, while I believe we must assume that the basic threat from the Peoples Republic of China remains, changes appear at long last to be emanating from China itself. While it is important to maintain perspective over recent events in our headlines and to treat them cautiously, there is clearly a move within China away from the more extreme policies of the past toward more orderly processes. This pragmatism has been reflected in a foreign policy characterized by greater opportunism, sophistication, and flexibility. The reduction in our forces in Asia helps to mitigate imagined Chinese fears and undercuts their charge that we have been surrounding and threatening them.

Third, there is the changing of mood within the United States itself—a change that is fully understandable and defensible—that reflects concern over our having assumed a disproportionate share of the burdens of East Asia, largely the product of postwar responsibilities,

and concern that the United States should share these responsibilities more with free Asians and their friends. It is encouraging in the latter respect that the leadership in East Asia is shifting from first generation revolutionary leaders—men of charismatic stature who were primarily concerned with achieving national independence after decades or centuries of colonialism—to men of technical competence who seek better conditions of life for their people.

Lastly, burden-sharing is taking place in the economic as well as in the military field. Western Europe, Australia, and Japan have stepped up their aid to the developing nations of Asia, and there are encouraging signs that there will be increases in aid from other non-U.S. sources. Already now, our concessional aid input in countries such as Korea, Thailand, the Philippines and Indonesia is small relative to these countries' overall resource needs and the aid inputs of other countries and the multilateral institutions. In the case of Indonesia, for instance, our share of foreign aid requirements is about one-third of the total. In the case of Thailand and the Philippines our aid is about 25 percent of total bilateral and multilateral aid commitments. And in the case of Korea, U.S. assistance is rapidly declining relative to total loans and grants received by that country.

I would like to say a few words about some of the countries where we focus our economic supporting and development assistance.

VIETNAM

By the end of this month there will have been a net reduction in the past 2 years of more than 360,000 U.S. Forces in East Asia, made possible by the Vietnamization program and by the increasing capabilities of other East Asian countries as well. As far as Vietnam is concerned, the greatest benefit of troop withdrawals has of course been the sharp reduction of U.S. casualties. But also, our troop reductions in a changing role in East Asia have resulted in enormous fiscal savings for the United States. The cost of the war in Vietnam alone has been more than halved since 1969.

Security in Vietnam has greatly improved. Pacification continues to move steadily forward, as it has ever since the Tet Offensive 3 years ago. More than 95 percent of the population lives in relative security. Rural areas are prospering. Most of the productive riceland has been brought back under cultivation; South Vietnam is now on the verge of self-sufficiency in rice. A transfer of land to the tillers, which began a year ago, is proceeding apace.

As to political developments, the South Vietnamese elected a constituent body, which devised a constitution put into force in 1967. In the past 4 years, the whole of the electorate has gone to the polls several times in elections acclaimed by international observers on the scene to be fair. These have been years of stable government, improved administration and productive efforts to assist the citizenry.

Vietnamization is succeeding. From 1966 until well along in 1969, the major burden of combat was borne by United States and other free world forces. Today, ARVN divisions have the major combat responsibility. For more than a year now RVNAF has had the initiative in the war with North Vietnamese divisions in a defense posture, for the

most part moved back in Cambodia and Laos. The RVNAF campaigns have been planned by their joint general staff and with support of a steadily improving Vietnamese logistical system. As late as a year and a half ago, this was an objective that hardly seemed realizable. RVNAF improvement has been such that even with the drawdown of U.S. forces, South Vietnam has improved its military position.

Indispensable to this improvement, however, is the provision of U.S. aid to assist the GVN's own increased efforts to finance its greatly increased burdens.

In accordance with the Nixon doctrine, we see the basic responsibility as being Vietnamese. While we are providing support assistance, it is for the Vietnamese to promote stabilization, increase revenues, combat abuses, reduce inefficiencies, and reach a self-sustaining basis as soon as possible. Provision of our assistance is postulated on the assumption that they will follow a vigorous course to take over more and more of the burden themselves. This working assumption between our two governments was borne out this past year when the GVN took a number of effective and productive economic reform measures. We also expect other free nations in Asia and elsewhere, as well as international leading organizations, to make substantially greater contributions than in the past. Though our current supporting assistance costs amount to hundreds of millions of dollars, they make it possible to continue reducing overall U.S. costs by billions.

We obviously favor a negotiated settlement in Vietnam and all of Indochina. Regrettably, there has been no evidence to date that Hanoi is willing to negotiate seriously. They demand full acceptance of their terms which basically involve unilateral withdrawal of all U.S. forces and establishment of a government in Saigon which is acceptable to Hanoi. Return of our prisoners of war is evidently related to these and possible further demands. Such terms we cannot accept.

LAOS

Another major recipient of security assistance is the Kingdom of Laos whose primary significance derives from its geography. Located in the heart of the Indochina peninsula, it has always been the territory through which the North Vietnamese have pressed their historic efforts at conquest and domination of that peninsula. It is a very thinly populated country, whose peaceful people live mostly in the Mekong Valley. Because they are overly burdened economically by the consequences of North Vietnamese aggression, they are unable to devote resources to essential economic needs, much less protect themselves. It is in these circumstances that we have undertaken to assist Laos. We are not seeking in Laos an ally. Indeed, we strongly believe in the neutrality, independence and territorial integrity of Laos and support the Geneva Accords that have been flaunted by Hanoi. Our military and economic efforts in Laos, which have been going on for many years and which have helped to maintain such balance as there is in that nation against a communist takeover, are directed toward those objectives. We also have a decided interest in reducing the flow of troops and supplies directed against our forces in South Vietnam from North Vietnam down the Ho Chi Minh trail.

CAMBODIA

U.S. security assistance to Cambodia has helped that nation bear the main burden of its own defense. Khmer unity, nationalism, and enthusiasm to take up arms to protect their ancient nation and culture have been most impressive. The Cambodian Armed Forces (FANK), which had some 40,000 poorly trained, inexperienced, and ill-equipped men in April 1970, have now reached a strength of almost 200,000. An important, though relatively inexpensive part of MAP has been aimed at supplementing FANK training resources by supporting neighboring nations, notably South Vietnam and Thailand, in providing training assistance in their respective countries. By the end of the next fiscal year, two-thirds of all Cambodian forces will have been adequately trained, an impressive accomplishment for East Asia, or for any area of the world, for that matter, considering the enormous expansion of the forces. Our military assistance has provided the supplies required for these armed forces of moderate size, austerly equipped, to help Cambodia withstand the attacks of experienced and well-armed NVA/VC forces. And the United States has not been alone in helping Cambodia. Military or military type equipment and supplies have been provided to the Khmer by Australia, Thailand, South Korea, New Zealand and, of course, South Vietnam, which has also been assisting Cambodia with military operations.

Cambodian performance in the economic sphere has also been impressive and we can express guarded optimism. By prudent management the Khmer government has thus far kept its economy afloat, contrary to the earlier expectations of observers and analysts and despite the enemy economic offensive. It has worked with and heeded the device of the International Monetary Fund, which now has a resident representative at Pnompenh advising the Khmer on a proposed program of wide-ranging monetary and fiscal innovation and reform. Our supporting assistance objective is to provide the commodities necessary to meet Cambodia's essential needs for imported goods in a situation where the enemy has deprived the country of most of its normal export and other foreign exchange earnings. Here again, we have not been alone, and a number of other nations have helped the Cambodians with economic assistance.

For the first time in recent history, Cambodia has mutually constructive relations with all three of its neighbors—South Vietnam, Thailand, and Laos, and it is beginning to emerge from its former shell of isolation to participate in a variety of regional cooperative endeavors. This new configuration augurs well for the future of regional cooperation in Southeast Asia.

THAILAND

U.S. policy toward Thailand involves recognition of its location in the heartland of Southeast Asia, its significant role in regional cooperation, and its position as a good friend and ally. We do not have ground combat forces in Thailand, and our Air Force and supporting units (which have been reduced by about one-third since mid-1969) are stationed there in connection with our military efforts in Indochina. Thai base facilities are of great importance to the Vietnamization program and the Thai Government has been most cooperative in making them available to us.

Because of our important interests in Thailand, we are, of course, concerned with that country's political stability and economic well-being. Since the mid-sixties when Communist insurgencies began to assume worrisome proportions—in part due to stimulation and support from Hanoi and Peking—our concern has been focused mainly on that problem. We have shared the Thai Government's concern that the Communist insurgency be checked in its early stages before it could reach such proprotions as to threaten the entire country and lead to a danger of expanding the Vietnam-Laos conflict into Thailand.

For Thailand, supporting assistance has had two main objectives in recent years. The first of these has been to provide commodity support and technical advice for the Thai counterinsurgency effort. This includes assistance to the Thai police, helping it with material and training, to improve professional capability and increase effectiveness against small groups of insurgents (the Thai Army will, we anticipate, continue to be utilized against larger groups). It also includes other economic assistance, such as that provided to the accelerated rural development program in the critical insurgency areas of the north and northeast.

The second objective of economic supporting assistance has been to direct attention to institutional problems and policies at the national level which critically influence economic, social, and political development throughout rural Thailand.

While the Thai counterinsurgency and development programs that we have assisted have not succeeded in eliminating the insurgency threat, we believe our aid has made a significant contribution to the effectiveness of Thai efforts. Without our assistance, Thailand today might well be adding complications to our new policies for peace in Southeast Asia rather than serving as an element of strength for their success.

KOREA

By the end of this fiscal year we will have reduced our forces by 20,000 men by bringing home and deactivating the 7th Division which had served in Korea since before the Korean conflict. We will also have drawn back the remaining division from the DMZ so that the ROK's now maintain the defense line all along the 38th parallel from sea to sea. Now the Koreans are beginning to talk in terms of eventual military self-sufficiency. Our present long-range program to modernize their equipment will bring us closer to that day.

As I comment thus on Korea's improved defenses, I recall that less than two decades ago the Republic of Korea lay in ruins, a poor country made destitute by war. Today Korea has a constructive relationship with Japan and other countries. The vigor and skill of its people have made its economic growth rate about the highest in the world. Our economic and technical assistance helped stimulate the economy while at the same time our military assistance served to help protect Korea from outside interference. I say this about a country of strategic importance, where the interests of the four great powers of East Asia converge to the degree they do nowhere else, a nation whose independence is of importance to the United States, Japan, and indeed all of us.

THE PHILIPPINES

The Philippines is one of our oldest friends and allies in the Western Pacific. Our extensive economic relations with this nation are reflected by the volume of two-way trade which approaches $700 million annually, and by American investment estimated at close to $1 billion.

There has been encouraging progress in the country's ability to deal realistically and forthrightly with major financial problems that emerged at the end of 1969. The problems arose out of excessive Government spending, increasing balance-of-payments deficits and a rising burden of short-term foreign debt. The Philippines entered a standby agreement with the IMF in February 1970 and since that time has adhered to a tight program designed to relieve the chronic imbalance in its trade account and to address its immediate foreign exchange crisis. The country has increased export earnings, achieved a balance-of-payments surplus, and nearly balanced its budget.

Effective Philippine implementation of the IMF stabilization program and other factors have revived a degree of international confidence in the Philippine economic performance. This, in turn, has made possible the formation, under World Bank sponsorship, of an International Consultative Group to coordinate international economic and financial assistance for the Philippines. The Philippines have thus taken important steps that augur well for the future growth and development of their economy.

INDONESIA

Indonesia provides an excellent example of a country that has managed very well in returning to growth and stability after a long period of internal strife and economic chaos. We are most encouraged by what is happening in this important nation that has the fifth largest population in the world. As you know the economy was seriously disrupted during the Sukarno regime, but the new Government has had the courage to deal realistically with inflation, fiscal and credit restraints, and the promotion of exports. The country's initiative in seeking the establishment of an international coordinating mechanism for aid has been a most successful example of multilateralism in action.

It has brought together 10 donor nations, as well as the World Bank, the International Monetary Fund, the Asian Development Bank and other international agencies. All this has given Indonesia renewed confidence as a nation and as a member of the international community.

CONCLUSION

Mr. Chairman, I have touched on recent developments in the countries in which we have economic programs, both of the security and the developmental type. I have attempted to demonstrate that our new approaches to Asia are to build self-reliant societies that will be their own catalyst in bringing about an easing of tensions and a better life for their people. The task is not easy and we must be careful lest we create an economic vacuum that could lead to an erosion of the very substantial progress that has been made. As President Nixon stated, the United States is a Pacific power with vital interest in East

Asia. Those interests are real and continuing, although developments of the past few years have required that our methods of protecting and advancing them should change.

The appropriations we are seeking help not only to deal with urgent current needs but to build a foundation to cope with the problems as well as the opportunities that lie ahead for U.S. foreign policy. On behalf of the Department of State, I urge your continuing support.

Mr. PASSMAN. Thank you, gentlemen for two very interesting statements. Now we have some questions to ask.

COMPARISON OF FISCAL YEAR 1971 AND 1972 SUPPORTING ASSISTANCE

The part that you are testifying for this afternoon in the amount of $202,750,000, represents only part of the total supporting assistance program. Is that correct?

Mr. O'CONNOR. Yes, sir.

Mr. PASSMAN. What is the total amount of all supporting assistance that is being requested for fiscal 1972?

Mr. O'CONNOR. The total request, including Vietnam——

Mr. PASSMAN. I want the grand total.

Mr. GREEN. $778 million.

Mr. PASSMAN. How does that compare with fiscal year 1971?

Mr. O'CONNOR. It was $569,600,000 last year.

Mr. PASSMAN. Then what is the increase of fiscal 1972 over 1971?

Mr. O'CONNOR. That is $208,400,000, the increase.

Mr. PASSMAN. It seems to me that I read in the paper somewhere that this new aid program was going to be greatly reduced in fiscal year 1972. I guess that I must have misread it.

It appears to me that foreign aid is getting bigger every year. I think that if we pick up all pieces of the budget it will certainly indicate that this is true. This year the total amount requested for foreign aid and assistance is $13,517,628,000, which is an increase of about $1,400 million over last year. We have now learned there are many other spigots we did not include. The program has been greatly fragmentized. A person can make his own judgment about what part of this aid program is good or bad but we are trying to make it all-inclusive so that the people who are putting up the money will be able to know the total amount of the budget request for foreign aid and assistance.

Mr. O'Connor, this is a recapitulation sheet and I would like to give the Secretary one. Would you tell me under which one of those 27 spigots you fall?

Mr. O'CONNOR. Yes, sir. The economic supporting falls under item No. 1.

Mr. PASSMAN. Since you are only testifying for that portion, there is no use to pursue the total amount requested now. In keeping with the rules under which we operate, each member will examine for 5 minutes. Before getting back to the more detailed examination, I am going to yield to the gentlewoman from Illinois.

Mrs. REID. Thank you, Mr. Chairman.

Mr. O'Connor, I have understood that one of our most successful aid programs has been in Indonesia. Would you say this is true?

Mr. O'CONNOR. Yes, I think that is quite true, Mrs. Reid. Indonesia has been a model in many respects in Asia, I think, for the kind of aid program that has showed real progress, particularly in terms of stabilization.

Mrs. REID. What factors do you feel make this more successful there than anyplace else?

Mr. O'CONNOR. There are several. To cite the accomplishments in 1966 when Ambassador Green was Ambassador in Djakarta, the inflation rate in that year was well over 600 percent. In the first 6 months of 1969 it was zero. It has been running 7 to 9 percent in the last year or two. That is a very substantial record which I don't think has been equaled any other place that I know of. I think one of the principal reasons for the success of that program is that it is operating on a very international framework, that there are 11 donors, different nations that are giving to the Indonesians. The United States in terms of economic aid is only one-third of the share of the Indonesian economic aid. Japan is roughly supplying one-third. The rest is provided by the other donor countries that include the Europeans, Australians, and Canadians.

In this context and with a good deal of work being done by the World Bank and International Monetary Fund and a lot of funds being put in by the World Bank, we have a very strong, broad program with a great deal of sharing and a lot of leadership from the Indonesian Government.

Mr. PASSMAN. Would the gentlewoman yield?

Let's keep the record straight. All this discussion about having such a great aid program in Indonesia, isn't this the country where you had a government that had gone so far over to the left that we completely suspended aid and said it is all down the drain? They also requested that the Peace Corps be withdrawn from the country? Is this the same country?

Mr. O'CONNOR. Sir, I think perhaps Ambassador Green can speak to that.

Mr. PASSMAN. Am I correct, is this the country where they had gone so far over to the left under Sukarno that we suspended all aid?

Mr. GREEN. That is right.

Mr. PASSMAN. They even requested that the Peace Corps be withdrawn?

Mr. GREEN. Yes, sir.

Mr. PASSMAN. When we talk about this being such a great aid country, you mean that you may have had a little period where it looked good; you are not making it all-inclusive are you?

Mr. GREEN. No. I think what we are referring to now is the period of time since fiscal year 1967 when aid was resumed.

Mr. PASSMAN. You have peaks and valleys in all these countries. You just happened to have observed Indonesia when it was at one of the peaks; is that correct?

Mr. GREEN. I don't know if I agree with that.

Mr. PASSMAN. You said that it is making great progress?

Mr. GREEN. Yes, the country is making great progress, and I would hope it is sustained and that we are not going through the same kind of period we did before.

Mr. PASSMAN. I am asking if it is true, since you are attempting to point out Indonesia as being such a great aid recipient, that they are now out of the valley and presently on the peak. In other words, what you see on the horizon now looks good, is that correct?

Mr. GREEN. That is correct.

Mr. PASSMAN. The history of many of these aid nations, is that those which look good today are down in the valley tomorrow; is that about the record of it? Look at some of your Latin American countries. Chile, was one of the showcase countries. I don't intend to sit here as chairman of this subcommittee and have the witnesses point out that Indonesia is moving with great success and it is going to be a show window indicating what aid can do, when what you are talking about is a relatively recent period, isn't that true?

Mr. GREEN. Since 1967.

Mr. PASSMAN. Prior to that time we had given over $500 million to Indonesia, is that correct?

Mr. GREEN. As long as Indonesia was under Sukarno it was almost doomed——

Mr. PASSMAN. I am not naming any specific leader but I am saying we had a voluminous program in Indonesia ranging in the hundreds of millions of dollars. It got so bad we had to suspend our aid, is that correct?

Mr. GREEN. Those are the facts.

Mr. PASSMAN. That is all I wanted to establish for the record. I want to thank the gentlelady for yielding. What is good today may be bad tomorrow. Let the record show that.

We see that happening in Chile today.

Mrs. REID. What about the Peace Corps there?

CURRENT LEADERSHIP IN INDONESIA

Mr. GREEN. There is no Peace Corps in Indonesia now. They asked that the Peace Corps be taken out. May I just add one or two comments as to what makes a government successful. They do have good leadership in Indonesia today, which they didn't have under Sukarno. He was one of the first-generation revolutionary leaders who was struggling blindly out for himself rather than his countrymen. I think that we have a very different type of leadership in Indonesia; the experience of Sukarno behind it has been an object lesson.

Another factor is that the economic steering group—incidentially, all have taken advanced training in the United States—are men of commonsense, are modernists, and Suharto does take their advice and he is one of them. I think that the political leadership, quality of the leadership, has a great deal to do with your question, Mrs. Reid, as to why the situation is better today.

I agree with the chairman that in all countries there are ups and downs. We did have a very bad period and went from bad to worse. I still am hopeful, Mr. Chairman, that as a result of what they have been through and the way we are handling it today, that the situation will be sustained.

Mr. PASSMAN. I hope it turns out that way.

Let the record show that that didn't keep anybody from disbursing hundreds of millions of dollars in the Sukarno government. Just about as fast as we could write the checks we poured funds into Indonesia under this bad leadership. That is quite a record for AID. I won't hold you responsible for the fact that it didn't keep us from giving away about one-half of a billion dollars during that period before aid was suspended.

Thank you for yielding. Occasionally I have to ask the members to yield so I can keep the record straight. The fact is we gave Sukarno's government $400 or $500 million.

Thank you.

Mrs. REID. Mr. Chairman, I have another number of other questions that I would like to ask.

FOOD PRODUCTION COMPARED TO POPULATION INCREASE IN EAST ASIA

Mr. O'Connor, how has the increase in food production in East Asia compared with the increase in population, would you say?

Mr. O'CONNOR. On the whole it has been outrunning the increase in population. I think it is fair to say the spread is not adequate or sufficient. That is one of the reasons why we have been spending a good deal of funds. Congress has earmarked $100 million of AID funds for family planning. I think that there are signs of progress in that area but it is too early to make any definitive forecasts about family planning. Roughly speaking, talking in terms of agricultural production, the increase is annually 4 or 5 percent. I could supply that figure for the record.

If you are talking family planning or population growth, the annual increase is about 2½ to 3 percent on the average in East Asia. I can give you those figures for the record. They are in that order of magnitude.

FAMILY PLANNING PROGRAMS IN EAST ASIA

Mrs. REID. You mentioned family planning. What would you say your general assessment of the family planning operations in East Asia are at the present time and what are the prospects for the future?

Mr. O'CONNOR. I think, Mrs. Reid, this is different from country to country. One of the most important aspects is whether the country is willing to put in enough budgetary support to really build up their capacity to handle family planning. That is pretty spotty. In Korea there has been very substantial government support for it. In Indonesia that has not been as substantial as we would like, but the reorganization problem, as with many parts of the apparatus of the government of Indonesia, and in Thailand, I think really they are only beginning to be aware of the real seriousness of the problem. So it is quite spotty.

On the whole I would say this: Today every one of the five countries in which we have programs are committed as a matter of government policy to support of family planning—including the Philippines in spite of the very large catholic majority of that country, this year they came out firmly in support of it. I think we are in a stage where in another year or two we will be able to see progress.

We see a great deal of progress from the acceptors in these countries but it takes years of acceptors before you can expect to see some decline in the population growth rate. We are in that tentative period.

Mrs. REID. Is it difficult to get this information to the people?

Mr. O'CONNOR. That varies also. In the Philippines, for example, there is an enormous communications system, something like 50 newspapers and radio stations, and you can get information out easily. It is much more difficult to do that in Northeast Thailand or in the outreaches of Indonesia's outer islands; there it is much more difficult.

If you ask me, do most of the women in the area have an eagerness to get this information, yes, they do. They ask for and want it wherever they can find a place to make the request and come and ask for it.

Mrs. REID. Your problem is to get the information to them?

Mr. O'CONNOR. Not only do that, but you need a lot of infrastructure, physicians, midwives, nurses, and that is not easy to come by in these countries. So it is not going to be a miracle overnight performance. In Korea they made a lot of progress—the annual population growth rate is down from some 3.1 percent to 1.9 percent. I don't want to vouch for the accuracy of those figures. Their vital statistics are not totally reliable. We know that and they know that. It is a rough order of magnitude. But there has been real progress in 6 or 7 years.

Mrs. REID. Mr. Chairman, thank you.

Mr. PASSMAN. Mr. Roybal.

Mr. ROYBAL. Thank you, Mr. Chairman.

REFUGEE PROBLEM IN CAMBODIA AND LAOS

I am interested in more specifics with regard to supporting assistance, particularly in Cambodia, Laos, and Thailand. I am interested in your statement with regard to Laos. You say that you have three major objectives in that area: economic stability, refugee relief, and resettlement, and support of basic government operation.

Aren't those really the three objectives that one would have in Cambodia and Thailand and other countries?

Mr. O'CONNOR. I don't entirely understand, Congressman Roybal. In the first place, in Cambodia what relatively few refugees there are are being taken care of by the Cambodian Government, but perhaps more accurately, by their relatives and friends in Phnom Penh. They are not in refugee camps the way they are in Laos.

Mr. ROYBAL. The problem may not be exactly the same but the fact that they are being taken care of by friends and relatives does not mean that they are being taken care of?

Mr. O'CONNOR. I think in Laos you have a different situation. There are massive relocations, large groups of people. The total number of people who were at one time or another refugees, since about 1960 is about 700,000, out of a population in the free part of Laos of less than 2 million. So it is quite a different thing. We have very large areas in Laos where we are virtually the only source of support to refugees. The answer perhaps to your other two categories is that it is true that we are giving support to some form of government operations in Thailand as well. It is not true in Cambodia. It is a rather

special program where our aid is going almost entirely into the area of imports.

Mr. ROYBAL. Do you have a breakdown of the amounts that would be spent on economic stability, relief settlement, and support of the basic government operations?

Mr. O'CONNOR. Yes, sir. We can give you the details. Off the top of my head, that one-third figure is pretty accurate. In Laos about $17 million went into the country this year in support of refugees.

Mr. ROYBAL. I see that a mistake was made in the original estmate where you have asked that the $50.6 million be reduced to $47.3 million.

Mr. O'CONNOR. That is right. The reason for that is that we have, during the course of this past year, been negotiating with other agencies of the Government for $3.3 million that was largely in medicines, medical care, some air support, and nutritional foods more appropriately carried by the Defense Department and other agencies of the Government than by AID. We have had an agreement on some of that just a few weeks ago.

Mr. ROYBAL. That does not mean that——

Mr. O'CONNOR. That is not less money being spent, but by different people.

Mr. ROYBAL. Is it then quite possible that some other agency will come in with a request to increase their particular budget by $3.3 million?

Mr. O'CONNOR. Yes, sir. That is not a net gain to the U.S. Government. That is clear.

Mr. ROYBAL. The way it appeared in the testimony, it seemed to give the impression that was a saving.

Mr. O'CONNOR. If it did, that was not intentional, I can assure you.

Mr. ROYBAL. Thank you.

You will supply for the record the amounts spent on each one of these categories?

Mr. O'CONNOR. Right; I have it here. I think it is easier to supply it for each one of those areas.

(The information follows:)

AMOUNTS SPENT ON ECONOMIC STABILITY, RELIEF SETTLEMENT, AND SUPPORT OF BASIC GOVERNMENT OPERATIONS IN LAOS

(In millions of dollars)

Laos	Fiscal year 1971	Fiscal year 1972 (estimated)
Economic stability	17.6	18.2
Relief settlement	17.0	15.2
Support of basic Government operations	14.1	13.9
Total	48.7	47.3

PUBLIC SAFETY PROGRAM IN THE PHILIPPINES

Mr. ROYBAL. Since the 5 minutes go very fast, I would like to go to another subject. I am interested also in the public safety program in the Philippines. By public safety, does this mean a civilian police force, or what do you mean by that?

Mr. O'CONNOR. That is just what we mean. It is very largely with the police departments in the Indochina area that we get into an anti-guerrilla-type activity. Basically this is a civilian police entity in the

Philippines. For example, we have been giving a good deal of technical assistance to their version of our own FBI. We have been strengthening their capacity in the provinces to react to crime, that sort of thing. We have been strengthening their entire communications system, so that each one of their provincial police is tied into headquarters. It is largely that type of operation.

Mr. ROYBAL. Supply for the record the number of people engaged in public safety in the Philippines.

Mr. O'CONNOR. Yes, sir.

(The information follows:)

NUMBER OF U.S. PUBLIC SAFETY ADVISERS IN THE PHILIPPINES

There are eight U.S. Public Safety Advisers in the Philippines.

COST OF THREE MAJOR PROGRAMS IN LAOS, CAMBODIA, AND THAILAND

Mr. ROYBAL. Also supply the number of people and amounts spent on Cambodia, Laos and Thailand with regard to the three basic objectives that you have outlined in your statement in reference to Laos.

Mr. O'CONNOR. Yes, sir. We will do that to the extent we can. I tried to make clear that we don't necessarily have those same three objectives in the other two countries of Thailand and Cambodia as we do in Laos. To the extent that they are parallel, we will give you the breakout.

Mr. ROYBAL. I would like to know how much is spent in each country.

Mr. O'CONNOR. On the basic objectives?

Mr. ROYBAL. Yes, sir.

Mr. O'CONNOR. We can give you that.

Mr. ROYBAL. Thank you. That is all.

(The information follows:)

AMOUNTS SPENT ON ECONOMIC STABILITY, RELIEF, SETTLEMENT, AND SUPPORT OF BASIC GOVERNMENT OPERATIONS IN LAOS, THAILAND, AND CAMBODIA

(In millions of dollars)

Laos	Fiscal year 1971	Fiscal year 1972 (estimated)
Economic stability	17.6	18.2
Relief settlement	17.0	15.2
Support of basic Government operations	14.1	13.9
Total	48.7	47.3

THAILAND

The Thai program is not allocated among these three sectors. There are no refugee relief programs, for example, and no budget support. Our total fiscal year 1972 program would more accurately fall into projects aimed at economic stability with the following major components: rural agriculture, rural security, rural health, education, and government administration.

CAMBODIA

The economic aid program for fiscal year 1971 and fiscal year 1972 is designed to provide imports to help offset losses in Cambodia's domestic production and export earnings caused by the war. All U.S. aid to Cambodia is aimed at pre-

serving economic stability. A consequence of our aid is to generate local currencies (counterpart) which is released to the Cambodian budget thus providing, as a secondary benefit, support of basic government operation.

Mr. PASSMAN. Dr. Long?
Mr. LONG. I will pass at this time.
Mr. PASSMAN. Mr. Hathaway?
Mr. HATHAWAY. Thank you, Mr. Chairman.

LIST OF IMPORTS FOR CAMBODIA FINANCED BY AID

You are going to furnish for the record for Mr. Roybal details from the development programs. Would you also furnish the itemized list of the imports of Cambodia that you talked about briefly in your statement?

Mr. O'CONNOR. Yes, sir. I cannot give you an itemized list because there have not been that many ordered yet. The only thing that I can give is a list of the imports, which they have had over the last year or two and they will be somewhat parallel.

(The information follows:)

CAMBODIAN IMPORTS IN RECENT YEARS

In the last year (1967) for which detailed statistics are available, Cambodia imported the following goods:

	Millions
Milk products	3.0
Wheat and other grains	2.0
Other foods	3.0
Cement	3.1
Petroleum products	9.9
Pharmaceuticals	7.0
Chemicals and chemical products	3.2
Rubber products	1.8
Resins and plastics	2.7
Paper products	2.1
Cotton products	4.7
Other fibers, clothing	5.0
Iron and steel products	10.3
Other metals	2.0
Tools and miscellaneous metal products	1.7
Machinery and mechancial appliances	11.2
Electrical machinery	7.0
Railway equipment	2.3
Automotive vehicles	7.4
Other	7.8
Total	96.2

CONTRIBUTION FROM OTHER COUNTRIES FOR LAOS, CAMBODIA AND THAILAND

Mr. HATHAWAY. What is the extent of participation of the other countries?

Mr. O'CONNOR. In which?

Mr. HATHAWAY. Cambodia, Laos and Thailand.

Mr. O'CONNOR. It varies. in Laos, for example, we have four other donors to the FEOF. That is the Stabilization Fund. In Cambodia there were substantial contributions, from others in the past, but frankly recently they have been rather small. Some aid has come from the Australians and New Zealand. Japan has given some money through Red Cross. It looks like Japan directly may pick up a project in the telecommunications area. There were a lot of credits and other loans given to the Cambodians in the past, many of which are still unexpected and are still on the books. We can give you a list, some $69 million worth of loans from countries other than the United States still to be drawn down.

Mr. HATHAWAY. Are you talking about grants here?

Mr. O'CONNOR. We are talking about supporting assistance, outright grants.

Mr. HATHAWAY. That is what I am interested in. What other countries are contributing?

Mr. O'CONNOR. I believe that the Australian aid was an outright grant. I will have to give you the rest of the details.

(The information follows:)

COUNTRIES CONTRIBUTING TO CAMBODIA, LAOS, AND THAILAND

THAILAND

The United Nations, the IBRD, the Asian Development Bank, Germany, and Japan provide loan assistance to Thailand. Grant assistance to Thailand is provided by the Columbo plan, United Nations, and foundations such as Ford and Rockefeller.

LAOS

France, Japan, Australia, the United Kingdom, and the United Nations are substantial contributors of economic assistance to Laos. Thailand, Germany, Canada, and Israel also contribute technical and commodity assistance. In addition, the Netherlands, Denmark, and New Zealand made substantial pledges for the Nam Ngum Dam project.

In 1969 the Soviet Union gave scholarships and equipment for the RLG Meteorological Service, and Czechoslovakia donated secondary school laboratory equipment.

CAMBODIA

Recent economic aid contributions to Cambodia include Japan, France, Australia, Belgium, Denmark, and New Zealand, mostly in the form of loans with the balance in grants, humanitarian aid, or technical assistance.

Mr. O'CONNOR. We are working toward a stabilization fund at least for a portion of the Cambodian aid. We are not certain that we can get it set up. That would, we hope, bring in other donors. If it didn't, we wouldn't set it up.

Mr. HATHAWAY. Is our percentage decreasing?

Mr. O'CONNOR. At the moment we have just started our program there so we don't know. In other words, we do not at this stage of the game have any large-scale donors other than the United States, so that it would not be worthwhile to compare percentages.

Mr. HATHAWAY. You indicated in your statement the percentage of money appropriated by Thailand for military expenditures is increasing. I think you said 10 percent. What is the percentage of the gross national product?

Mr. O'CONNOR. Yes, sir; I have that figure here. You asked what other burden sharing there is in Thailand and Laos and Cambodia.

Mr. O'CONNOR. Defense expenditures in Thailand, estimated 1970, were 18 percent of their total expenditures, total budget. The absolute figure is $1.3 billion as compared to $235 million.

Mr. HATHAWAY. That is a percentage not of GNP but budget?

Mr. O'CONNOR. That is a percentage of the budget of total expenditures. The percentage of GNP is 3.5 percent.

INSURGENCY IN THAILAND

Mr. HATHAWAY. You mentioned on page 8 of your statement $9 million assistance to police development, in a rural capacity, which can act as a counterthreat to terrorism and subversion by the Communist insurgents. You are talking about Communists indigenous to Thailand, or are you talking about those outside, or both?

Mr. O'CONNOR. I think that by and large, most of the insurgents are in fact indigenous to Thailand, although it may not be all Thai per se. There is a mixture. And there is increasing evidence now of training outside of Thailand and of these people coming back. There is some training in North Vietnam and some in Communist China.

Mr. HATHAWAY. Do you know historically if it is to the same extent as in 1966?

Mr. O'CONNOR. Actually it has increased. The character of the insurgency, particularly in the north and northeast, has become a good bit more systematic and a good bit more sophisticated. It is only in the last few years that this question of people going in for training and coming back, being systematically put in for training and returned, has taken place. It is beginning to show up.

Mr. HATHAWAY. Only in the last year?

Mr. O'CONNOR. In the last few years.

Mr. HATHAWAY. I visited that area in 1966 and at that time we were told in a briefing in Bangkok that many of the insurgents in the villages had been trained or were being trained at that time in Hanoi.

Mr. O'CONNOR. I think that was scattered.

Marshall, you perhaps know that better than I do.

I think that the more orderly training process has been going on in the last year or year and a half.

Mr. GREEN. I agree with all of the things that you said concerning outside training figures and so forth. There has been a steady training program going on for many years. I think it has probably stepped up a bit in the last year or two, both from China and from North Vietnam. These trainees are people drawn largely from the hill tribes, and are taken to North Vietnam and China for a year or so of training and then they come back. They are indigenous personnel.

Mr. HATHAWAY. They are trained?

Mr. GREEN. They are trained there, yes, sir.

Mr. HATHAWAY. I guess that is all. Thank you.

Mr. PASSMAN. Gentlemen, may I state for the record again that there is nothing personal about the way I examine witnesses. I would be less than honest if I didn't state that I am frightened over the trend in this country to continue spending money we don't have for things we don't need, trying to be everything to everybody, everywhere, using borrowed money and at the expense of unborn generations. I am thoroughly convinced that if you properly define aid, it is simply taking money from poor people in a rich country and giving it to rich people in poor countries.

A man could not spend as many hundreds of hours a year as I do on this foreign aid program without having some knowledge of it and the direction in which it is traveling. I think that we are all in complete agreement that it has been so fragmented that the most astute Members of Congress have difficulty putting all the pieces back together and it requires many, many hours of research to ever get the grand total together. As we look at the aggregate request for fiscal year 1972, for foreign aid and assistance, it is $13,517,628,000. This is $1,400 million more than the agencies requested last year. It is in so many different pieces, under so many different headings that it is almost impossible to put all the pieces back together. We have a list here picked out of the budget showing 27 spigots. Some of it may be good, some of it may be bad, but we are making it, as far as possible, all inclusive as to the total requests for foreign aid and assistance.

At the present time we don't know how we are finally going to write this legislation because we don't know yet what the House is going to approve with regards to the authorizing legislation. We are going to proceed to examine your requests on the information that you have presented without any authorization to guide us.

Mr. LONG. Mr. Chairman, how much of this $13.5 billion comes to this subcommittee?

Mr. PASSMAN. I would say possibly, if we put all the pieces together, about $9 billion.

A lot of it does not come before us including a big item called Public Law 480, $1,320,400,000. At one time we said that it was the finest type of foreign aid. That is the premise on which we finally got the authorization 25 years ago to feed the starving people of Europe, but along the way we put that in another bill and it ceases to be aid. We transferred the military out for certain countries and that ceases to be aid. We set up all of these many banks and it ceases to be aid. All we are trying to do is to represent you gentlemen because you are one of the 206 million Americans, Mr. Secretary, so the committee represents you as well as the other people.

Let's set the record straight.

Mr. LONG. Mr. Chairman, this was compiled by this subcommittee. Does the administration have any list which it calls foreign aid?

Mr. PASSMAN. I don't know. I have talked to them all the way to the top. They look at this list and are flabbergasted to know the total.

You gentlemen have never put one of these lists together as such, have you?

Mr. O'CONNOR. I guess that we have used your list.

Mr. PASSMAN. I am glad that you made that statement. This list is compiled from information furnished to us by your very able

Chuck Flinner, along with other people in Government. This information is picked out of the budget itself. You are familiar with it, aren't you?

Mr. FLINNER. Yes, sir.

Mr. PASSMAN. Do you find any inaccuracy as far as the totals are concerned?

Mr. FLINNER. I have not seen the final list but I have seen a draft.

Mr. PASSMAN. You have seen other drafts from this committee. Did you find them accurate?

Mr. FLINNER. Yes, sir.

Mr. PASSMAN. I don't think they have ever been challenged?

Mr. FLINNER. No, sir; not as far as the figures are concerned.

Mr. PASSMAN. As far as the philosophy?

Mr. FLINNER. But as far as the figures, they are accurate.

Mr. PASSMAN. How about the names of the spigots, are those accurate?

Mr. FLINNER. Yes, sir.

Mr. PASSMAN. Philosophy we will never try to resolve, but the spigots and amounts are correct.

Mr. LONG. Mr. Chairman, hopefully, we can put this whole list in the record.

Mr. PASSMAN. Off the record.

(Discussion off the record.)

Mr. LONG. Accompanied by the statement of the witness this is not challenged?

Mr. PASSMAN. I believe Mr. Flinner stated that as far as the names of the agencies, the number of spigots and totals, you do not challenge them, do you?

Mr. FLINNER. No, sir.

Mr. PASSMAN. You have found them accurate in the past?

Mr. FLINNER. Yes, sir.

Mr. PASSMAN. I think that I have been getting this list up for 17 years in similar form. You are familiar with that?

Mr. FLINNER. Yes, sir.

Mr. PASSMAN. It will be placed in the record at this point.

(The information follows:)

New requests for foreign aid and assistance—92d Congress, first session—fiscal year 1972

		Thousands
1.	International security assistance	$1,993,000
2.	International organizations and programs	168,000
3.	Bilateral assistance	1,077,000
4.	President's foreign assistance contingency fund	100,000
5.	Inter-American Development Bank	500,000
6.	Inter-American Development Bank (supplemental)	486,760
7.	International Bank for Reconstruction and Development (supplemental)	246,100
8.	International Development Association	320,000
9.	Asian Development Bank	40,000
10.	Asiain Development Bank (supplemental)	60,000
11.	Expanded multilateral assistance	35,000
12.	Receipts and recoveries from previous programs	370,310
13.	Military assistance (in Defense budget)	2,250,800
14.	International Military Headquarters	74,400
15.	Economic assistance (in Defense budget)	90,900
16.	MAAG's, missions, and milgroups	262,600
17.	Permanent military construction—foreign nations	106,000

18.	Export-Import Bank, long-term credits	2,445,000
19.	Export-Import Bank, regular operations	1,195,639
20.	Peace Corps	71,200
21.	Ryukyu Islands	4,450
22.	Migrants and refugees	8,650
23.	Public Law 480 (agricultural commodities)	1,320,400
24.	Contributions to international organizations	160,680
25.	Education (foreign and other students)	51,000
26.	Trust Territories of the Pacific	59,739
27.	Latin America Highway (Darien Gap)	20,000
	Total	13,517,628

Mr. PASSMAN. Gentlemen, let's proceed with the examination.

COMPARISON OF DOMESTIC AND FOREIGN PROGRAMS WITH REGARD TO IMPOUNDING FUNDS

I believe that the administration impounded some $12 billion, did it not, in appropriated funds for domestic programs and to some extent the administration was only following the law of the land because Congress placed a limitation on the expenditures for fiscal year 1971?

Mr. O'CONNOR. I have read that in the newspapers. I have no personal knowledge of it.

Mr. PASSMAN. I say, in all due respect, you ought to have more knowledge of it than this committee. This is a full-time job for you but I have to legislate and take care of some 60,000 letters a year. It seems you would like to know what these things are.

Is any witness in this room familiar with the fact that the President impounded $12 billion for domestic programs? How about the controller; are you familiar with it?

Mr. FLINNER. I am familiar that some funds may have been impounded but I am not sure myself of the exact amount.

Mr. PASSMAN. Do you recall from the press that being about the figure?

Mr. FLINNER. I am not certain.

Mr. PASSMAN. I won't hold you to it. I want you to have a look at the record. You are the people responsible for this big deficit we are building up. I want to state for the record it was approximately $12 billion impounded in funds, mostly for domestic programs. Do you know of any foreign aid funds, out of any category, that have been impounded in fiscal 1971?

Mr. O'CONNER. No, I do not.

Mr. PASSMAN. Do you know of any?

Mr. FLINNER. No, sir.

Mr. PASSMAN. Do you know of any in the military?

Colonel BURDELL. No, sir.

Mr. PASSMAN. In fact, so far as you know, when you were testifying to that fact, there has been no foreign aid funds out of any category impounded?

Mr. FLINNER. That is correct.

Mr. PASSMAN. Gentlemen, I think that is so ridiculous that we all ought to be ashamed of ourselves, myself included, to think that you are funding programs almost in every nation of the world but that you are denying the funds for the same projects here in America.

I am going to insert in the record at this point, without objection, 10 of the projects funded under an organization which heretofore we have not even mentioned in our examination. As far as I know, for 17 years, this year is the first year that we have ever brought this up because we have so adequately funded the World Bank in prior years that they were not in for new requests until this year. Out of some 50 projects approved for fiscal year 1971, I am going to put in the record 10 examples of the type of projects that the International Bank for Reconstruction and Development (World Bank), and the International Finance Corporation funded. Just these 10 so that whoever reads this record may get an indication of the type of projects we are funding abroad, and are denying our people the same projects here in America. They will go in the record at this point.

(The information follows:)

FIRST IFC INVESTMENT IN LEBANON—LOAN FOR NEW COTTON SPINNING MILL

The International Finance Corporation (IFC) is helping to modernize Lebanon's textile industry by making a loan investment of $930,000 in Filitex S.A.L., a new cotton spinning mill to be located near Beirut.

The IFC loan to Filitex is the Corporation's first financing operation in Lebanon.

The Filitex plant will be equipped with 8,000 spindles and auxiliary equipment, and is expected to employ 125 workers. Production is scheduled to start in 1973. The project is estimated to cost approximately $2.4 million.

The mill will supply local knitted garment manufacturers with approximately 1,150 metric tons a year of combed cotton knitting yarn. Lebanon's largest knitting firm, Naoum Mohbat & Co., is a member of the investment group sponsoring Filitex, and is expected to absorb a substantial part of the new mill's output.

The knitting industry requires supplies of yarn of consistent quality, and the Lebanese spinning industry, which is largely concerned with weaving operations, has not been able to provide them in the quantities required.

Part of the established demand for knitting yarns has therefore been met by imports. Filitex products will eliminate the need for imports and will, indirectly, improve the availability of the yarns produced by the existing spinners.

With its investment in Filitex, IFC, the member of the World Bank group that encourages the growth of private enterprise, has now invested in 158 businesses in 44 developing countries.

FINANCIAL DETAILS

IFC's loan of $930,000 accounts for 38 percent of the total financing for the project. The Arab African Bank, of Cairo, the United Arab Republic, and Union de Banques Arabes et Francaises, in France, are participating in the IFC loan.

Fifty-two percent of the company's share capital of $923,000 has been subscribed by the major sponsoring group—Mr. Georges Mohbat, his family and family-owned knitting company, Naoum Mohbat & Co. Approximately 27 percent has been subscribed by the cosponsor, Mr. Bahige Naamani, the controlling owner of two trading firms in the textile and cosmetic markets, and 15 percent by Mr. Fouad Bohsali. Other Lebanese investors have taken up 6 percent of the company's share capital.

The remainder of the financing necessary to bring the mill into full operation will come from suppliers' credits, amounting to $462,000, and from cash generation, totaling $108,000.

NETHERLANDS LENDS $5 MILLION TO IFC—FUNDS MAY BE USED FOR EQUITY INVESTMENTS

The State of the Netherlands and the International Finance Corporation (IFC) today concluded an agreement providing for a loan of $5 million by the Netherlands, to be used by IFC in its investment operations.

The agreement was signed at IFC headquarters in Washington, D.C., by Baron Rijnhard B. van Lynden, Ambassador of the Netherlands, and by Mr. William S. Gaud, Executive Vice President, representing IFC.

The Netherlands' intention to add to IFC's resources by making a special contribution of $5 million was first announced by the Netherlands Finance Minister, Hon. H. J. Witteveen, at the annual meeting of the World Bank group in Copenhagen in September 1970. "I express the hope that our initiative will be followed by many other members," the Finance Minister said at the time.

The $5 million loan is the first to be made by a member government to IFC. The Corporation at present has 95 member governments.

Since the funds available to IFC for equity investment are more limited than those for lending, the Netherlands has agreed to make its loan on terms that will allow the Corporation to use it for share investments.

The loan is for a term of 30 years, maturing over 20 years with a 10-year period of grace. The loan agreement provides that interest shall be equal to the rate of dividend, if any, upon IFC's capital stock. IFC has not declared dividends. Instead, the net income of IFC has been allocated to a reserve against losses; and future net income will be so allocated until the Directors or the Board of Governors otherwise determine.

The loan agreement also provides that any outstanding amount of the principal may be applied, at the option of the Netherlands, in subscribing to any additional shares of capital stock that may be issued by IFC.

IFC is the member of the World Bank group that promotes the growth of the private sector of the developing countries. The Corporation is one of the very few international development organizations that can provide both loan and equity capital. As of May 28, 1971, IFC had invested approximately $513 million in 158 private businesses in 44 developing countries.

The Corporation's resources consist of its paid-in capital stock of $107 million, accumulated earnings of $64 million, and borrowings. IFC thus far has borrowed $200 million from the World Bank, for use in its lending operations. So long as the Corporation is indebted to the World Bank, its total borrowings may not exceed four times its unimpaired capital and surplus—that is $428 million at present.

IFC Supports Argentine Cement Producer—$5.5 Million for Plant Expansion

Argentina's housing and construction sector will benefit from an expansion project being undertaken by Calera Avellaneda, S.A., one of the country's oldest cement companies, with the assistance of the International Finance Corporation.

IFC is making a loan of $5.5 million to the $20 million project, which will add 400,000 metric tons to Calera's cement output, raising the plant's total capacity to 700,000 metric tons a year. The expansion is expected to increase Calera's labor force from 690 to 770 workers.

A new cement plant will be built next to the company's present factory and limestone quarry at Olavarria, south of Buenos Aires. The quarry will be expanded to keep pace with the needs of the enlarged cement operations. The nearest suitable limestone deposits to Buenos Aires, the company's principal marketing area, are located in Olavarria.

The demand for cement in the region served by Calera is projected to reach 4.4 million tons by 1975. With its expansion, Calera will be able to supply about 15 percent of this demand.

The new plant will consist of a fully integrated production line, independent of the existing plant except for workshops, laboratories, and crushing facilities. Construction is expected to begin in early 1971, with completion scheduled for December 1972.

With the Calera investment, IFC now has made eight commitments amounting to $29.2 million to a variety of Argentine private enterprise ventures. The projects have a total cost of approximately $178 million equivalent.

Calera is the seventh cement and concrete producer in Latin America to be assisted by IFC. IFC's investments in these Latin American enterprises total $14.7 million.

FINANCIAL DETAILS

IFC's commitment to Calera consists of a $5 million loan and a $500,000 contingent loan. The remainder of the project financing is expected to be provided by supplier's credits, about $7.6 million equivalent; the company's own funds, about $5.3 million equivalent; and a loan from Banco Nacional de Desarrollo Argentina, $2 million equivalent.

Approximately $6.8 million equivalent of the suppliers' credits will be provided by Centunion, the Spanish subsidiary of Klöckner-Humboldt-Deutz, of Germany. Klöckner-Humboldt-Deutz is the main equipment supplier and will be responsible for supervising plant construction and engineering.

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FINANCIAL DETAILS

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The remainder of the financing necessary to bring the mill into full operation will come from suppliers' credits, amounting to $462,000, and from cash generation, totaling $108,000.

$24-Million Loan for Highways in Tunisia

A World Bank loan equivalent to $24 million announced today will help to finance a highway project to promote Tunisia's economic development by serving particularly the needs of agriculture and the fast growing tourism industry.

The project arises out of preinvestment studies initiated and carried out with the help of the World Bank Group in 1966 and a comprehensive survey of Tunisia's transport sector undertaken during 1967–68 with financial assistance from the United Nations Development Programme (UNDP) and with the Bank as executing agency.

A high priority highway investment project for reconstruction and rehabilitation of selected roads and bridges was identified in December 1968. This led to a Bank loan of $850,000 in 1969 to help finance engineering studies, which are the basis of the present project.

The purpose of the present project is to help finance improvement of 170 miles of roads; reconstruction of 51 bridges and culverts; resurfacing and rehabilitation of 1,200 miles of roads; related consulting services and the refunding of the $850,000 engineering loan.

Although Tunisia's highway network is fairly extensive and considered adequate in coverage and length, there is urgent need for improved design and rehabilitation to cope with growing traffic. In recent years urban development, increased agricultural development and a rapidly expanded tourism industry have greatly increased road traffic. Tunisia's heavy reliance on an efficient high-

way network was demonstrated by the heavy floods in 1969 when production and exports were substantially reduced by damage to the transport system.

The roads included in the improvement program are important links in the transportation network of the most commercially active region. The new construction will relieve congestion particularly on the more heavily travelled routes south and west of Tunis.

Tunisia's transportation system also requires improved arrangements for coordination and policy formulation as well as for road transport regulations and an adequate taxation system. The project makes specific provision for consultant services to assist in these matters.

The organization responsible for execution of the project is the Direction des Ponts et Chaussees of the Ministry of Public Works (Tunis, Tunisia).

The total cost of the project is estimated at $42.2 million. The proposed loan of $24 million will cover the foreign exchange costs and refund the $850,000 highway engineering loan. The Government will meet the local costs of the project, which are expected to amount to about $19.2 million.

The borrower is the Republic of Tunisia, and the loan is for a term of 30 years including a 5-year grace period. It carries interest at the rate of 7¼ percent. Bank of America, New York, is participating in the Bank loan in the amount of $175,000.

$37-Million Loan for Brazil Water Supply and Pollution Control

The World Bank has approved two Brazilian loans totaling $37 million to finance the foreign exchange cost of the Sao Paulo water supply and pollution control project, which will improve the water supply and sewerage services in and around the city of Sao Paulo.

The loans are $22 million to Superintendencia de Agua e Esgotos da Capital (SAEC), which provides water and sewerage service; and $15 million to Companhia Metropolitana de Saneamento de Sao Paulo (SANESP), the bulk sewage authority.

Brazil's urban population is inadequately served by public water supply and sewerage systems. Only 40 percent receive assured round-the-year piped water and less than 60 percent are supplied by public water systems at all. Sewerage service is even scarcer.

Although urban infrastructure is underdeveloped throughout Brazil, the situation is accute in the metropolitan area of Sao Paulo where about half of the 8 million population have no piped water and two-thirds have no sewers. The Sao Paulo State Government is planning a $750-million works program for the 1970's, including the project the Bank is financing.

The project will enable an additional 2 million persons to have piped water from the greatly expanded bulk supply expected to be available in the next few years, will improve service in the overloaded sections of the network, and will improve sewage collection and disposal, thereby freeing rivers of 70 percent of their present load of solids and 45 percent of biochemical pollutants. It is the first comprehensive action taken to restore the ecological balance in the rivers and is expected to eliminate odors and provide enough oxygen to support higher forms of aquatic plants and some fish.

The SAEC part of the project will cost $59.8 million and the SANESP part, $81.5 million. The projects are financially and technically interrelated.

SAEC (Rua Riachuelo, Sao Paulo, S.P.) will extend its water distribution system with the installation of approximately 1,700 miles of mains, construction of reservoirs with a capacity of 27 million gallons, and procurement of 250,000 domestic water meters.

SANESP (Avenida Angelica, Sao Paulo, S.P.) will build about 40 miles of interceptor sewers along three river basins, a sewage pumping station at Sao Caetano, a 9-mile transmission conduit: expand the low-lift pumping capacity at two existing sewage treatment plants, carry out other works and train staff.

The World Bank loans are for 25-year terms, including 4½-year grace periods, at 7¼ percent interest, and are guarantee by the Federal Republic of Brazil.

$75-Million Loan for Livestock and Agricultural Development in Mexico

The World Bank has approved a $75-million loan to help sustain accelerated livestock and agricultural development in Mexico.

Despite rapid industrialization in Mexico, agriculture remains a key economic sector, accounting for almost 95 percent of domestic food consumption and almost

60 percent of export earnings. Improvements in farming methods and expansion of acreage under cultivation have greatly increased agricultural output during the last 15 years. However, further growth is needed because of rapid population growth.

The project is a continuation of a livestock and agriculture development program started in 1965 by Fondo de Garantia y Fomento de la Agricultura, Ganaderia y Avicultura (Fondo) with World Bank assistance. Fondo is a trust fund managed by the Bank of Mexico. The present loan is the Bank's third to Fondo, which provides medium- and long-term credit and technical services to farmers, ranchers, and agro-industries for increasing and modernizing production.

Under the project, investments are expected to be made in about 6,400 livestock farms. About two-thirds of these will be beef cattle farms, approximately one-fifth dairy farms, and the rest pig and poultry producers. Some 4,500 farms growing cotton, oil seeds, wheat, rice, beans, and sorghum will also benefit.

In addition, approximately 60 agro-industrial plants are to be established or expanded. Rural access roads and minor irrigation works designed to serve groups of small farmers and livestock producers will be constructed and intermediate voltage electrical lines installed at the farm level.

Capital investments under the new project will total approximately $193 million. This excludes working capital requirement, which will be financed entirely from domestic sources. About 15 percent of the capital expenditures will be contributed by farmers and ranchers (20 percent in the case of agro-industries), 16 percent by participating banks, 30 percent by Fondo from its own resources, and 39 percent by the Bank loan.

The bank loan will be made to the Nacional Financiera, S.A.—an official financing institution which borrows abroad on behalf of the Mexican Government—which will transfer it to Fondo. Fondo (Insurgentes Norte 423, B.I.S. 98, Mexico, D.F.) refinances agricultural loans made by private credit institutions and regional banks in the system of the National Agricultural Bank for individual projects which have been previously evaluated by Fondo or by Fondo-approved technicians. Supervision of and technical assistance to these projects are, likewise, undertaken by Fondo.

The bank loan will be for a period of 20 years, including a 4-year period of grace, with interest at 7¼ percent.

Five financial institutions are participating in the loan for a combined total amount of $1,400,000: Bank of America, N.T. & S.A., San Francisco; The Riggs National Bank, Washington, D.C.; First National Bank of Oregon, Portland; Bank of America International of Florida, Miami; and First National Bank of Minneapolis.

$35-Million Loan for Industry in Morocco

The World Bank has approved a loan of $35.0 million to the Banque Nationale pour le Developpement Economique (BNDE), a development finance company in Morocco. The loan will help promote the growth and diversification of industry and enable Morocco to increase its foreign exchange earnings.

The latest loan is the fifth offered by the World Bank to BNDE. It will provide BNDE with a suitable amount of capital to meet forecast commitments until the end of 1972. The Bank has been associated with BNDE since 1962, and has previously made four loans totaling $62.5 million. In addition, IFC holds about $1 million or 25 percent of BNDE's share capital.

Established in 1959, BNDE is the largest institutional source of medium and long-term finance for industrial enterprises in Morocco. It has had a growing role in financing industrial and other productive ventures. Projects under BNDE's consideration currently include the expansion of two oil refineries and an automobile assembly plant.

In recent years BNDE's general performance has consistently improved, and it has continued to expand its business activities, especially in 1970. BNDE's lending during 1970 accounted for a substantial part of total private investment in industry, and over three-quarters of aggregate investment approved by the Moroccan Investment Commission for that year.

The loan is guaranteed by the Kingdom of Morocco. It is repayable over 14 years, including a 2-year grace period, and carries an interest rate of 7¼ percent per annum.

$15-Million Loan to Colombia for Telecommunications

The World Bank has approved a $15.0 million loan for a $32.4 million telecommunications project in Colombia that will contribute to meeting a rapidly growing demand for local, long distance and telex services.

The project is expected to make a significant contribution to economic development by increasing the efficiency of operations in government, industry and commerce. The telecommunications sector in Colombia is less well developed than some other public services and requires substantial investments.

The components of the project are designed in accordance with the development priorities of the sector. They include the installation of 42,000 lines of local exchange equipment of which 18,000 will be for 200 small towns, with a total population of 2 million, presently lacking a telephone service.

The components also include the construction of new microwave links on routes presently served by VHF systems; the establishment of 16 new VHF routes to replace service by open wire lines; the provision of 620 supplementary voice frequency channels on existing microwave and VHF routes; and the installation of three new trunk switching exchanges and of 10 new toll ticketing facilities. Finally, 1,000 additional lines in the Bogotá telex exchange and 1,000 new teleprinters will be provided.

Empresa Nacional de Telecomunicaciones (Telecom), an autonomous agency established in 1947, will carry out the project which forms about 80 percent of its 1971–74 expansion program.

This will be the World Bank's second loan to Telecom. In 1967 the Bank lent the company $16.0 million to help finance a $27.6 million project to improve and expand domestic and international telephone, telegraph and telex networks.

The loan to Telecom (Carrera 13A, No. 22–54, Bogota) is guaranteed by the Republic of Colombia. It is for a term of 20 years, including a 4-year grace period, with interest at 7¼ percent.

Eight financial institutions are participating in the loan for a combined total amount of $570,000: National Bank of Detroit; Central National Bank of Cleveland; The Fidelity Bank, Philadelphia; Security Pacific National Bank, Los Angeles; Industrial National Bank of Providence; The Northern Trust Company, Chicago; First Western Bank and Trust Co., Los Angeles; and First Wisconsin National Bank of Milwaukee.

World Bank Approves First Research Loan

The World Bank's first loan entirely for research was announced today—$12.7 million to Spain to help establish six national agricultural research centers for specific commodities. The project will upgrade agricultural research and introduce and adapt modern technology to plant and animal production in Spain.

The loan reflects increased emphasis being placed on research as a means of supporting economic development. The Pearson Commission in its report, "Partners in Development", made a strong plea for increased research focused on development. Among the areas singled out by the Pearson Commission were education, population planning, agriculture, housing and urban planning, and utilization of natural resources.

Robert S. McNamara, president, in an address to the World Bank's Board of Governors, also urged a new and sustained effort in applied research for developing countries, especially on protein production, water management, and plant and animal disease control.

The World Bank Group has financed research in the past by including research relating to a particular project in the financing of the project.

Agriculture is of great importance to the Spanish economy. Yields and productivity however are low and the average 3.5 percent rise in agricultural production of the 1960's lagged far behind an overall 7.5 percent economic growth rate. As a result, food imports increased steeply and resulted in a chronic $300 million a year deficit in agricultural trade.

Modernization has been hampered by lack of technological information. Expenditure for research has been inadequate, applied research efforts have been fragmented and uncoordinated.

The $28.2 million project the bank is assisting stems from a joint U.N. Food and Agriculture Organization/World Bank Mission which reviewed Spanish agriculture. A key aspect of the project is the restructuring and reorientation of the principal official agricultural research organization, Instituto Nacional de Investigaciones Agronomicas (INIA).

At the present INIA activities are based on regional centers which follow diversified lines of research over a broad spectrum. As a result, limited research capabilities have been spread too thinly.

Under the project, agricultural research will be mission-oriented and focused on specific commodities or groups of commodities especially important in export

trade. Two of the six research centers to be established will concentrate on livestock, and one each will concentrate on fruits and vegetables, plant oils, cereals and grain legumes, and citrus.

The centers' research will cover all aspects of their assigned commodities, including production, processing, marketing, and so forth. The commodities account for about 85 percent of the value of Spain's agricultural production and 70 percent of agricultural exports and imports.

The project also includes the employment of 20 long-term research specialists and 30 short-term specialist consultants and about 200 fellowships for training abroad. INIA (Ciudad Universitaria, Madrid, Spain) will implement the project which is expected to be in full operation by the end of 1976.

The bank loan will cover the foreign exchange cost of the project. It is for 20 years, with a 4-year grace period, at 7¼ percent interest. The Government of Spain will provide the balance of the financing.

Mr. PASSMAN. Since it has been amply verified that there have been no foreign aid projects out of any category that had their funds impounded, I think I had better place in the record at this point a letter from Lt. Gen. Robert H. Warren, dated May 3, 1971, stating categorically that no funds had been impounded, and also a letter from the Controller, Department of State, AID, that there had been no funds impounded. I think possibly we better place them in the record at this point.

(The letters follow:)

ASSISTANT SECRETARY OF DEFENSE,
Washington, D.C., May 3, 1971.

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

DEAR MR. CHAIRMAN: Despite reports in the press, there has been no impoundment in the executive branch of any funds appropriated for military assistance or foreign military credit sales. On the contrary, $78,170,000 has already been released in support of credit sales to Korea, Malaysia, Jordan, and China. In fact, we are busily engaged in preparing justification and/or awaiting approval of credit sales to Lebanon, Saudi Arabia, Greece, and seven countries in Latin America for a total of an additional (including some private financing) $141 million. We have no reason to believe that the whole $200 million appropriated for fiscal 1971 will not be released and obligated by the end of the year.

What the Office of Management and Budget has been doing is following its normal procedure to assure that all concerned Government agencies have had an opportunity to approve each credit sales case before the release of funds. These actions reflect OMB's responsibility as prescribed under the Foreign Military Sales Act and could in no way be described as an impoundment of funds.

Lt. Gen. ROBERT H. WARREN,
Deputy Assistant Secretary, Military Assistance and Sales.

DEPARTMENT OF STATE,
AGENCY FOR INTERNATIONAL DEVELOPMENT,
Washington, D.C., Apr. 30, 1971.

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

DEAR MR. CHAIRMAN: In reply to your request there is attached a detail listing of the funds that make up the $215 million shown in the March 29, 1971, Congressional Record, page S3961 as frozen 1971 appropriated funds for foreign economic assistance.

You will note from the information presented on this attachment, these funds have not been impounded but represent appropriated reserves, funds being transferred per legislative authority to other programs, and funds which will not be utilized in fiscal year 1971 due to lack of progress in program implementation.

Sincerely yours,

CHARLES F. FLINNER,
Controller.

Mr. PASSMAN. Then there will be no argument about the accuracy of my statements.

Mr. LONG. Mr. Chairman, I think you have done a great service to bring this out. I wonder whether at this time we could get some explanation as to why foreign aid is of such a higher level of urgency than so many domestic programs, that none of foreign aid money gets impounded, whereas the domestic money does.

Mr. O'CONNOR. We will try to get some information on that. I doubt that we will be the authorized spokesman for the administration.

Mr. PASSMAN. Try to find out the amount of funds impounded and I will take it from there.

Is that all right, Mr. Flinner?

Mr. FLINNER. Yes, sir.

Mr. PASSMAN. Find out the amount of funds impounded. I know where the funds are impounded and what projects, and I will take it from there. Okay?

Mr. FLINNER. Yes, sir. We will see to that. I am not sure that the administration agrees with the $12 billion figure that has been used. We will see what we can do.

Mr. PASSMAN. I don't care what they tell you. If it is $15 billion it is all right. It may be more than that, I don't know. You find out.

Mr. FLINNER. Yes, sir.

Mr. PASSMAN. Then we will pin down the total amount in the record. Whatever the amount, we do agree at this point that you have not had similar funds impounded out of foreign aid; have you?

Mr. FLINNER. That we have not. Yes, sir, that is right.

Mr. LONG. I would like to hear at this time an explanation as to just why these foreign aid programs are so much more urgent than the domestic ones.

Mr. PASSMAN. I wanted to give them until tomorrow but I will ask them ——

Mr. LONG. Later today or tomorrow.

Mr. PASSMAN. I would rather wait until tomorrow. I have a list of the types of projects. Then when we find out the amount that has been impounded, we will find out why a similar project is so much more worthy in a foreign country than it is here.

Mr. LONG. We have had projects impounded like sewage, water treatment plants and other very pressing domestic programs, and money has been held up on them. It would be very interesting to know why it is that these foreign aid programs are so much more pressing than these domestic ones.

Mr. PASSMAN. We are going to have many questions on that score tomorrow, project by project, sewage treatment, flood control, and other other types of improvements, and capital investments. We are going to take several different categories and then find out why the foreign aid projects had been funded whereas the same projects had been denied funding in America. That will be the line of questioning tomorrow.

Mr. FLINNER. Mr. Chairman, we will try to have that tomorrow. I have to get this from the Office of Management and Budget. I am not sure that we can get that by that time. I will try to do it as quickly as possible.

Mr. PASSMAN. Possibly call the Director of the Budget. That is where the funds are impounded. You might put one of your assistants to work this afternoon on that.

UNITED STATES' DEFICIT FOR FISCAL YEAR 1971?

Let us continue to make the record before we get into the detailed examination on supporting assistance. Do you gentlemen get the Treasury statement that is published daily by the U.S. Treasury?

Mr. BREECHER. We get the Federal Reserve——

Mr. PASSMAN. I am directing this question to every one of you here asking for money to be appropriated for foreign aid.

Mr. O'Connor, do you get it?

Mr. O'CONNOR. I don't personally get it, but we get a substantial amount of information.

Mr. PASSMAN. Do you ever read it?

Mr. O'CONNOR. Not that form.

Mr. PASSMAN. Do you get it, Mr. Secretary?

Mr. GREEN. Yes, sir.

Mr. PASSMAN. May I ask this question; I will direct it to Mr. O'Connor, the Secretary and Mr. Flinner. Anyone can answer this question.

Could you tell the committee whether or not in your opinion at this point in fiscal year 1971, after having operated for 11 months and 8 days, whether we have a surplus or deficit for fiscal 1971? Any of you answer that question. I am talking to the chief witnesses. Let them answer.

Mr. O'CONNOR. My information is that we are estimating a deficit this year.

Mr. PASSMAN. How much?

Mr. O'CONNOR. From reading the newspapers, I guess there is quite a bit of dispute.

Mr. PASSMAN. You wouldn't doubt the figures if you got them from the printed U.S. Treasury statement; you would accept that as fact?

Mr. O'CONNOR. Yes, sir.

Mr. PASSMAN. Do you know, Mr. Secretary?

Mr. GREEN. No, I don't.

Mr. PASSMAN. I want to thank you for being completely honest with the committee. You are always honest.

Mr. Flinner, do you know whether or not we have a surplus or deficit for the 11 months and 8 days of this fiscal year?

Mr. FLINNER. I don't have the report of June 8th. I have a prior report.

Mr. PASSMAN. During the first 11 months and 8 days of this fiscal year the Treasury Department collected $186,742,000,000 but they have spent $213,617,000,000. There is an operating deficit of $26,875,000,000 for the first 11 months and 8 days of this fiscal year.

Mr. Secretary, isn't that shocking?

Mr. GREEN. Yes, sir.

Mr. PASSMAN. It is enough to alarm anybody, isn't it?

Mr. GREEN. Yes, sir.

Mr. PASSMAN. I believe you gentlemen are true intellectuals but why you would not subscribe to this daily Treasury statement so that you could see, as I do and other members of the committee, just what we are leading up to in this administration I don't know. It is almost unbelievable that you could have a deficit of $27 billion in 11 months and 8 days of the fiscal year. It looks like it is going to get worse.

Mr. LONG. I was going to suggest to you, Mr. Chairman, this administration has really given up the fight on inflation.

Mr. PASSMAN. I might say that this is a nonpartisan committee and we have a Democratic controlled Congress that appropriates this money. If the President had not impounded the $12 billion, he would have spent all the money we had given him and this deficit would have been $39 billion instead of $27 billion.

Mrs. REID. You say that he has given up the fight?

Mr. PASSMAN. I don't think we have.

Mrs. REID. I wouldn't agree with that.

Mr. LONG. I think that you have to agree, on the basis of fact.

Mr. PASSMAN. It is frightening to think how far afield we have gone with this money in this period of great prosperity where your revenues are at an all-time high. Remember that the President is winding down the Vietnam war. Two and a half years ago it was running at $30 billion a year. Isn't that about right?

Mr. O'CONNOR. Right.

Mr. PASSMAN. You are down to about $14.7 billion?

Mr. O'CONNOR. That is right.

Mr. PASSMAN. If you look at this Treasury statement you are withdrawing less to run the military than you did a year ago. It is a lot of these foreign aid programs where we have lost control through this system of fragmenting it. It is time for this subcommittee to try to bring it under control. I should like to insert in the record, Mr. O'Connor, a breakdown of the $202,750,000 that you are requesting for this one slice of the total supporting assistance program. Do you have those figures available?

THE BREAKDOWN OF THE SUPPORTING ASSISTANCE REQUEST FOR EAST ASIA

Mr. O'CONNOR. I do, sir. Shall I read them?

Mr. PASSMAN. Yes.

Mr. O'CONNOR. The total is $202.7 million.

Mr. PASSMAN. Do I read the record correctly, this one section of supporting assistance is $62,062,000 over your 1971 program?

Mr. O'CONNOR. Yes, sir; that is correct.

Mr. PASSMAN. What countries will receive the $202,750,000 request?

Mr. O'CONNOR. For Cambodia we are requesting for 1972 $110 million; Thailand, $40 million; Laos, on the books we sent up, $50.5 million. As you know, we have reduced that by $3.3 million.

Mr. PASSMAN. Give us those you are testifying for.

Mr. O'CONNOR. $47.2 million. There are two other small items. Philippine Police program, $800,000; regional development, one small portion, $1,400,000. That is a total of $202.7 million.

U.S. BORROWINGS FROM THAILAND AND ITS IMPLICATIONS

Mr. PASSMAN. I think in fiscal 1968 or 1969, so as to make an improvement, surfacewise at least, on the balance-of-payments situation, we scrutinized the foreign exchange credits of all nations around the world endeavoring to come up with a select list where we would go out and borrow money from these nations who had become very prosperous.

When our people arrived in Thailand, I think in the original request we wanted to borrow $250 million from them to be repaid in 4½ years at the prevailing interest rate which, I think, was 6 percent at that time. They didn't receive this request very well but we finally compromised with Thailand inasmuch as they had a billion dollar surplus in the foreign exchange account. We borrowed $100 million from them, repayable in 4½ years. Is that correct?

Mr. O'CONNOR. Yes, sir.

Mr. PASSMAN. Does this make sense? We give a nation $1,200 million, during the same time they build up a surplus of $1 billion and we go out and apply diplomatic pressure and borrow $100 million from them, cash dollars, to be repaid in 4½ years. Is that correct?

Mr. O'CONNOR. That is right.

Mr. PASSMAN. Are we going to take this $40 million that you are going to give them in supporting assistance and apply it as a payment on the $100 million? How is it going to work? If you can, unravel this thing for us. We are giving them $40 million, aren't we?

Mr. O'CONNOR. I don't have any information on the repayment schedules.

Mr. PASSMAN. Support assistance means grants?

Mr. O'CONNOR. Yes, sir.

Mr. PASSMAN. Isn't this kind of a strange package where we borrow $100 million, Mr. Secretary, repayable in 4½ years and then we look at this year we are giving them grant aid of $40 million; does it make sense to you?

Mr. O'CONNOR. As you know, sir, the current administration does not agree with this practice and abandoned it.

Mr. PASSMAN. It does not alter the fact we borrowed $100 million. I want to commend the administration for stopping this monkey business, but we did borrow $100 million from them.

Mr. O'CONNOR. It does not alter it. We have an obligation and it has to be repaid.

Mr. PASSMAN. The administration altered the program but it didn't change the fact we borrowed $100 million.

Mr. O'CONNOR. We altered the policy to cut out this practice in the present administration but we still have an obligation left over from the previous loan. There is no question about that.

Specifically to your question as to whether part of the $40 million will go to repay this. No.

Mr. PASSMAN. We did borrow money. We got to pay them $100 million?

Mr. O'CONNOR. Yes, sir.

Mr. PASSMAN. Why don't we repay out of the loan rather than give them $40 million? Those people are waxing fat by Asiatic standards but not by our standards. By their standards they are waxing fat in wealth?

Mr. O'CONNOR. I don't think that is a fair statement.

Mr. PASSMAN. It is a fair statement that we borrowed $100 million from them and it is coming due in the near future.

Mr. O'CONNOR. That is a fact.

Mr. PASSMAN. Why do you want to give them $40 million?

Mr. O'CONNOR. Because we are giving this to them for basically security reasons.

Mr. PASSMAN. Security of what? They are 12,000 miles away.

Mr. O'CONNOR. Yes, sir.

Mr. PASSMAN. Isn't it to secure their country?

Mr. O'CONNOR. Sir, the support they are giving us, for example, in Vietnam with the use of their——

Mr. PASSMAN. Are they giving this support to any land bordering on Vietnam?

Mr. O'CONNOR. Yes, sir.

Mr. PASSMAN. This aid we are giving them, isn't it going to help Thailand more than it is to help the United States? We are 12,000 miles from Thailand.

Mr. O'CONNOR. I think the two are intertwined.

Mr. PASSMAN. Why don't you get them to give us some aid rather than the United States giving them aid; reverse the thing?

Mr. O'CONNOR. I don't think they have the resources, sir.

Mr. PASSMAN. They owe us and we owe them $100 million. Take the $40 million out of the $100 million debt.

Mr. O'CONNOR. If we did that——

Mr. PASSMAN. Repay the debt and let them spend those funds.

Mr. O'CONNOR. If we did that we wouldn't be able to contribute to the strength of their police and antiguerrilla efforts.

Mr. PASSMAN. This is a beautiful bottle of worms to think we are out borrowing this money, $100 million, which is on the verge of coming due and at the same time turning around and giving them $40 million when they could just as easily say to Uncle Sam, "Give us $40 million, but you can credit that against what you owe us."

Mr. O'CONNOR. Sir, the Thai economy is under a great deal of pressure right now.

Mr. PASSMAN. How about the United States? Do you not think we are under a lot of pressure?

Mr. O'CONNOR. Yes.

DISCUSSION OF COST OF FOREIGN AID AND VIETNAM

Mr. PASSMAN. People in certain parts of the world are having to discount dollars 5 percent to get hotels to take them. Foreigners are holding around $50 billion worth of short-term credits against us; do you people ever look at those figures?

Mr. O'CONNOR. Nevertheless, as I know you are aware and everybody in this committee is, we have major commitments in the security area in Southeast Asia which we have been carrying and the Congress has been carrying for some time and the Thai position is a very important and strategic part of those commitments.

Mr. PASSMAN. I know you can testify for it any time you want to.

I give our President credit. He promised to conclude the Vietnam war. I do not want to be partisan about this. I think he is living up to his promise. When he assumed command there were 543,000 troops in Vietnam and now you are down to 248,000 as of yesterday. To me that is a tremendous winddown.

Now if you look at the cost, it has dropped from $30 billion to $14.7 billion, but it follows nevertheless that you people are asking for fantastic high sums of money for those people out there.

Mr. O'CONNOR. As far as AID is concerned, we are asking for an increase, it is true, but we can measure that increase in hundreds of millions of dollars whereas what is saved in Vietnam is billions of dollars as you pointed out.

Mr. PASSMAN. I just pointed out that the request for AID and assistance is $1.4 billion higher than last year. I do not think the President knows this. It is impossible for the President of the United States to be on top of all these things. It is you people, you gentlemen, bless your wonderful hearts, who get us into this mess. All the President can do is initial it when it gets submitted to him. If this thing is ever going to be brought under control, it is up to you people.

I do not think the Secretary of State knows anything about it. It gets down to possibly the third or fourth echelon. You are the people who build these programs.

IMPOUNDMENT OF FUNDS

According to what I read in the U.S. News & World Report of April 19, 1971, the White House has ordered delays in spending of nearly $13 billion of funds apropriated by Congress among major programs involved and it lists these programs.

One of them you list is foreign aid, $415 million, and you have not impounded a penny. So I do not know who in the devil gives out these figures. We know that you have not impounded any funds. It says they impounded $13 billion. I was using the low figure.

Mr. O'CONNOR. I must confess to having to share your confusion, Mr. Chairman.

Mr. PASSMAN. Thank you.

Do you want to read the article?

Mr. BREECHER. Yes, sir.

Mr. PASSMAN. Inasmuch as we will subsequently examine on the amount of supporting assistance for South Vietnam, I might ask Mr.

Chuck Flinner if he knows the amount that will be requested for South Vietnam by Mr. Nooter?

Mr. GREEN. It is $565 million.

Mr. PASSMAN. How does that figure compare with the regular request last year?

Mr. GREEN. Last year it was $396 million, but you understand the reason for that is, of course, that the South Vietnamese costs for fighting go way up as the Vietnamization program goes on.

ECONOMIC ASSISTANCE IN THE DEPARTMENT OF DEFENSE BUDGET

Mr. PASSMAN. Yes. Of course you also have an increase in the military assistance for South Vietnam, do you not, military assistance program in the defense budget?

Mr. GREEN. I do not have those figures.

Mr. PASSMAN. Now could the gentleman tell us whether or not, inasmuch as we are asking questions about it, if that includes economic aid that is also in the military budget? It is most difficult to examine on this bill if you want to do a creditable job, because if we have a look at your budget, you have economic assistance in the defense budget of $90,900,000, pure outright economic assistance. Now that is in addition to the regular supporting assistance, is it not?

Mr. O'CONNOR. That is right, yes, sir.

Mr. PASSMAN. All right. Now may I ask you this, Mr. O'Connor; of your $202,750,000 request, you would have to add to that whatever portion of this $90.9 million of economic assistance is carried in the defense budget to get the grand total, would you not?

Mr. O'CONNOR. You would, sir. I believe we have that.

Mr. PASSMAN. All right. Then how much is that?

It is important that we know. See what the chief bookkeeper has over there.

Mr. FLINNER. I do not have that. I have been trying to get that figure broken down by country. I do not have it.

Mr. PASSMAN. You do have economic assistance in the defense budget for the very nations that Mr. O'Connor read into the record, do you not?

Mr. FLINNER. I know some goes to Vietnam. I believe there may be some for Mr. O'Connor's countries. I am not sure.

Mr. PASSMAN. Would you like to join the club of confusion? There is a vacancy.

Mr. FLINNER. I do not have it.

Mr. PASSMAN. I know. Do you want to get into this club with us? Could you see how I would be confused?

Mr. FLINNER. Yes, sir; it is confusing.

Mr. PASSMAN. You look at this figure you are requesting and one would think this is the total request. However, we go out fishing and we find that you have a substantial amount over in the defense budget for purely economic assistance programs? Would you get those figures for the committee?

Mr. O'CONNOR. Yes, sir.

Mr. FLINNER. Yes, sir.

(The information was supplied to the committee.)

Mr. PASSMAN. I wish we would suspend this whole program for a year to find out what it is all about and get it back to where we

can understand it. I just wonder if you knew that some of it had been put over in the defense budget. Did you get one of my sheets?

Mrs. REID. Yes.

DISCUSSION OF UNEXPENDED BALANCES FOR COUNTRIES RECEIVING SUPPORTING ASSISTANCE IN EAST ASIA

Mr. PASSMAN. Mr. O'Connor, what is the anticipated unexpended balance estimated for the supporting assistance countries in your area, including the regional program as of June 30, 1971?

Mr. O'CONNOR. The total is $177.1 million. I can break that down by category; $150.5 million in AID; military assistance, $17.5 million; Public Law 480, $9.1 million.

	Unexpended balance
Cambodia	$84,333,000
Laos	32,056,000
Thailand	55,811,000
East Asia Regional Development (SA)	4,891,000
Total	177,091,000

LEADTIME ON DISBURSEMENTS

Mr. PASSMAN. Now what is the leadtime in this particular area?

Mr. O'CONNOR. I am not sure I understand your question.

Mr. PASSMAN. What is the time lapse from the time you get the money and fund the project before it is withdrawn from the pipeline. I think that is what they refer to as leadtime.

Mr. O'CONNOR. On any given project, particularly in development loans——

Mr. PASSMAN. I am trying to arrive at an average. Let's take military hardware, the leadtime is about 18 months. Is that not correct, Colonel?

Colonel BURDELL. Yes, sir, it is 18 months.

Mr. O'CONNOR. On development loans it is very difficult to figure depending on the loan.

Mr. PASSMAN. I want the average.

Mr. O'CONNOR. Three years I think is a rough average.

Mr. PASSMAN. You mean you would be building a flood control project, a dam, that is going to take years of supporting assistance and it is supposed to be an emergency to win a war.

Mr. O'CONNOR. You have to do the construction plans, engineering, and so on, and it takes time. Some dams take faster. Nam Ngum Dam I think has gone up in 3 years.

Mr. PASSMAN. So you do not know what the average leadtime would be? In the military they would be able to give us the leadtime. I do not know why you cannot.

Mr. O'CONNOR. I can give you an average. The 3 years is a good rough average for development loans.

Mr. PASSMAN. Why would it take 3 years? I want you to correct the record because that is not correct. You can build a submarine in almost 3 years. You take the military, they place orders for airplanes or tanks and the leadtime is an average of 18 months. It does not take that long

to get biscuits, baking power; that is what economic support is mainly for in commodities, is it not?

Mr. O'CONNOR. Yes, sir; it is commodities, but it may, for example, be turbines to get a large dam.

Mr. PASSMAN. I know; I want the average. My guess would be the leadtime is only 8 or 9 months. You say 3 years. Would you try to find out?

Mr. O'CONNOR. I will try to find out. I doubt we can give you anything much more accurate than that.

Mr. PASSMAN. I will tell you, you should not get a dime from this committee until you do come up with this information, because it is important for this committee to know your leadtime.

If you do not mind Mr. O'Connor, let me direct this question to Mr. Flinner.

Do you have any idea on the leadtime of the supporting assistance part of the aid program?

Mr. FLINNER. Well, over the years in our supporting assistance—I am looking at some figures—the annual expenditures for the past 3 years. Of course we were putting some large amounts in, in those particular years.

Mr. PASSMAN. So the supporting assistance which we refer to as economic aid in the main is for commodities. Consumables is a good part of it.

Mr. O'CONNOR. In our area, sir, it is not.

Mr. FLINNER. In the Vietnam program, a large amount is for commodities, but in Laos, Thailand, it is going mainly into projects.

Mr. O'CONNOR. Sir, if we may, we can get for the record a precise situation, we can analyze 1970 and give you the record as of 1970.

Mr. PASSMAN. Mr. Flinner?

Mr. FLINNER. I was looking at expenditures on the current year account, and on prior year account in 1970. For instance, we had a total expenditure in that year under supporting assistance of about $430 million.

Mr. PASSMAN. What did you have in appropriations that year?

Mr. FLINNER. I am talking about the unliquidated. The unexpended that we carried over into that year was $610 million. So in that year the pipeline was about a year and a half of expenditures.

Mr. PASSMAN. About 18 months, about the same as military. Is that correct about the military, Colonel?

Colonel BURDELL. Yes.

Mr. PASSMAN. Then we can assume it would not be any greater than military?

Mr. FLINNER. Yes, sir; in 1971 we are estimating expenditures of prior years and current years of $516 million and the beginning balance was $634 million. Now there is new money put in during the years, but some of it will be carried over in the following year. There is between a year and a year and a half of expenditures in the pipeline.

Mr. PASSMAN. All right. Your unexpended is what?

Mr. O'CONNOR. The unexpended is a total of $429.7 million. That is the AID.

Mr. PASSMAN. That is the entire area?

Mr. O'CONNOR. The total was $964.9.

Mr. PASSMAN. I am speaking of the area—what do you mean now?

Mr. O'CONNOR. I am talking about the East Asia area.

Mr. PASSMAN. Excluding Vietnam?

Mr. O'CONNOR. Excluding Vietnam.

Mr. PASSMAN. All right. How much?

Mr. O'CONNOR. For AID it is $429.7 million.

Mr. PASSMAN. All right. Then that would give you nearly a 26 months' pipeline, would it not?

Mr. O'CONNOR. As against the total appropriation.

Mr. PASSMAN. At the same rate of expenditure here you would be funded for about 26 months.

Mr. O'CONNOR. $376 versus $429. So that is about a year and a half.

Mr. PASSMAN. No; you are asking for $202,750,000.

Mr. O'CONNOR. You are talking just about the security side. What I gave you was for both—my total appropriation in this area, which includes three countries.

Mr. PASSMAN. I want something to compare to this $202,750,000.

Mr. O'CONNOR. We will have to work that out.

I think it will be about 18 months, sir.

Mr. PASSMAN. What do you mean, about 18 months? Let's get the total.

Mr. O'CONNOR. Well, the 429, Mr. Chairman, included both development and security assistance.

Mr. PASSMAN. Talking about the development loans?

Mr. O'CONNOR. Development loans is about $247 million.

Mr. PASSMAN. You were talking about the so-called technical aid.

Mr. O'CONNOR. And technical assistance, that is correct.

Mr. PASSMAN. What is your figure compared with the same part in fiscal 1970?

Mr. O'CONNOR. 247 would compare to the 175, would it not?

Mr. PASSMAN. We will recess now.

(Discussion off the record.)

ESTIMATED COSTS FOR EAST ASIA PROJECTS FUNDED FROM FISCAL YEAR 1971 FUNDS

Mr. PASSMAN. When you allocate funds for projects on supporting assistance, you know to what country and to what project and the estimate of its cost, do you not?

Mr. O'CONNOR. Yes, sir.

Mr. PASSMAN. Whether it be commodities or some kind of a local public works project. Would you place in the record for fiscal 1971 or fiscal 1970, preferably 1971, each project that you funded for each country out of fiscal year 1971 funds and the estimated cost of each one of these projects in the particular fiscal year?

Mr. O'CONNOR. Yes, sir.

Mr. PASSMAN. Can you get that for us?

Mr. O'CONNOR. We can, sir.

(The information follows:)

EAST ASIA PROJECT, FISCAL YEARS 1970 AND 1971

[In thousands of dollars]

Project title	Fiscal year 1970 actual	Fiscal year 1971 estimate
Cambodia: Technical support		300
Indonesia:		
Assistance to agriculture	227	195
Agricultural research		204
Geological survey assistance	221	380
Family planning	430	1,750
General participant training	1,500	1,176
Higher agricultural education		1,005
Civic action	110	125
Development and use of educational material	165	
Technical support	2,166	2,347
Total, Indonesia	4,819	7,182
Korea:		
Rural police planning and development	897	616
Health and family planning	888	800
Advanced management training		107
Technical assistance to ROKG	627	413
Economic planning	325	256
Korea Development Institute		354
Private enterprise development		93
Improve administaative banking and credit	145	
Science and technology		
Industrial development	284	118
Water resources development	350	300
Technical support	1,047	796
Public safety	391	347
Total, Korea	4,954	4,200
Laos:		
Rural economy	4,105	3,783
Education	1,690	1,485
Lao national roads	2,127	2,347
Refugee relief	5,329	4,222
Military technical support	2,021	0
Air technical support	5,823	6,253
Civil police administration	547	506
Industry development	372	273
Public administration	523	835
Public health development	3,643	3,693
General technical support	4,578	4,842
Family planning	1,112	925
Agriculture development	1,970	1,961
Total Laos	33,840	31,125
Phillipines:		
Provincial development	461	2,080
Agriculture services	1,050	880
Water resources development	24	140
Inland fisheries		180
Malaria eradication	506	325
Family planning	4,948	5,000
Urban planning	61	
Internal security	825	900
Fiscal/financial coordination	21	
Equipment pool improvement	76	250
General participant training	94	75
Technical support	1,004	970
Total Philippines	9,064	10,800
Thailand:		
Agricultural development	2,255	2,095
Private enterprise/private sector development	574	806
Labor department administration	104	75
Aero. ground services	581	600
Comp. rural health	730	,05
Family planning and health	1,295	1,395
Labor intensive public works	53	700
Potable water	299	
Malaria eradication	1,026	
Vocation education	885	730
Rural education	2,284	1,915
Civil police administration	5,981	5,000

EAST ASIA PROJECT, FISCAL YEARS 1970 AND 1971—Continued

[In thousands of dollars]

Project title	Fiscal year 1970 actual	Fiscal year 1971 estimate
Local government improvement	190	80
Community development	366	285
Accelerated rural development	5,506	4,665
Mobile development units	981	35
NEED	273	170
Special partisan training for national development	240	625
Mun and Chi River Basins	460	495
Technical support	2,462	2,725
Total Thailand	26,545	23,095
Regional:		
Pa Mong feasibility study	1,590	171
Mekong ports and cargo handling	----------	216
Trans/Comm feasibility studies	586	300
Asian vegetable development and research center	----------	675
Mekong Basin development planning	570	1,825
International Rice research Institute	350	750
Asian free labor union development	373	660
Asian Institute of Technology	2,730	1,899
Regional education (SEAMES)	3,136	1,900
SEA Development Advisory Group	625	625
Asian Institute of Management	300	----------
SEATO cholera research	673	649
Regional family planning	623	840
Regional logistics center	158	194
Regional technical advisory services	1,101	1,911
Total regional	12,815	12,615
Total projects	92,037	89,317

Mr. O'CONNOR. Mr. Chairman, vis-a-vis your question on pipelines in S.A., we did put our finger on the right figures. I can give them to you at the moment for 1969 and 1970.

Mr. PASSMAN. All right. Collectively or separately?

Mr. O'CONNOR. Separately, sir.

Mr. PASSMAN. All right.

Mr. O'CONNOR. In 1969 our rate of expenditure was $113 million, there were $227 million in the pipeline. So it roughly ran a 2-year rate.

In 1970, the equivalent figures were $85 million worth of expenditures versus $185 million in the pipeline, or in that case very slightly more than 2 years.

Frankly, the years do not necessarily come out the same, as you know better than I do.

Mr. PASSMAN. I understand.

I cannot understand, though, why the pipeline would be longer than the military, but those are the figures and we accept them.

DISCUSSION ON THE FUNDING OF PROJECTS TO COMPLETION

Mr. PASSMAN. Now you have some projects that you fund out of supporting assistance where you fund them several years in advance of completion date, is that true?

Mr. O'CONNOR. Yes, sir.

Mr. PASSMAN. What is the longest lead time that you have on any project? Take you time now. Do you have any that you fund 7 years in advance of completion, or 8 years?

Mr. O'CONNOR. Mr. Chairman, in Laos, the dam that is probably the major project which required construction. Unless we have it here, I would have to submit the length of time in the record.

Mr. PASSMAN. Do you have any idea, Mr. Flinner?

Mr. O'CONNOR. I would guess it is about four years.

Mr. FLINNER. Was that the supporting assistance one?

Mr. BREECHER. We will have it in a moment.

Mr. O'CONNOR. I believe we can find it.

Mr. PASSMAN. Very well.

You say that is a dam?

Mr. O'CONNOR. A dam in Northern Laos.

Mr. PASSMAN. That is similar to what we referred to as a flood control project in our country, is it not?

Mr. O'CONNOR. It is a major source of power, or will be when it is completed.

Mr. PASSMAN. It has to do with a navigable stream?

Mr. O'CONNOR. Yes.

Mr. PASSMAN. So it is really a dam. I guess you have your guideline levees, do you not?

Mr. O'CONNOR. Actually, it is not a flood control project, Mr. Chairman. Basically it is a power project. We entered into an agreement to fund that in 1966 and it is not yet finished. So that means that the disbursement period is at least the 5 years.

Mr. PASSMAN. 1966. We are talking about fiscal 1972. That would be 6 years, would it not?

Mr. O'CONNOR. I am assuming some money it still going to be spent on it in 1972, yes, sir.

Mr. PASSMAN. Let's go into it some more.

Do you have other projects you could tell us about, such as flood control, navigation, rivers and harbors, or highways?

Mr. O'CONNOR. There have been a number of highway projects that go back into past history that I would not be familiar with.

Mr. PASSMAN. In other words, regardless of the length of time, when you approve a project you fund the cost to completion?

Mr. O'CONNOR. Yes, sir.

Mr. PASSMAN. Whether it is 3, 4, or 5 years, is that correct?

Mr. O'CONNOR. That is right, sir; on all capital projects, yes, sir. In other words, where we are entering into an agreement——

Mr. PASSMAN. It would have to be a capital project. On a local commodity project, you might fund it and pay the bill in a 90-day period. How do you describe a capital project?

Mr. O'CONNOR. Well, they are very much like a development loan.

Mr. PASSMAN. Would it be a flood control project, rivers and harbors project, railroads, bridges, is that what you call it?

Mr. O'CONNOR. That type of capital project I am talking about is one where you have to go out and bid on a project, start construction, then you have to order the turbines and other pieces of equipment seriatim to go into it, until it was fully completed.

Mr. PASSMAN. So, regardless of the nature of the project, when you approve it you fund it to completion, whether it is 2, 3, 4, or 5 years?

Mr. O'CONNOR. In that type of project, yes, you would.

Mr. PASSMAN. What type of project is it you would not fund to completion?

Mr. O'CONNOR. Well, in Laos, for example, where we are building and maintaining and repairing roads and maintain them on an annual basis, we are asking for funds for that particular area, sir.

Mr. PASSMAN. If you award a contract to a man to complete a road or to complete a dam or any other type of project, when you approve that and award the contract to the successful bidder, you then fund it to completion, do you not?

Mr. O'CONNOR. Where you award a contract, you do; yes, sir.

Mr. PASSMAN. You know that in our country we do not do that? I know of many cases. I wil name one for the record. That is the 9-foot channel south of Jonesville, La. The low bidder was getting his funding in four slices. We appropriated the money for one slice one year. He got ahead of schedule. Then he had to close down until the Congress appropriated money for the next year. You do know that is the way we fund them in this country?

Mr. O'CONNOR. I understand that, sir; yes, sir.

Mr. PASSMAN. You understand? That is good enough.

Now may I ask you this question, so as to keep the record straight. If you go out and buy a piece of land or make any capital investment on your property, to get the total cost, you have in that piece of real estate, you would have to include the interest that you paid on the money that you borrowed to buy it, would you not?

Mr. O'CONNOR. Yes, sir.

Mr. PASSMAN. OK. Thank you very much.

I am not trying to lead you into any trap. I am just trying to get a correct answer.

Do you buy that, Mr. Controller?

Mr. FLINNER. Yes, sir.

Mr. PASSMAN. OK. Then I want to state for the record that the total cost of foreign aid for the first 25 years is over $211 billion, when you include the interest that we paid on the money we borrowed to give away. It was $199 billion plus, at the end of fiscal 1970, but we are updating it and the total cost is going to be in excess of $211 billion, which is more than 50 percent of the total public debt.

PROJECTS TO BE INITIATED IN FISCAL YEAR 1972

Would you furnish for the record a list of projects by country which you propose to intiate in fiscal 1972, showing the name of the project, the fiscal 1972 estimate, the estimated total cost and the final year of completion?

Mr. O'CONNOR. Yes, sir.

(The information follows:)

NEW PROJECTS IN FISCAL YEAR 1972

[In thousands of dollars]

	Proposed fiscal year 1972	Estimated total cost to complete	Scheduled fiscal year to be completed
Technical assistance:			
Indonesia	85	2,445	
Basic science education	45	1,890	1976
Private investment center	40	555	1974
Korea	760	5,820	
Development research and administration	401	2,841	1977
Education development	189	1,489	1976
Science and technology	170	1,490	1977
Philippines	325	1,300	
Rural electrification	200	1,000	1976
General technical advisory services	125	300	1974
Regional development	370	1,450	
Regional management training	150	1,000	1975
Regional telecommunications development	220	450	1974
Total (9 projects)	1,540	11,015	
Security assistance:			
Thailand	13,585	23,855	
Agricultural water utilization	1,865	6,000	1976
Rural electrification planning	225	225	1972
Private capital investment	535	1,855	1976
Graduate science education	530	4,500	1978
Commodity management	50	125	1974
Local government finance	180	450	1974
National economic policy	180	700	1975
Multisector development assistance	10,000	10,000	1972
Regional development	1,000	6,250	
Mekong pioneer projects development	1,000	6,250	1978
Total (9 projects)	14,585	30,105	
Grand total (18 new projects)	16,125	41,120	

Mr. O'CONNOR. Mr. Chairman, might I add that I understand there are projects of the capital type that I described to you that we do if we can break into segments, we do fund seriatim.

Mr. PASSMAN. Place it in the record. I never have found one. If you do, you will go to the head of the class. I have been trying for 17 years. If you find one you are going to get the biggest piece of pie.

Mr. BREECHER. Is that a promise, Mr. Chairman?

Mr. PASSMAN. Yes, because I know many of them that were funded, 5, 6, or 7 years in advance of completion date out in India and Pakistan. It did not make any difference what type of a project. They just funded it to completion, and then they would have what they call an overrun. And you people came up with a new word, what do you call it now, recoup?

You recoup the funds. I think we funded about 110 percent of the cost. At the end of it you had some money left over. If you had not funded it at the time you entered into the contract, there would not be anything left over. It would have been taken care of in the last year.

Anyway, put it in the record if you can think of one.

PROJECTS DEOBLIGATED OR DISCONTINUED

Please furnish for the record a table broken down by country showing the projects that have had funds deobligated from them during fiscal 1969, 1970, 1971, and the total amount deobligated.

Mr. O'CONNOR. Yes, sir.

(The information follows:)

PROJECT DEOBLIGATIONS IN FY 1971
(Grants as of 3/31/71 - Loans as of 5/21/71)
($ 000)

Country	Amount	Fund
BURMA		
Technical Support	3	TC
(Number of Projects 1)		
Total	3	TC
CAMBODIA		
Technical Support	61	TC
(Number of Projects 1)		
Total	61	TC
INDONESIA		
Family Planning	1	TC
	85	SA
	18	DL
Air Trans. Oper. & Maintenance	148	TC
General Participant Training	123	TC
Develop. & Use of Educ. Material	1	TC
Spec. Dev. Activity	1	TC
Assis. to Agriculture	23	TC
Civic Action	12	TC
Geological Survey Assistance	1	TC
(Number of Projects 8)		
	310	TC
	85	SA
	18	DL
Total	413	
KOREA		
Investment Promotion	2	TC
Education Policy and Planning	4	TC
Mineral Development	4	TC
Water Resources Planning	4	TC
Economic Planning	33	TC
Technical Support	34	TC
Rural Policy Plan & Survey	28	TC
Industrial Development	3	TC
Public Safety	16	TC
	91	SA
Family Planning	18	DL
	197	SA
Public Administration	14	TC
(Number of Projects 11)		
	142	TC
	18	DL
	288	SA
Total	448	

Country	Amount	Fund
LAOS		
Maternal & Child Health	14	DL
Military Tech. Support	7	SA
Relief	3	CF
Agriculture Development	17	TC
Air Technical Support	15	SA
Civil Police Admin.	44	SA
Public Admin.	23	TC
Industry Development	23	TC
Project Commodities	391	TC
	1,067	SA
(Number of Projects 9)		
	14	DL
	454	TC
	1,133	SA
	3	CF
Total	1,604	
PHILIPPINES		
Malaria Eradication	15	TC
Agricultural Services	7	TC
Provincial Development	20	TC
Project Execution System	1	TC
Rural Development	3	TC
Nutrition Support	1	TC
Economic Develop. Foundation	13	TC
General Participant Trng.	10	TC
Internal Security	9	TC
Water Resources Develop.	22	TC
Population Planning	9	DL
Public Personnel Administration	2	TC
Fiscal & Financial Coordination	1	TC
Tax Collection Improvement	8	TC
Urban Planning	1	TC
Technical Support	19	TC
(Number of Projects 16)		
	132	TC
	9	DL
Total	141	

Country	Amount	Fund
THAILAND		
Technical Support	145	TC
Aeronautical Ground Service	23	TC
Civil Police Admin.	972	SA
	152	CF
Statistical Services	17	TC
Community Development	14	TC
Educational Planning	23	TC
Management Improvement	15	TC
Local Government Admin.	10	TC
Private Sector Develop.	41	TC
Rural Training	130	SA
	20	TC
Accelerated Rural Develop.	460	SA
	99	CF
Mobile Develop. Units	40	SA
Special Participant Trng.	24	TC
Civil Service	2	TC
Agricultural Development	63	TC
	105	SA
Malaria Eradication	62	TC
Chiengmai Medical School	29	TC
Rural Health	15	TC
	72	SA
Mun & Chi River Basins	1	TC
	10	SA
Village Radio	176	SA
Potable Water Project	22	SA
50 KW Transmitter	8	SA
Labor Dept. Admin.	3	TC
Family Health	59	SA
	10	DL
(Number of Projects 24)	507	
	507	TC
	2,054	SA
	10	DL
	251	CF
Total	2,822	
REGIONAL DEVELOPMENT		
Trans/Comm. Feasibility Study (Thai)	4	TC
Mekong Pa Mong Survey (Thai.)	1	CF
Technical Advisory Svcs. (Thai., Phil., AID/W)	106	TC
Education Development (Thai.)	59	TC
Seato Cholera	40	TC
Mekong Basin Development (Thai.)	1	TC
Logistics Management (Japan)	2	TC
(Number of Projects 7)		
	212	TC
	1	CF
Total	213	

LOANS AS OF MAY 31, 1971

Country		Amount Deobligated
KOREA		
489-H-049	(Program Loan #3)	25
489-H-019	(Kunsan)	13
489-H-021	(Taegu)	25
489-H-024	(T&D #1)	46
489-H-032	(Hyun Dai)	23
489-H-033	(Seoul Thermal)	850
489-H-037	(3rd Diesels)	72
489-H-040	(Medium Indus. Bk.)	800
489-H-042	(Dev. Bk.)	493
489-H-046	(YongNam)	1,000
489-H-074	(Ag. Dev.)	10,000
(Number of Loans 11)		
	Total	13,347
INDONESIA		
497-H-015	(Commodity Asst.)	101
497-H-016	(" ")	686
(Number of Loans 2)		
	Total	787
CHINA		
484-A-044	(Lower Tachien)	250
484-A-045	(Linkou)	144
(Number of Loans 2)		
	Total	394
PHILIPPINES		
492-A-005	(Roads & Bridges)	12
492-H-024	(Irrigation)	150
(Number of Loans 2)		
	Total	162
THAILAND		
493-H-010	(Irrigation)	22
(Number of Loans 1)		
	Total	22
	Grand Total	14,714

Total All Projects	77	
Total All Loans	18	
Grand Total	5,705	TC/SA
	14,714	DL
	20,419	

PROJECT DEOBLIGATIONS IN FY 1970
($000)

Country	Amount
BURMA	
Water Resources Development	$ 29
Technical Support	4
Expansion of Teak Production (Phase II)	2
(Number of Projects - 3)	
Total	35
INDONESIA	
Technical Support	10
General Participant Training	83
Civic Action	2
Development and Use of Educational Materials	50
Family Planning	59
Assistance to Agriculture	4
Agricultural Higher Education	121
(Number of Projects - 7)	
Total	329
KOREA	
Technical Support	66
Economic Planning	45
Rural Policy Planning and Survey	46
Improved Transportation Capabilities	2
Industrial Extension Development	3
Industrial Development	4
Water Resources Planning	14
Coal Resources Development	34
Production and Management of Ferrous and Non Ferrous	3
Public Safety	103
Education Policy and Planning	10
Reven. Admin. Improvement	3
Public Administration	27
Urban Development	3
Investment Promotion	5
(Number of Projects - 15)	
Total	368
LAOS	
Lao National Roads	137
Development of Rural Economy	721
Relief	20
Education Development	257
Military Technical Support	43
Civil Police Administration	12
Public Administration	38
Industry Development	22
(Number of Projects - 8)	
Total	1,250

Country	Amount
PHILIPPINES	
Agricultural Productivity	2
Land Resources Inventory	7
Agricultural Credit Cooperatives & Marketing	3
College of Forestry	9
Agricultural Services	89
Economic Development Foundation	20
Civil Aviation Assistance	4
Malaria Eradication	100
Medical Education Improvement	1
Nutrition Support	15
Textbook Production	15
Public Safety	33
Manila Polic Improvement	2
Internal Security	60
Public Personnel Administration	3
Project Execution System	16
Tax Administration Improvement	68
Fiscal and Financial Coordination	18
Tax Collection Improvement	28
Customs Administration Improvement	7
Urban Planning	28
Atomic Energy	3
Participant Follow-up and Evaluation	3
Water Resources Survey	50
Equipment Pool Improvement	5
Rural Development	27
Provincial Development	13
General Participant Training	1
(Number of Projects - 28)	
Total	630
THAILAND	
Technical Support	272
Research Activities	3
Bangkok-Saraburi Highway	6
Aeronautical Ground Service	6
Malaria Eradication	93
Civil Police Administration	1019
Statistical Services	17
Community Development	40
Educational Planning	18
Management Improvement	5
Local Government Administration	6
Local Government In-Service Training	5
Rural Training	163
Accelerated Rural Development	216

Country	Amount
Technical Training for Accelerated Development	82
Mobile Development Units	9
Agricultural Research	27
Amphur Farmer Groups	59
Agricultural Economics	19
Soil and Water Development	46
Agricultural Extension	95
Fishery Development	5
Special Participant Training	22
Chiengmai Medical School	7
Rural Health	99
Mobile Medical Teams	347
Protein Food Development	19
Agricultural Development	26
Village Radio	186
Potable Water Project	126
Village Security Forces	39
IBRD Vocational Education	21
Labor Department Administration	15
MIlitary Construction Support	18
Family Health	13
(Number of Projects - 35)	
Total	3,149
REGIONAL	
Regional Technical Advisory Services	155
Regional Education Development	21
Regional Transportation Communication	28
(Number of Projects - 3)	
Total	204
AID/W (non-project)	139

LOANS

INDONESIA	
497-H-015 (Commodity Asst.)	227
497-H-016 (" ")	158
(Number of Loans 2)	
Total	385

Country		Amount
KOREA		
489-A-004	(Oriental Chemical)	49
489-A-007	(Korean Dev. Bank)	2
489-H-014	(Pusan Thermal)	121
489-H-018	(Chang Song Coal)	137
489-H-021	(Taegu)	2
489-H-023	(Transmission & Distribution)	9
489-H-030	(Feasibility Studies)	3
489-H-034	(Seoul Water)	500
489-H-041	(Program Loan #2)	429
489-H-051	(Korean Dev. Finance Corp.)	2,000
489-H-054	(KIST)	100
(Number of Loans 11)		
	Total	3,353
THAILAND		
493-H-010	(Irrigation)	165
(Number of Loans 1)		
	Total	165
	Grand Total	3,904

Total All Projects	99	
Total All Loans	14	
Grand Total	5,965	TC/SA
	3,904	DL
	9,869	

PROJECT DEOBLIGATIONS IN FY 1969
($000)

Country	Amount
INDONESIA	
Engineering Colleges	$ 100
General Participant Training	184
Development Activity	11
Family Planning	8
(Number of Projects - 4)	
Total	303
KOREA	
Technical Support	62
Economic Planning	43
Rural Policy Planning and Survey	47
Industrial Development	3
Industrial Extension	4
Water Resources Planning	16
Coal Resources Development	36
Production and Management of Ferrous and Non-Ferrous	3
Public Safety	103
Health and Family Planning	249
Education Policy and Planning	10
Reven. Admin. Improvement	3
Public Administration	26
Urban Development	3
Investment Promotion	5
(Number of Projects - 15)	
Total	613
LAOS	
Agriculture Development	334
Industry Development	7
Lao National Roads	76
Public Health Development	90
Education Development	145
Development of Rural Economy	667
Relief	276
Military Technical Support	95
Public Administration	11
Project Commodities	171
(Number of Projects - 10)	
Total	1,872

Country	Amount
PHILIPPINES	
Technical Support	81
Water Resources Development	13
Agricultural Services	29
Economic Development Foundation	60
Civil Aviation Assistance	5
Malaria Eradication	78
Medical Education Improvement	1
Population Planning	36
University of the Philippines	5
Textbook Production	58
Internal Security	28
Manila Police Improvement	35
Public Personnel Administration	16
Project Execution System	12
Customs Administration Improvement	14
Fiscal and Financial Coordination	8
Tax Collection Improvement	8
Participant Follow Up and Evaluation	6
Equipment Pool Improvement	2
Rural Development Workshop	1
Provincial Development	27
Atomic Energy	4
(Number of Projects - 22)	
Total	527
THAILAND	
Technical Support	226
Kasetsart University	20
Aeronautical Ground Services	25
Malaria Eradication	44
Development of Vocational Training	30
Remote Area Security	201
Civil Police Administration	8
Statistical Services	88
Community Development	55
Engineering Studies	51
Vocational Planning	13
Management Improvement	20
Local Government Administration	10
Private Sector Development	201
Rural Training	86
Accelerated Rural Development	358
Technical Training for Accelerated Development	208
Mobile Development Units	103
Special Participant Training	12
Chiengmai Medical School	34
Rural Health	121

Country	Amount
Mobile Medical Teams	6
Agricultural Credit	2
Agricultural Research	4
Agricultural Economics	58
Soil and Water Development	49
Agriculture Extension	65
Fishery Development	8
Livestock Development	13
Village Radio	38
Potable Water Project	66
Chee River Basins	134
25 KW Transmitter	65
Vocational Education	19
Military Construction Support	6
(Number of Projects - 35)	
Total	2,039
EAST ASIA REGIONAL DEVELOPMENT	
Regional Technical Advisory Services	22
SEATO Telecommunications	6
Regional Education Development	36
(Number of Projects - 3)	
Total	64

LOANS

CHINA	
484-H-039 (Shen-Ao)	
484-A-044 (Lower Tachien)	1,600
(Number of Loans 2)	
Total	1,600
INDONESIA	
497-A-007 (Harbor Development)	2,000
497-H-015 (Commodity Assistance)	12,000
(Number of Loans 2)	
Total	14,000

Country		Amount
KOREA		
489-A-004	(Oriental Chemical)	372,000
489-H-021	(Taegu)	115,000
489-H-022	(Diesels #2).....	31,000
489-H-023	(Transmission & Distribution).....	240,000
489-H-024	(Telecommunications).....	123,000
489-H-031	(Program Loan).....	69,000
(Number of Loans 6)		
	Total	950,000
THAILAND		
493-H-010	(Irrigation)	667,000
(Number of Loans 1)		
	Total	667,000
	Grand Total	3,233,000
Total All Projects	89	
Total All Loans	11	
Grand Total	5,418 TA/SA	
	3,233 DLF	
	8,651	

Mr. PASSMAN. Indicate by country what projects will be terminated in fiscal 1972?

Mr. O'CONNOR. Right, sir.

(The information follows:)

PROJECTS TO BE TERMINATED IN FY 1972
TA and SA Funded

	($ 000)		
	Estimated FY 1971 Obs	Proposed FY 1972	Estimated Total Cost
Korea	616	862	10,844
Rural Policy Planning and Development	616	862	10,844
Thailand	1,925	11,140	27,869
Rural Electrification Planning	-	225	225
Private Enterprise-Private Sector Development	800	50	3,043
Labor Department Admin.	75	75	473
Development of Vocational Education	730	620	4,051
Community Development	285	140	4,056
Mobile Development Unit Planning, Engineering & Construction	35	30	6,021
Multi-Sector Development Assistance	-	10,000	10,000
Regional Development	216	400	827
Mekong River Ports & Cargo Handling	216	400	827
TOTAL	2,757	12,402	39,540

Number of Projects - 9

PARTICIPANT TRAINING IN EAST ASIA

Now, Mr. O'Connor, how many participants are programed for your area in fiscal 1972 for supporting assistance and what is the average cost per participant?

Mr. O'CONNOR. We have that, sir.

Mr. PASSMAN. Off the record.

(Discussion off the record.)

Mr. O'CONNOR. Unfortunately, here again I do not have the figure just for the security assistance part of our program.

Mr. PASSMAN. All right. What is the average cost per participant?

AVERAGE COST PER PARTICIPANT

Mr. O'CONNOR. I can give it to you for the six countries, security assistance and development assistance. For 1972, $4,000.

Mr. PASSMAN. Per participant?

Mr. O'CONNOR. Per participant, $4,000; 1971, $3,900 per participant; 1970, $3,600 per participant. The total number of participants which you asked for in 1971 was 1,833 participants.

Mr. PASSMAN. So the average is $4,000 per participant?

Mr. O'CONNOR. The average.

In 1972 it was an estimated $4,000; that includes the travel, sir.

Mr. PASSMAN. They get a monthly check while they are here?

Mr. O'CONNOR. They get support money.

Mr. PASSMAN. It is a monthly check. They are on the rolls?

Mr. O'CONNOR. Yes, sir.

Mr. PASSMAN. We do not refer to them as employees, but they are on the payroll as participants and they get their monthly checks?

Mr. O'CONNOR. Yes. This figure includes that.

Mr. PASSMAN. How much is that stipend or monthly check to the participant?

Mr. O'CONNOR. I will have to give that for the record, sir.

(The information follows:)

MAINTENANCE ALLOWANCE FOR PARTICIPANTS TRAINING IN THE UNITED STATES

Each AID-financed participant is provided with an allowance to cover living and incidental expenses for the time he is engaged in his official training program in the United States. This maintenance allowance is determined on the basis of a daily rate related to the cost of living in the place the participant is located.

The amount of the maintenance check for participants in a residence status thus varies according to the location, as indicated in the attached list of residential per diem rates.

APPROVED MAXIMUM PER DIEM RATES FOR PARTICIPANTS TRAINING IN THE UNITED STATES

Regular Academic Residential Per Diem Rates

ALABAMA	
Auburn	$8.00
Tuskegee	7.00
Tuscaloosa	8.00
ALASKA	
All locations	8.00
ARIZONA	
Phoenix/Tempe	9.00
All other locations	8.00
ARKANSAS	
All locations	8.00
CALIFORNIA	
Irvine	8.00
Berkeley	10.00
San Francisco	10.00
Oakland	10.00
Los Angeles	10.00
All other locations	9.00
COLORADO	
Greeley	8.00
Pueblo	8.00
All other locations	9.00
CONNECTICUT	
Bridgeport	9.00
Hartford	9.00
Middletown	9.00
New Britain	8.00
New Haven	9.00
Storrs	9.00
DELAWARE	
Dover	7.00
Newark	9.00
WASHINGTON, D.C.	10.00
FLORIDA	
Coral Gables	9.00
Gainesville	9.00
Lakeland	9.00
Miami	9.00
Tallahassee	9.00
Tampa	8.00

GEORGIA	
Decatur	$8.00
Atlanta	9.00
Athens	8.00
Statesboro	7.00
HAWAII	
Honolulu	10.00
All other locations	9.00
IDAHO	
All locations	8.00
ILLINOIS	
Bloomington	9.00
Carbondale	9.00
Charleston	8.00
Chicago	10.00
Dekalb	9.00
Edwardsville	8.00
Evanston	10.00
Macomb	8.00
Normal	9.00
River Forest	9.00
Rock Island	9.00
Urbana/Champaign	9.00
INDIANA	
Muncie	8.00
Valparaiso	8.00
All other locations	9.00
IOWA	
Ames	9.00
Cedar Falls	8.00
Des Moines	8.00
Iowa City	9.00
KANSAS	
Atchison	7.00
Emporia	8.00
Kansas City	9.00
Lawrence	9.00
Manhattan	8.00
Topeka	7.00
Wichita	8.00

KENTUCKY	
Bowling Green	$8.00
Lexington	8.00
Louisville	8.00
Richmond	7.00
LOUISIANA	
Baton Rouge	8.00
New Orleans	9.00
MAINE	
Brunswick	9.00
All other locations	8.00
MARYLAND	
Annapolis	8.00
Baltimore	10.00
College Park	9.00
Frederick	8.00
MASSACHUSETTS	
Amherst	9.00
Boston	10.00
Cambridge	10.00
Chestnut Hill	10.00
Lowell	9.00
Medford	10.00
Springfield	9.00
Waltham	9.00
Williamstown	9.00
Worcester	9.00
MICHIGAN	
Ann Arbor	9.00
Detroit	10.00
East Lansing	9.00
Houghton	8.00
Kalamazoo	9.00
Marquette	8.00
Mt. Pleasant	8.00
Ypsilanti	8.00
MINNESOTA	
Duluth	9.00
Mankato	8.00
Minneapolis	9.00
St. Paul	9.00
Winona	8.00
MISSISSIPPI	
State College	8.00
All other locations	7.00

MISSOURI	
Columbia	$9.00
Kansas City	9.00
Rolla	8.00
St. Louis	9.00
MONTANA	
Billings	8.00
Bozeman	8.00
Butte	7.00
Missoula	8.00
NEBRASKA	
Hastings	8.00
Lincoln	8.00
Omaha	8.00
NEVADA	
All locations	8.00
NEW HAMPSHIRE	
Durham	8.00
Hanover	9.00
NEW JERSEY	
All locations	9.00
NEW MEXICO	
Albuquerque	9.00
Socorro	8.00
University Park	8.00
NEW YORK	
Albany	9.00
Alfred	8.00
Brockport	9.00
Brooklyn	10.00
Binghamton	7.00
Buffalo	10.00
Canton	9.00
Farmingdale	9.00
Fredonia	8.00
Geneseo	9.00
Ithaca	10.00
New Paltz	9.00
New York City	10.00
Oneonta	9.00
Oswego	9.00
Plattsburgh	9.00
Potsdam	8.00
Rochester	9.00
Syracuse	9.00

NEW YORK (continued)	
Schenectady	$9.00
Stony Brook	8.00
Troy	9.00
Utica	8.00
NORTH CAROLINA	
Boone	8.00
Chapel Hill	9.00
Charlotte	9.00
Cullowhee	7.00
Durham	9.00
Greensboro	7.00
Raleigh	9.00
Winston-Salem	9.00
NORTH DAKOTA	
Fargo	8.00
All other locations	7.00
OHIO	
Cleveland	9.00
Columbus	9.00
New Concord	9.00
Oberlin	9.00
Athens	9.00
Toledo	9.00
Cincinnati	9.00
All other locations	8.00
OKLAHOMA	
Stillwater	9.00
Tulsa	9.00
All other locations	8.00
OREGON	
Eugene	9.00
All other locations	8.00
PENNSYLVANIA	
Allentown	8.00
Bethlehem	9.00
Carlisle	9.00
Chester	9.00
Easton	8.00
Indiana	8.00
Lewisburg	8.00
Lincoln University	8.00
Philadelphia	9.00
Pittsburgh	10.00
Reading	8.00
Scranton	8.00
University Park	8.00
Wilkes-Barre	8.00
WISCONSIN	
Eau Clair	$8.00
Madison	9.00
Menomonie	7.00
Milwaukee	9.00
Oshkosh	8.00
River Falls	8.00
WYOMING	
All locations	8.00

RHODE ISLAND	
All locations	$9.00
SOUTH CAROLINA	
Clemson	8.00
Columbia	8.00
SOUTH DAKOTA	
All locations	8.00
TENNESSEE	
Nashville	9.00
All other locations	8.00
TEXAS	
Austin	9.00
College Station	8.00
Dallas	9.00
Denton	8.00
Fort Worth	8.00
Houston	9.00
Huntsville	7.00
Lubbock	8.00
San Antonio	9.00
UTAH	
All locations	8.00
VERMONT	
Burlington	9.00
All other locations	8.00
VIRGINIA	
Blacksburg	8.00
Charlottesville	9.00
Hampton	8.00
Norfolk	8.00
Richmond	8.00
WEST VIRGINIA	
Morgantown	9.00
WASHINGTON	
Cheney	7.00
Pullman	8.00
Seattle	9.00
Spokane	8.00
Tacoma	8.00
PUERTO RICO	
San Juan	$10.00
Rio Piedras	10.00
San German	8.00
Mayaguez	9.00
CANADA	
All locations	8.00

Mr. PASSMAN. I believe that the $4,000 provides certain vacation time and expenses to visit certain places of interest in our country while they are here.

Mr. O'CONNOR. In some cases it does provide travel money, where that seems to be required, not travel back and forth but within the country.

Mr. PASSMAN. That is a statement of fact that they are given time to visit certain places in the United States and we pay their expenses?

Mr. O'CONNOR. I do not think we pay incidental travel expenses for vacation.

Mr. PASSMAN. I do not know whether you call it a vacation. I do know that previously the witness testified that they were privileged to have certain times off to do certain visiting in certain places in this country.

Mr. O'CONNOR. Yes, sir; that is true.

Mr. PASSMAN. That is true?

Mr. O'CONNOR. Yes, sir.

Mr. PASSMAN. Now what allowance do you make for that item?

Mr. O'CONNOR. Well, I have here——

Mr. PASSMAN. Give me a breakdown starting at the beginning.

Mr. O'CONNOR. I will have to give it to you.

Mr. PASSMAN. You have it here?

Mr. O'CONNOR. This breakdown refers to Indonesia.

Mr. PASSMAN. You are talking about a participant?

Mr. O'CONNOR. Yes.

COST FOR A PARTICIPANT FROM INDONESIA

Mr. PASSMAN. What is the total cost down at the bottom?

Mr. O'CONNOR. This one is $7,160.

Mr. PASSMAN. That is good enough. That is for a participant from Indonesia?

Mr. O'CONNOR. Yes, that is right.

Mr. PASSMAN. Go back to the top, what is the first item?

Mr. O'CONNOR. First item, "International travel," $1,300. It is obviously more expensive from Indonesia.

Mr. PASSMAN. All right. Let's see what it is. We know it costs more to travel from Indonesia than from Monroe, La.

Mr. O'CONNOR. Right.

Travel within the United States is $250.

Mr. PASSMAN. That is the little item I was talking about.

Mr. O'CONNOR. Yes. Tuition, $1,500; books and equipment, $200; contingencies—I suppose that is emergencies of some kind—$130. The allowance that we spoke of, this is a differential. There are 2 months at $480, I imagine those are the early months where they are getting settled down, $480 a month and 10 months at $225. So the annual figure, Mr. Chairman, for the first 2 months would be $1,380 and the figure for the 10 months would be $2,400.

Mr. PASSMAN. Get the total for the year.

Mr. O'CONNOR. The total is the $7,100.

Mr. PASSMAN. Back on the item where you stuttered a bit when you mentioned the figure.

Mr. O'CONNOR. The maintenance?

Mr. PASSMAN. The maintenance, the payroll check total.

Mr. O'CONNOR. Added together, that would be $3,780.

Mr. PASSMAN. That is what we refer to in this country as living expenses, possibly a Coca Cola, occasionally, just straight-out old payroll living expenses; that is what it is, is it not?

Mr. O'CONNOR. Yes, sir.

Mr. PASSMAN. All right. Let's just let the record show what it is. Do not be bashful about it. Everybody knows it.

READJUSTMENT OF PARTICIPANTS TO OUR COUNTRY

Now, is it not true that many of these participants that you pay $3,700 a year to in this country, that maybe this is three or four times what they are accustomed to in their own country as far as the living standard is concerned?

Mr. O'CONNOR. Well, I cannot answer that. Many of them are Government service people.

Mr. PASSMAN. Do not try if you cannot. I will accept it.

Mr. O'CONNOR. I cannot.

Mr. PASSMAN. We have an expression down in Louisiana, when people become accustomed to eating high on the hog, it is pretty hard to get them down on the low part of it again. I wonder if that would not be true of these participants who get a taste of high living?

Mr. O'CONNOR. We have not noticed it.

Mr. PASSMAN. You have not?

Mr. O'CONNOR. No, sir.

Mr. PASSMAN. You think they are able to make the adjustment when they go back to their country?

Mr. O'CONNOR. I think the majority of them are pretty well motivated.

Mr. PASSMAN. The question is, even though they become accustomed to living high on the hog, when they return to the country from which they came they can then revert back to their regular standards.

Mr. O'CONNOR. Well, their regular standard may be quite good in their own country.

Mr. PASSMAN. I know it is quite good. That is what I am trying to bring out. You know very well at this figure you mentioned they are not going to miss any meals. We do know that the average person in the so-called underdeveloped or developing countries have a lower standard of living than we have in America; do they not?

Mr. O'CONNOR. I think generally they do, sir.

Mr. PASSMAN. If they do not, we sure better stop this aid as of yesterday and not wait until tomorrow.

I kind of believe you are right, maybe they do and maybe they do not. There has been so much confusion about it. Some of them may be living better.

Mr. O'CONNOR. The point I want to make is, we are not doing undergraduate training, we are doing postgraduate training.

Mr. PASSMAN. May I say, unintentionally you are being evasive.

Mr. O'CONNOR. I am not trying.

Mr. PASSMAN. I know. I said unintentionally. I am trying to be polite about it. I do not think there is any more mileage there. We have made the record. You know and I know these participants come

from countries where their standard of living is far below that of the United States, at least we have been told that. There would be no justification for AID unless that be true.

Mr. O'CONNOR. No, sir; there is no question about that.

Mr. PASSMAN. OK. Let's stop right there. You have answered my question. I am satisfied.

COMPARISON OF PARTICIPANT COST OVER 5 YEARS

How does this cost per participant compare to the last 5 years in the same countries? Since we are talking about Indonesia, $7,100 is the grand total?

Mr. O'CONNOR. I am not sure that we have it.

Mr. PASSMAN. Put it in the record.

Mr. O'CONNOR. The figures I gave you were an average. I do not have the Indonesian figure.

Mr. PASSMAN. I am sticking with Indonesia since we started with it. I want to be fair. Some countries may be a little more, some may be less. You just happened to turn to Indonesia, is that not correct?

Mr. O'CONNOR. That is right.

Mr. PASSMAN. I did not ask you to turn to Indonesia specifically.

Mr. O'CONNOR. No, sir.

Mr. PASSMAN. You picked it out and I started to ask you about it.

Do we have local currencies or Indonesian currencies that we own ourselves, and we can spend in Indonesia?

Mr. O'CONNOR. I think we do.

Mr. PASSMAN. If you find it, put it in the record, the amount and what it can be spent for.

Mr. O'CONNOR. Right. The total U.S.-owned——

Mr. PASSMAN. Put it in the record. That is all right.

Mr. O'CONNOR. All right.

(The information follows:)

U.S.-OWNED LOCAL CURRENCIES FOR EXPENDITURE IN INDONESIA

The United States has available the equivalent of approximately $7.7 million in U.S.-owned local currency (rupiah) for the use of U.S. Government agencies to pay for local costs of their operations in Indonesia during fiscal year 1972.

PAYMENT OF TRANSPORTATION FOR PARTICIPANTS

Mr. PASSMAN. Does Indonesia have an international airline of their own?

Mr. GREEN. Yes, sir.

Mr. PASSMAN. Do they fly to the United States?

Mr. GREEN. No.

Mr. PASSMAN. Do they come anywhere near the United States?

Mr. GREEN. No.

Mr. PASSMAN. Can I buy a ticket in Djarkarta with Indonesian currency from there to the United States?

Mr. GREEN. Yes.

Mr. PASSMAN. I could do that.

Some countries pay transportation for their participants that they send to this country, do they not?

Mr. BREECHER. Yes.

Mr. PASSMAN. Then why do you not have a policy that all countries do that?

Mr. O'CONNOR. I think it is largely a question of foreign exchange.

Mr. PASSMAN. We made a record here that you could be in Indonesia, take Indonesian currency, buy a ticket to the United States.

Mr. GREEN. I would like to check that point, whether you can pay rupiahs for a ticket to the United States.

Mr. PASSMAN. If not, you could buy a ticket as far as the airline came, could you not?

Mr. GREEN. I think if you were a foreigner, they would probably charge you the foreign exchange.

Mr. PASSMAN. If an Indonesian travels from Djakarta to Geneva, Switzerland, at least this participant could use Indonesian currencies to buy his ticket to the end of the line, if it is Geneva or whatever city, is that correct?

Mr. GREEN. I think that it is correct.

Mr. PASSMAN. Gentlemen, again you are being soft. Why do you not have a uniform policy? Tell these people we will accept these participants, but our policy is that the country pay the transportation. We made a case. Will you look at the record?

Mr. O'CONNOR. All right.

Mr. GREEN. First of all, I think we would want to see what rupiahs were available.

Mr. PASSMAN. I am not talking about available to the United States, I am talking about available to this Indonesian who wants to come to the United States. If a country believes it is worthwhile to have these participants, and it is going to send them over to the United States, you would think that the Government would pay their transportation.

Many of the countries do pay the transportation, is that not correct, Mr. Controller?

Mr. FLINNER. Yes, sir; there are countries that do pay the international transportation.

Mr. PASSMAN. All right. I used the word "many." I do not know how many "many" would be. Would you say three?

Mr. GREEN. There are more than three.

Mr. PASSMAN. So am I correct in saying "many countries?"

Mr. GREEN. Yes, sir.

Mr. PASSMAN. Thank you.

Mr. O'CONNOR. I am told we actually only pay international travel in Indonesia and Laos. I will confirm that.

Mr. PASSMAN. All right. Why do you not take that away from them? Since Indonesia has its own airline, and this is an Indonesian National who wants to come to the United States, I would not know why his Government would not fly him on its own plane. The airline of Indonesia is a Government-owned airline, is it not?

Mr. GREEN. Yes.

Mr. PASSMAN. Is that correct, Mr. Ambassador?

Mr. GREEN. Yes, sir.

Mr. PASSMAN. Thank you very much.

Mr. O'CONNOR. I will supply that answer for the record.

(The information follows:)

INTERNATIONAL TRAVEL COSTS IN INDONESIA

Even though some developing countries are in a position to bear international travel costs, an exception has been made in the case of Indonesia because of the shortage in Indonesia of budgetary funds and international exchange. This exception is made on a year-to-year basis, and is consistent with the practice of all of Indonesia's other donors.

Mr. PASSMAN. If you know anything else you want to put in, put it in. We have already made the record. We are only talking about a few hundred thousand dollars, but to me that is still a lot of money.

TOTAL PARTICIPANTS TRAINED IN FISCAL YEAR 1972 FROM EAST ASIA

How many participants will be trained in the United States and how many in third countries in fiscal 1972?

Mr. O'CONNOR. This is on Indonesia?

Mr. PASSMAN. No, the entire area. Put it in the record, unless you have it available.

Mr. O'CONNER. I do have it.

Mr. BREECHER. It is about half-and-half.

Mr. O'CONNOR. We will give you the exact figures for the record.

(The information follows:)

NUMBER OF PARTICIPANTS PROGRAMED FOR EAST ASIA IN 1972 AND HOW MANY5 ARE THIRD COUNTRY

According to our projections there are programed approximately 1,083 East Asian participants with fiscal year 1972 funds for training in the United States, and 1,563 for training in third countries.

Mr. PASSMAN. Someone said about half-and-half. Does that sound about right?

Mr. O'CONNOR. Let me make them exact.

Mr. PASSMAN. All right.

TRAINING OF PARTICIPANTS IN THIRD COUNTRIES

Now, by third countries you take students, participants in Indonesia, they may decide they want to go to Taiwan or some other country. Who makes that decision as to what country the participants will go?

Mr. O'CONNOR. It is really a joint decision between our people in our aid mission, the local government, and the trainee.

Mr. PASSMAN. What kind of training could you give a student in Burma that you could not give him in Indonesia?

Mr. O'CONNOR. I really cannot answer for Burma, sir.

Mr. PASSMAN. All right, Taiwan, then?

Mr. O'CONNOR. I think there is a wide variety of education that he could get in Taiwan.

Mr. PASSMAN. The facts are, this program is very loosely operated.

Anyway, put something in the record, Mr. O'Connor, as to how many and the reasons. We might as well make a complete record.

He said about half came to the United States and half went to third countries. You are going to get the figures right down to the last one so we will know.

Mr. O'CONNOR. Right, sir.

Mr. PASSMAN. And the reason?

Mr. O'CONNOR. Well, the reason is obviously going to be based——

Mr. PASSMAN. Put it in the record.

Mr. O'CONNOR. It is going to be based very much on the quality and type of the education.

Mr. PASSMAN. Do you think some countries have better quality education than we have here?

Mr. O'CONNOR. No.

Mr. PASSMAN. We have to pay the third country to take care of these students.

Mr. O'CONNOR. There are some areas, for example the Philippines, that are giving first-class education, that is the exception rather than the rule. Of course the costs are much lower in third countries.

(The information follows:)

WHY IS TRAINING CONDUCTED IN THIRD COUNTRIES RATHER THAN THE UNITED STATES?

The reasons for AID sponsoring training in third countries are:

U.S.-owned local currencies are frequently available for participant training in other countries.

Living and travel costs are significantly less than they would be if the participant traveled to and lived in the United States.

Often the training is provided in the participant's native language, eliminating the requirement for English language training or interpreter services.

Less cultural adjustment is required, eliminating the extensive orientation necessary if the participant were to be trained in the United States.

Training can be offered at levels similar to those in the participant's own country with respect to technological development and to climate; for example, training in tropical agriculture.

Training participants from neighboring countries encourages developing nations to provide each other with assistance.

Mr. PASSMAN. Off the record.

(Discussion off the record.)

CLASSIFIED FIGURES CONTAINED IN REGIONAL TOTALS

Mr. PASSMAN. Gentlemen, I do not know what part you play in this, but with respect to the list showing the amount of aid provided to each country which is being updated for the committee by the Comptroller, we discovered an item entitled "Worldwide Regional." Some of that is for a particular nation but you put it in regional because you say it is classified, and if we include it in the amount it would be revealing the same information that you would get in the New York Times. Is that right?

Mr. FLINNER. I would hope it would not be the same information.

Mr. PASSMAN. It is the same.

Mr. FLINNER. It would be revealing classified information.

Mr. PASSMAN. It is misleading, is it not?

Mr. FLINNER. Yes, sir.

Mr. PASSMAN. I never been told that before until this year.

It was the distinguished Controller who, revealed that information.

How are we going to go about breaking that regional item down so at least the committee will have the information?

Mr. FLINNER. We can show the total amount applies to countries, but it is classified, in one lump sum figure and take it out of the regional figures.

Mr. PASSMAN. It is not classified to this committee, is it?

Mr. FLINNER. No, I can give it to the committee.

Mr. PASSMAN. I want if for the committee. Then let us make the decision but we will discuss it with you first. It is misleading because you take country A and list it at $880 million but we find out they have $500 million that is buried over in this regional item.

Do you understand what I mean?

Mr. FLINNER. Yes.

Mr. PASSMAN. We use one figure. One nation I am thinking about, the total amount of aid is 50 percent more than we list on this sheet because it is buried down in the regional item.

Mr. FLINNER. Yes, sir, I would be glad to make it available.

Mr. PASSMAN. You break it out.

Mr. FLINNER. The way we are putting it together for public distribution is what I was talking about.

Mr. PASSMAN. Did you know it was handled that way?

Mr. O'CONNOR. Excuse me, this is the AID regional program?

Mr. PASSMAN. Yes.

Mr. O'CONNOR. Not at those levels you are talking about, it is not.

Mr. FLINNER. This is including the total amount of all spigots.

Mr. PASSMAN. It gets the total amount, whether under your little spigot or not. It simply means you look at the total amount of aid given to a nation as stated to us by the AID agency all-inclusive. We now find that some nations may have gotten 50 percent more than the amount listed, but it is carried down under the heading of "Worldwide Regional." That makes us eligible for the confusion club.

Mr. SHRIVER. You mean it is not before this committee?

Mr. PASSMAN. No, sir, it is under our committee, but if you look down at regional, it is not regional; some of it is individual nations.

Mr. SHRIVER. There is a lot of military assistance in the defense budget. Public Law 480 is under the agriculture budget.

Mr. PASSMAN. No, here it is. We never knew it before.

Off the record.

(Discussion off the record.)

Mr. PASSMAN. I wouldn't know why it would reveal any classified figures, Mr. Controller, if you would take it out of regional and add it to the country figure. Why would it be classified? If you put the economic, the old and the new all together, who could tell what part was the most recent?

(Discussion off the record.)

LONG-RANGE PLANNING IN EAST ASIA FOLLOWING THE VIETNAM WAR

Mr. PASSMAN. Do you have any long-range plans for your particular area, Mr. O'Connor, when the Vietnam war has been brought to a conclusion, or are you just moving on a year-to-year basis?

Mr. O'CONNOR. Sir, we are taking a pretty hard look at the next 5 years. We do have some planning and some long-range concepts as to how that might be done, particularly in Indochina. One of the problems, of course, is we don't know when the war or the fighting is going to end or under what set of circumstances it is likely to end, so there are so many parameters in this kind of planning that I would say

the idea of an accurate blueprint is almost impossible at this stage of the game.

Mr. PASSMAN. But the question is: Are you in the planning stage on this?

Mr. O'CONNOR. Yes, sir; in some very tentative ways we are.

WINDING DOWN OF THE VIETNAM WAR

Mr. PASSMAN. Let's give our President credit where credit is due. I am distressed, shocked, disappointed, and disgusted with all these presidential candidates of my party who didn't learn how to add or subtract. I have stated earlier, when Mr. Nixon assumed command, he had 543,200 troops in Vietnam. That was the total it had reached before he could check it. We are down now to 248,000. To my way of thinking that is a tremendous winddown of a very complicated conflict, in a reasonably brief time. Would you agree to that?

Mr. O'CONNOR. I certainly would, sir.

Mr. PASSMAN. And you, Mr. Secretary?

Mr. GREEN. Absolutely.

Mr. PASSMAN. And when you take the cost, it was reduced from $30 billion to $14.7 billion, isn't that a substantial amount? Shouldn't we really be proud that we have been able, where they required 5 years to build it up, to cut it down more than 50 percent in a little over 2 years? Isn't that a commendable record?

Mr. O'CONNOR. I think it is, sir.

Mr. PASSMAN. Let me, as a Democrat, put it on the record, and let those who read it do or say whatever they please. You only have one President at a time. If he was continuing to build the war and increase the number of troops, then he should be criticized but I think the President is concluding it. Give the man credit and keep politics out of it. I don't think you people point these facts out often enough to those who would criticize the man when he is, in fact winding it down.

WORLDWIDE U.S. TROOP REDUCTIONS

Mr. GREEN. Mr. Chairman, could I just add to that? First of all, I appreciate your statement. I agree with it. I wanted to add the following: It isn't just the reduction in Vietnam, but we will reduce by the end of this fiscal year about 365,000 of our military personnel in the course of a year and a half in East Asia. That includes a reduction of 20,000 in Korea, 12,000 in Japan and Okinawa, 6,000 in the Philippines, and 16,000 in Thailand. This has brought down the costs in those areas, too. For example, in the case of Korea, we will have reduced the net cost to the United States by ——— over a 5-year period. There are similar savings elsewhere.

Mr. PASSMAN. I support those statistics, because I do know that he is pulling these troops in from around the world, with the exception possibly of Europe. So far I don't think there has been any reduction made there, but so far as the Far East, certainly he is pulling them out of these countries. I think he is doing a commendable job and I would like to see the man get credit for it. I don't even know if he is going to be a candidate for reelection.

NIXON DOCTRINE AND THAILAND

Mr. GREEN. Vietnamization and the Nixon doctrine calls for countries taking on more of the burden and that is one of the purposes of the program.

Mr. PASSMAN. I support the Nixon doctrine, but I would like to see it carried out. I don't think we are implementing that doctrine to the extent that we should, in forcing these people to spend more of their own revenue to support these programs. That is why I made the case in Thailand earlier, that here we are promising to give $40 million to Thailand in supporting assistance, whereas we had just borrowed from Thailand about 2½ years ago, $100 million U.S. dollars out of their $1 billion surplus foreign exchange account. I believe that they are in a position to take more out of their own resources than they are doing, because Thailand is getting more security benefit out of these funds than our country. The United States is 12,000 miles removed from Vietnam and Thailand almost borders South Vietnam. I really think that we are possibly going a little bit too far in a country that I consider, by their standards, somewhat wealthy.

THAI BUDGETARY RESERVES AND FOREIGN EXCHANGE LEVEL

Of course their foreign exchange surplus moves up and down as does that of other nations, but during a 20-year period where we gave them $1.2 billion they built up a surplus of over $1 billion.

(Discussion off the record.)

Mr. O'CONNOR. They ran a deficit last year of over $300 million so their own budgetary situation is coming under a lot of pressure.

Mr. GREEN. We expect their reserves will go down by $300 million in the next 2 years.

Mr. PASSMAN. Let's look at their official reserves, in 1966, $924 million; 1967, $1.009 billion; 1968, $1.021 billion; 1969, $985 million; 1970, $916 million. Regardless of how you argue it, these are your own figures that I am reading into the record, and they are just as far as it goes. It looks to me as though the average is in the neighborhood of about $1 billion a year. That is what I said earlier.

Mr. GREEN. It went down $69 million last year.

Mr. PASSMAN. It is still running up around $950 million, which is an awful lot of money.

Mr. O'CONNOR. It is still big.

Mr. PASSMAN. Sure it is big and I just wish you said they were giving us money this year rather than our continuing to give them money. They have more to lose than we do.

Mr. O'CONNOR. The disturbing thing here is the trend which is rather sharply down.

Mr. PASSMAN. What do you mean it is down, in aid?

Mr. O'CONNOR. Their foreign exchange levels and their budgetary deficit.

U.S. DOLLAR DRAIN

Mr. PASSMAN. How about ours? Do you gentlemen ever worry about our position? I brought this to the attention of the people downtown. Any man who didn't know this actually ought to be back on the

farm where a lot of people think I should be. This was brought to our attention a long time ago that foreign banks don't want these dollars because their vaults are already crammed and overflowing. They would like to turn in much more, but don't dare, lest they bring down the whole international exchange system. The United States is trifling with the tolerance of money men overseas. Tolerance has its breaking point. The danger is that we will push them beyond it.

This was in February, and these predictions came to pass about 30 days ago. The seas have been calmed just a little bit, but it doesn't alter the fact that their vaults are crammed with excess dollars, and somewhere along the way we are going to have to start thinking about getting our own house in order. The short-term dollar claims on the United States are continuing to climb. Every agency disclaims any responsibility for this situation. We sit here and examine for 5 months and everybody denies having anything to do with it, but the very agencies we examine have everything to do with it. Somewhere along the way we have to think about getting our own house in order, Mr. Secretary.

CAMBODIA

Prior to the funds provided for fiscal 1971 in the supplemental bill last January, the United States had not provided economic aid to Cambodia for the last 6 or 7 years, it that true?

Mr. O'CONNOR. That is true.

Mr. PASSMAN. I believe Cambodia broke off diplomatic relations with the United States, did they not?

Mr. O'CONNOR. They did.

Mr. PASSMAN. After the overthrow we then resumed diplomatic relations with Cambodia. Do we exchange Ambassadors now?

Mr. O'CONNOR. Yes.

Mr. PASSMAN. Do you see stability in the present government, Mr. Secretary?

Mr. GREEN. I think it is a relative term. They face a difficult time ahead. Last year, as I remember, CINCPAC and others predicted the Cambodian Government had a 50–50 chance. We think this year they have a considerably better chance. They made good use of the time building up their military.

Mr. PASSMAN. Do they have the resources to maintain any kind of a military posture out there?

Mr. GREEN. At the present level, no. Of course if peace were restored they could meet a large share of current defense costs. But not now under wartime circumstances, having lost foreign exchange revenue from rice, rubber, and tourism.

Mr. PASSMAN. You know it is really strange how some of those other countries in that area just rock along like Burma, who actually at one time ran us out diplomatically. They seem to be getting along all right with the Communists. I just wonder if we have overstated our case to the American people about the importance of maintaining the present form of government in those countries. Don't you have many governments in that part of the world that do business with either side and get along very nicely?

Mr. GREEN. Oh, yes, and Cambodia did and look what happened to it.

Mr. PASSMAN. What happened to it? Who knows if it is going to get along any better. We are pouring our wealth in there now. Some day they are going to have to be self-supporting, aren't they?

Mr. GREEN. Oh, yes. But I don't know how many Burmas are tolerable or possible.

CEYLON

Mr. PASSMAN. How about Ceylon? That is another one, isn't it?

Mr. GREEN. Yes. They had a close shave the other day.

Mr. PASSMAN. All these people are having close shaves, but they have been doing business for thousands of years out there, haven't they?

Mr. GREEN. Yes.

NIXON DOCTRINE AND VIETNAMIZATION

Mr. PASSMAN. I am just afraid that possibly we have overstated our case, and I think maybe the present administration recognizes that we are willing to furnish a reasonable amount of aid and to train those people but unless they can build up some strong desire to protect themselves that they are just going to have to go down the drain. Isn't that about it?

Mr. GREEN. Mr. Chairman, I think there is a lot in what you are saying and I feel that it is very consistent with what the President is saying. He in his February state of the world message talked about the problems of under- and over-involvement and he thought in essence we were overinvolved and he was trying to get us back to the right phase and I think that is what the whole Nixon doctrine and the Veitnamization program are about, as well as the efforts to have better relations between the principal powers of the world, but, as the President points out, this is going to involve a certain amount of expenditures to get us back on that footing. When we do and get back on a solid footing, I think there are going to be many billions of dollars in savings annually.

Mr. PASSMAN. I want to say on the record that we have one President at a time, and I have heard many, very liberal Democrats, say that without a doubt Mr. Nixon's foreign policy is the greatest of any President in recorded history. It is to be regretted that people of his own party don't recognize his greatness and his wisdom about our foreign policy. I think he is doing a tremendous job, and I think he has been cooling this thing off and he has been making it abundantly clear as to just what we have in mind. I have nothing but praise for Mr. Nixon so far as his foreign policy is concerned. It looks to me as though he is getting on top of a lot of these problems that he inherited. As a Democrat, I want to give him credit. Nothing pleases me any more than to hold his hand up and to tell people everywhere that he is doing a good job. He is getting us out of this war. He is getting us out of a lot of involvements around the world and as you indicated earlier he is bringing these boys home and cutting down the costs. Why the press won't give this great man credit for what he is doing is a mystery to me. I don't believe any man who knows the facts can quarrel with what I have said.

Mr. GREEN. It is a good statement.

Mr. RIEGLE. Will the gentleman yield, because I have great personal respect for the chairman as well as any Member of Congress. I don't agree with what you have just said. One fact that ought to go in the record in light of that statement is the fact that 18,000 Americans have come home feet first since this man became President; 18,000 Americans have been killed in Vietnam.

Mr. PASSMAN. Mr. Nixon didn't start this war.

Mr. RIEGLE. I don't care if he started it or not. Those 18,000 are his responsibility.

Mr. PASSMAN. Let me say this for the record. Any man who knows anything about history knows that if this man would attempt to bring all those people out at one time it would be another Dunkirk. If you did not train the South Vietnamese to protect themselves, as he has said, they couldn't protect the withdrawal of our troops. You get down to the last 100,000, unless you have trained these people to protect us, it could be a holocaust. The record of Dunkirk is pretty clear on people's minds who went through that history as I did. You don't quarrel with that, do you?

Mr. GREEN. No, sir.

Mr. PASSMAN. The man could not afford to take a chance to bring those people out without training those other people.

Mr. RIEGLE. How much longer do we train them? We have been training them for 10 years. You know as well as I do we are never going to get them trained.

Mr. PASSMAN. There were 543,000 troops in Vietnam when Mr. Nixon took office and they are now down to 248,000. To me that is winding it down with all the rapidity with which any man could wind it down with any degree of safety. The man cannot afford to take a chance, to just back our ships up and load these boys on because when you got down to the last 100,000 or 125,000 you could loose 50,000 men. He couldn't take that chance. At least those are my views and you have a right to yours. I am going to defend him because I think he is right.

Mr. RIEGLE. I would be surprised, Mr. Chairman, if you are prepared to bet today that a year from today the South Vietnamese are going to be able to protect the last 100,000 American troops.

Mr. PASSMAN. He said a reasonable chance to protect themselves. If this man was building this war up it would be different but most of the people who are riding Mr. Nixon today are the very people who helped build this war up, to push them up to 543,000. This man has had a difficult time trying to cool this thing down and to bring these boys home. When you reduce the troop level from 543,000 to 248,000 in a little over 2 years, I am going to stand up and applaud him and sing his praises because the record is on my side. I tell you, I hate to think that any President would ever promise that he would back up ships and try to pull all those boys out unless you train those people to give them some kind of protection. All you have to do is read the record of Dunkirk and you have the answer.

Mr. RIEGLE. If you would yield for one further point.

Mr. PASSMAN. I yield.

Mr. RIEGLE. I have been here 5 years on this subcommittee.

Mr. PASSMAN. I have been here 25 years watching this mess.

Mr. RIEGLE. I have heard you express grave reservations about our ability to get Asians to do things for themselves that traditionally they haven't done. In fact 10 minutes ago I heard you express that same reservation and you know you and I share that.

Mr. PASSMAN. We are talking about finances. We were not talking specifically about Mr. Nixon withdrawing these troops. Those are two different subjects.

Mr. RIEGLE. We are talking about getting the South Vietnamese battle ready.

Mr. PASSMAN. One is withdrawing these precious young men from Asia and the other is to get these people, especially the wealthy people out there, to use their own resources to pay for part of the cost. I did not involve the two. One deals with the economic situation and their resources, the other deals with whether or not any man could afford to say we are going to go in and pull all of our boys out without training those people to give us some protection in the final withdrawal. I think he is doing a commendable job. If you don't think so, that is your affair. Believe me, I will say it in California, Michigan, Louisiana, or anywhere I am invited to talk, and I will send you copies of my speeches.

(Discussion off the record.)

Mr. PASSMAN. Back on the record.

Mr. RIEGLE. Would you just yield and I will be brief on this. We are talking about aid right now for Laos and Cambodia.

Mr. PASSMAN. I was talking about two things, first aid and next the troops in Vietnam.

WAR IN LAOS AND CAMBODIA

Mr. RIEGLE. What these fellows are testifying about affects Laos and Cambodia. The facts are that two and a half years ago when this administration came into office the level of warfare in those two countries was substantially less than it is today. You know as well as I do that the war has been widened into those countries. That is one of the reasons they are asking for so much money today. I think that should be made part of the record.

Mr. PASSMAN. Let the record show if you are going to get rid of the flies you have to destroy the manure pile. If others would have had the foresight to go into Cambodia, there wouldn't have been any troops left over there. I think this was one of the wisest moves ever made. It still follows that the number of U.S. troops has been reduced from 543,200 to 248,000. Those are simple mathematics and you don't disagree with those figures.

ENDING OF THE VIETNAM WAR

Mr. GREEN. No; and I would add to it before Cambodia the weekly casualty rates were always over 300.

Mr. PASSMAN. They are down to about 25 now.

Mr. GREEN. This last week 19. It will be slightly lower this week.

Mr. RIEGLE. Nineteen in combat and 19 noncombat. That is 38; 261 were wounded. Can you tell me the number of amputees? Of course you can't. The Defense Department won't give you that data. If you are going to use those kinds of statistics use them all. Don't talk just

about deaths as the one indicator of this war. You know as well as I do that doesn't begin to tell the story.

Mr. PASSMAN. What would you do if you were President?

Mr. RIEGLE. If I were the President I would keep the promises that I made 3 years ago to end the war, and I would end the war.

Mr. PASSMAN. Isn't he ending it?

Mr. RIEGLE. No; he is not ending the war.

Mr. PASSMAN. What would you do, end it tomorrow?

Mr. RIEGLE. I don't think we can end it tomorrow. I wish we could.

Mr. PASSMAN. What would you do?

Mr. RIEGLE. I think we can end it by the end of this year in terms of our military situation.

Mr. PASSMAN. In what way is Mr. Nixon not doing what you would do?

Mr. RIEGLE. By stopping the bombing and taking our troops out. That is the part of the war we control, Mr. Chairman.

Mr. PASSMAN. I think he is doing a commendable job, I think if you would read the record you would support my views and if it was put in the form of a motion you would second it. I just can't see how anybody, if they look at the record, can quarrel with Mr. Nixon's record on foreign policy or quarrel with his position in winding down this war. Could you imagine any person who would want to conclude the war any more than Mr. Nixon?

Mr. RIEGLE. The 250,000 kids who are out there today. You could put at the top of that list the 38 who were alive last week who aren't alive today.

Mr. PASSMAN. Read the record a little closer and back your President up when he is right. Just saying he is wrong doesn't make him wrong. You have to look at the statistics that I have cited for the record.

We have never had a bad President, but I think we now have a great President and in all probability, history will establish Mr. Nixon as one of our greatest leaders. Those are my views.

Mrs. REID. I will agree with you, Mr. Chairman.

Mr. PASSMAN. I have no apologies to offer.

(Discussion off the record.)

AID TO CAMBODIA

Mr. PASSMAN. What other U.S. aid is proposed to be supplied to Cambodia in fiscal 1972 besides the $110 million for supporting assistance? Could you make it all-inclusive and put it in the record?

Mr. O'CONNOR. Yes, sir, I have it here.

Mr. PASSMAN. What is the grand total?

Mr. O'CONNOR. The grand total would be $330 million.

Mr. PASSMAN. Would that include Public Law 480 also?

Mr. O'CONNOR. That would include Public Law 480, yes, sir.

Mr. PASSMAN. They are not eligible I don't believe for Export-Import Bank loans?

Mr. O'CONNOR. No, sir; though there have been no requests.

Mr. PASSMAN. They are or they are not?

Mr. BARDACH. There have been no requests.

Mr. PASSMAN. But they are eligible for all other aid with the exception of special programs for Latin America?

Mr. BARDACH. Yes, sir.

Mr. PASSMAN. They would be eligible for Asian Development Bank loans?

Mr. O'CONNOR. So far as I know, yes. I think with the Asian Development Bank there is another feasibility study there.

UNEXPENDED BALANCES FOR CAMBODIA, LAOS, AND THAILAND

Mr. PASSMAN. Would you place in the record at this point the undisbursed funds to the credit of Cambodia from all spigots? I think you will have to do a little research on that.

Mr. O'CONNOR. Unexpended balances, total AID and MAP, $77,563,000.

Mr. PASSMAN. How about Public Law 480?

Mr. O'CONNOR. Public Law 480 is $6,770,000.

Mr. PASSMAN. I think you would save some time if you would let me just request that you put all pieces together and put it in the record on Cambodia, the same thing on Laos and the same thing on Thailand.

Mr. O'CONNOR. All right, sir; we have those figures. We will submit them.

(The information follows:)

UNEXPENDED BALANCES IN CAMBODIA, THAILAND, AND LAOS

[In thousands of dollars]

	June 30, 1970	June 30, 1971 (estimated)
Cambodia	4,180	84,333
Economic	76	60,000
Military	4,104	17,563
Public Law 480		6,770
Thailand	62,021	55,811
Economic	62,021	55,811
Military		
Public Law 480		
Laos	35,826	32,056
Economic	32,942	29,757
Military		
Public Law 480	2,884	2,999

Mr. PASSMAN. I would assume from the exchange we had earlier that some of these so-called regional allowances would be for these three countries in your area, would they not?

Mr. O'CONNOR. I can't answer that. We will have to get it when we get the breakdown.

Mr. PASSMAN. If you can, could you put that in? Is it classified, Mr. Flinner?

Mr. FLINNER. Let me check.

CLASSIFICATION OF MILITARY AID

Mr. PASSMAN. I am having a hard time understanding your reasoning behind classifying certain kinds of aid, if it is put in or a lump sum, when there have been payments and additional allocations made,

it would be pretty hard for a man to say specifically that this represents military aid, wouldn't it?

Mr. FLINNER. But if you have everything except military aid unclassified, and then you give a total including military they could deduce that that balance is military.

Mr. PASSMAN. But in a court of law you wouldn't have a chance, when you say this total sum is this, because every day you are adding to those accounts or you are taking from them, isn't that right? You allocate additional funds or you are making expenditures or they are repaying payments. I am not going to quarrel with you. I don't think you have a strong case. It simply hides it when you slip it down into this worldwide regional item. You get the grand total but it doesn't reflect the true story because $16 billion is a lot of money. Do the best you can for us.

LONG-RANGE PLANNING FOR EAST ASIA

We have spoken about the long range plan for Cambodia. Are you looking at a similar plan for Laos?

Mr. O'CONNOR. Yes, sir; we are trying to do some planning for all of these countries, but as I say, the uncertainties, particularly depending on the situation in Hanoi and on the battlefield make it pretty difficult.

Mr. PASSMAN. I am not talking about any permanent plans. I just had in mind, when the shooting stops, are we going to say, "Gentlemen, we have enjoyed our stay, we are going home now"? Are you going to let these people return to peace and rest and the standards they have been living with for thousands of years or are we just going to keep on trying to maintain a standard that they cannot possibly maintain without our aid?

Mr. O'CONNOR. I think on the military side there is no question that the standard is one that they can't maintain.

Mr. PASSMAN. Of course you know they may not be in the military side in 6 months. Both Laos and Cambodia were in the military side, then they went out of military and they are back in military; isn't that correct?

Mr. O'CONNOR. Yes, sir.

Mr. PASSMAN. We don't know what the future holds militarily. I am talking about economic aid.

Mr. O'CONNOR. On the economic side, I think that it would be reasonable to assume that if the fighting cranks down, they will pretty rapidly move toward stability economically. There is no question in my mind about Cambodia. It had a good economy and a certain surplus of exports and should be able to reasonably recover economically.

Mr. PASSMAN. They have lived with this economy for thousands of years, haven't they? This outside subsistence is something new for that part of the world, isn't it?

Mr. O'CONNOR. Relatively new; yes, sir.

Mr. PASSMAN. I am talking about new. I am talking about since the inception of the AID program.

Mr. O'CONNOR. Right, sir.

Mr. PASSMAN. Prior to that those people had been getting along. You had a thriving civilization, I believe, in Thailand 2,000 years ago, didn't you?

Mr. O'CONNOR. I think that is right, sir.

Mr. PASSMAN. Here we are, as I often think of it, while we were underdeveloped those countries were developed. While we were developing, they were becoming underdeveloped. Now we are becoming underdeveloped economically trying to develop them again. It is kind of a vicious circle, isn't it?

Mr. O'CONNOR. I think the thing that has changed, sir, is that the world has kind of gotten pretty small and I think the relationship between all of the peoples of the world has gotten pretty close. The transistor radio has taught them a lot as to what is happening all over the world. Their aspirations are quite high.

Mr. PASSMAN. You are creating problems. Those people are happy. You don't have to give those people caviar, pink champagne and fillets for them to be happy.

Mr. O'CONNOR. That is true.

Mr. PASSMAN. I think the AID people have spoiled more people around the world and gotten us into these entanglements and I will never live long enough to see us get out of them. The same thing is happening in this country. We are idling millions of people. Let me state this for the record. We are idling millions of lazy Americans who are too trifling to work for a living. They are on these welfare rolls and 3 or 4 years ago we started this damnable food stamp program and that is going to bring us to our knees if we don't correct it. You go down in my hometown and go into some of the supermarkets. Here are some of these hard-working individuals called common laborers, poor people who go to church on Sunday. They push their cart through and pick up some of these cheap cuts of meat. They buy some of these old hens that are on sale and pick up some hamburger. Behind them are these recipients of welfare and these food stamps. They usually push through two buggies full of expensive goods and they are loaded up with the choice cuts of meat. Did you know that this group of people, who represent about 32 percent of your so-called unemployed labor force, have jobs waiting for them but they wont' take the jobs, because they are living on welfare and food stamps. You believe me, Mr. Secretary, we are building up something in this country I don't believe we are going to be able to live with.

About 32 percent of those people unemployed are just not going to work, as long as they can go down and put up $2 and get $320 in food stamps or another family put up $40 and get $200, another family $20 and get $360, depending on the size of the family and the formula. That adds to the unemployment. Then if I may make a case for the President, when you move from a wartime economy to a peacetime economy and stop making planes, tanks, guns and bullets, you are going to throw some people out of employment, aren't you?

Mr. O'CONNOR. Yes, sir.

Mr. PASSMAN. That accounts for another part of it. If we wanted to open these war plants and start manufacturing tanks in excess of need, planes in excess of need, guns in excess of need, ammunition in

excess of needs, you wouldn't have the unemployed that you have, but if you are going to move out of this wartime economy, as he is doing, you are going to have some problems. You don't quarrel with that, do you?

Mr. O'CONNOR. No, sir.

EFFECT OF WINDING DOWN THE VIETNAM WAR ON THE U.S. ECONOMY

Mr. SHRIVER. I want to commend your statement, especially since I am from a city that has in excess of 10 percent unemployment, a lot of it as a result of the slowdown in the economy brought about by the change from wartime to peacetime. Airplanes are not being manufactured in our city as they normally are, either the commercial type of general aviation or defense. You have made a very good statement, Mr. Chairman.

Mr. PASSMAN. If you don't believe that the President is winding this war down and moving us from a wartime economy to a peacetime economy, just look at the withdrawal from the U.S. Treasury for the first 11 months and 8 days of this year. The total withdrawn to operate the military was $71,553,000,000, compared to $73,309,000,000 for the corresponding period the previous year. He is just withdrawing less funds to run the military, because he is concluding the Vietnam war according to his promise, and naturally it is taking less military equipment. I am worried about the President's recommendations on a lot of these domestic programs, that are actually creating groups of lazy people in America. I just hate to see my country go socialistic but it is well on the way. I don't know if we can stop it or not but I will sure try.

(Discussion off the record.)

COMMODITY IMPORT PROGRAM IN CAMBODIA

Mr. PASSMAN. Mr. O'Connor, do you really feel that the Cambodian Government has the expertise to effectively administer these large sums provided for in the commodity import program?

Mr. O'CONNOR. There is no doubt that there is not as experienced a bureaucracy in the Cambodian Government to administer U.S. aid as we would like. That is one of the reasons why we have just made arrangements with GSA to do the procurement of the commodity import program in the United States.

Mr. PASSMAN. Procurement is one thing. Establishing the level of need is something else.

Mr. O'CONNOR. Sir, the establishment of need was actually done by three different study groups. One of them was an outside contractor. Two of them were done by our own folks.

Mr. PASSMAN. Is he getting a percentage?

Mr. O'CONNOR. No, sir.

Mr. PASSMAN. Some of them do get a percentage of what they recommend, don't they, cost plus?

Mr. O'CONNOR. Not to my knowledge. These were technical specialists who went out to make a study. We set the limits against the import requirements of the Cambodian Government.

Mr. PASSMAN. Import requirements or import desires?

Mr. O'CONNOR. Import requirements.

Mr. PASSMAN. You would have their desire, the actual need, and then what they could get by on. Which one of these criteria do you use?

Mr. O'CONNOR. We are financing against a list of what we consider to be their essential items of need.

Mr. PASSMAN. Who makes up the list?

Mr. O'CONNOR. We make it up.

Mr. PASSMAN. The AID people?

Mr. O'CONNOR. Yes, sir.

Mr. PASSMAN. In that part of the world we have had some wild and wooly programs, haven't we?

Mr. O'CONNOR. Sir, if you ask me is it easy to operate in that part of the world in a wartime situation the answer is no.

PREVIOUS IMPORT COMMODITY PROGRAM IN LAOS

Mr. PASSMAN. How about a peacetime situation? Are you familiar with the situation in Laos when we had this program in there years ago? Sixty percent of all their so-called imports were received before they crossed the border into Laos, and they were channeled into other countries through the black market. Are you familiar with this history?

Mr. O'CONNOR. I have read about it.

Mr. PASSMAN. Are you familiar with the history that some of the same Laotians are there now, conniving with manufacturers that they would deliver used equipment for new equipment and in other instances charging three times the value. Are you familiar with that record of Laos?

Mr. O'CONNOR. I am.

Mr. PASSMAN. Don't they have some of those same people in office today that they had then?

Mr. O'CONNOR. I am not that familiar with the past because I have only been in this job as you know a couple of years.

Mr. PASSMAN. How about some of you other experts? Do you have some of the same highfalutin administrators in the Laotian Government that you had back in those days? How about it, Mr. Controller, do you know?

Mr. FLINNER. No, sir, I don't know.

Mr. PASSMAN. Have you read that record of Laos where they put the big breeches on your country and mine.

Mr. O'CONNOR. Yes, sir.

Mr. PASSMAN. You did say yes?

Mr. O'CONNOR. Yes, sir.

PREVIOUS ABUSE OF THE COMMODITY IMPORT PROGRAM

Mr. PASSMAN. I don't know why you should elaborate. You had better move slowly because you will get a hold of something out there that will make one of those king cobras look like a pet. That is before your time on the committee. We were supporting their country's currency, kip, isn't it?

Mr. O'CONNOR. That is right.

Mr. PASSMAN. At about twelve and a half times its value. Do you remember those days or have you read about that?

Mr. O'CONNOR. I have heard about it.

Mr. PASSMAN. As long as you have heard about these things you had better move with a little caution. I hope you will.

Mr. O'CONNOR. For the very reason the commodity import program was not working and was subject to some abuse we got out of it and we are now out of it almost completely.

Mr. PASSMAN. What do you mean some abuse? There was abuse from the time we started it until we finally forced you to have another look at it. I am only asking you to be cautious.

Mr. O'CONNOR. Right, sir.

Mr. PASSMAN. These people are thinking while you are sleeping. I am saying this because the record backs me up, Mr. Secretary. You are familiar with all that, what do you call it, corruption? Do you know of any milder term that I can use? You had better watch them. They will put the big breeches on you.

Mr. O'CONNOR. Mr. Chairman, we will do the best we can and I agree there is a need for caution.

Mr. PASSMAN. Make a better effort than your predecessor did. While this was going on they were defending it. I believe they have a population of about 3 million, is that right?

Mr. O'CONNOR. Only about 1.8 million are now in the control of the present government.

Mr. PASSMAN. If we just stick with it, you finally won't have anybody left.

Mr. O'CONNOR. I hope that won't be the case, sir. I am sure you don't want it either.

Mr. PASSMAN. I don't know. It all depends on how you get rid of them. If they are just moving out that is one thing. We may be supporting them in some other country. I wouldn't know.

Mr. O'CONNOR. These are pretty stout people, sir.

Mr. PASSMAN. They are pretty smart people. They can teach us some things about the contracts they got our people into, with this exchange rate on the kip, charging us 300 percent of the value of a lot of this stuff, substituting used goods for new goods and accepting delivery before it even got to their border, channeling it into other pockets. I call that being pretty clever. If they had used that same knowledge in an honest effort to improve their country the chances are they won't be needing our aid. I don't have anything complimentary to say about these people who are raiding our Treasury. All I can suggest, Mr. O'Connor, is that you be careful that they don't put the big breeches on you. As far as the military part goes, that is something else. I am talking about your economic aid, because that is what you are testifying for today.

Mr. O'CONNOR. Yes, sir, but they are interrelated to a real degree.

Mr. PASSMAN. I guess all of these things are interrlated.

NEW APPROACH OF LESS DIRECT U.S. INVOLVEMENT IN AID PROGRAMS

You indicate on page C–1 it is your policy to implement the objectives in your area with a minimum of direct U.S. involvement. Would you explain what you mean by that and how this can be accomplished?

Mr. O'CONNOR. Are you referring to the statement, sir, in the supporting assistance program? I think Cambodia is perhaps the best example of that. There we have taken quite a different view of an aid program. We are not involved in projects, we are not involved in technical assistance. We have a five-man aid staff. It isn't going to stay quite that small.

Mr. PASSMAN. Direct budget support.

Mr. O'CONNOR. No, all commodity import.

Mr. PASSMAN. Why aren't you involved, if we are picking up the tab? How much do you have for Cambodia? You said $110 million, I believe.

A.I.D.'S CAMBODIA REQUEST

Mr. O'CONNOR. We are asking for $110 million; yes, sir. As you know, we had $70 million last year. What we are trying to do there is run a program which stays in a very narrow focus. That is to meet this import requirement.

Mr. PASSMAN. It doesn't sound too narrow to me. $110 million is pretty broad.

Mr. SHRIVER. Will you yield?

Mr. PASSMAN. Yes.

Mr. SHRIVER. Who do we have checking this for us there? Our involvement is very limited as far as people in Cambodia, as I understand it?

Mr. O'CONNOR. It is, sir.

DISCUSSION OF NUMBER OF AID PERSONNEL IN CAMBODIA

Mr. SHRIVER. Does AID have some people there? How many? When you get $110 million, you need some supervision over it.

Mr. O'CONNOR. We do. We have got five there now, because that is the first increment. That went out there as a part of the embassy and not as a separate AID mission. We are going to probably be moving it up to something like 10 to 12 over the next 2 or 3 months, but at the moment we have no imports flowing in there. As you know to set up a pipeline is a matter of 6 to 8 months, so the goods have not actually begun to arrive. It is at that point that the controls that you are talking about——

Mr. SHRIVER. I am all for keeping our involvement very limited and our people out. We want by the same token to make sure that what does go in there is going to meet the needs and the purposes intended.

Mr. O'CONNOR. We fully agree with that, sir. What we among other things are doing is using people on temporary duty from Saigon and Bangkok to try to do some of that kind of work. What they are doing at the moment is take a look at the bureaucratic system of the Cambodian Government, the logistical system in the ports and so forth. All of those are our concerns. There is not just the possibility of some corruption but can they actually have the logistics to get those goods through the ports and get them delivered.

AUDITING OF CAMBODIA AND LAOS PROGRAMS

Mr. PASSMAN. I would assume you would ask GAO to audit this program, would you not?

Mr. O'CONNOR. The GAO. I think whether we ask them or not they surely will, sir, but we will have an audit.

Mr. PASSMAN. You said the GAO is auditing in one of the other countries.

Mr. O'CONNOR. We have a three ply audit system, our own auditors, the IGA, and GAO.

Mr. PASSMAN. GAO is auditing in Laos didn't you say earlier?

Mr. O'CONNOR. Yes, sir.

Mr. PASSMAN. Why couldn't they also assume the responsibilities of auditing these programs in Cambodia?

Mr. O'CONNOR. They usually run postaudit after we have and sometimes State has and sometimes the Pentagon. They usually come in later. The GAO is subject to the legislative branch control, not the executive. I am sure they will be involved.

Mr. PASSMAN. Didn't you mention earlier GAO is auditing in Laos?

Mr. O'CONNOR. I am sorry, sir. I said that we had invited the GSA.

Mr. PASSMAN. Is it GSA?

Mr. O'CONNOR. To do our procurement in the United States for the Cambodian program, but it is true that GAO, of course, does audit in many of these programs in various countries.

Mr. SHRIVER. When they are requested.

Mr. PASSMAN. When requested by a Member of Congress.

Mr. O'CONNOR. By you gentlemen, that is right.

COMMODITIES FINANCED IN FISCAL YEAR 1971 IN CAMBODIA

Mr. PASSMAN. In Cambodia could you furnish the committee a record as to what commodities you financed there for fiscal 1971?

Mr. O'CONNOR. Yes, sir; I should say right now that the amount is limited.

(The information follows:)

IMPORTS FOR CAMBODIA FINANCED BY AID FOR FISCAL YEAR 1971

The following categories of imports are being financed by AID in fiscal year 1971 for Cambodia: petroleum and petroleum products, gas, chemicals, mineral tars, dying materials, polishing and cleansing preparations, rubber products, paper and paper products, cement, nonferrous metals, electrical and other machinery, transport equipment.

Mr. PASSMAN. If you can furnish it, that is what we want. What was your supporting assistance allocation to Cambodia for fiscal 1971?

Mr. O'CONNOR. $70 million.

Mr. PASSMAN. How could five people do any kind of a job supervising $70 million in imports?

Mr. O'CONNOR. As I pointed out just a moment ago, we have had very little imports that have actually started to flow yet.

Mr. PASSMAN. What have you allocated the $70 million for?

Mr. O'CONNOR. For one thing, the program got started more slowly than we thought.

Mr. PASSMAN. I want to commend you for that. I hope you can practice that in the future. The slower it is the better I like it, but you have allocated $70 million, have you not?

Mr. O'CONNOR. Yes, sir; the major expenditure so far is about $6 million worth of POL. That, of course, is not being bought in the States.

Mr. PASSMAN. What do you mean by POL?

Mr. O'CONNOR. Oil, gasoline, lubricants, and so forth.

Mr. PASSMAN. For military or civilian consumption?

Mr. O'CONNOR. That is civilian.

Mr. PASSMAN. Why would you be asking for $110 million when you are only a few days away from the end of the fiscal year and you have only obligated $6 million.

Mr. O'CONNOR. Because it is our best judgment that that is going to be required and that this activity is going to pick up. There have been a number of reasons why it has been quite slow in getting started.

Mr. PASSMAN. Can you get those same reasons functioning for fiscal 1972? I like this idea of asking for $70 million and only allocating $6 million. It is a splendid record.

Mr. O'CONNOR. I am sorry. We have only disbursed $6 million. I have been using the wrong phrase. We have obligated all of the $70 million. We have signed an agreement for that.

Mr. PASSMAN. Could you furnish for the record at this point what you have obligated the entire $70 million for?

Mr. O'CONNOR. I can tell you right now, sir. The first $20 million of it was on a reimbursable basis. The Cambodians are going to spend their foreign exchange and we will reimburse them when the goods are delivered.

Mr. PASSMAN. Let's get away from all of those complications. You wouldn't understand it and neither would I. Let's explain specifically the $70 million whether it goes through three hands, two hands or one hand. Could you furnish us a list as to what you are going to spend the $70 million for? I think you are going to get into a lot of trouble when you let the Cambodians go out and spend $20 million and you are subsequently going to reimburse them for this amount. That makes it even more complicated. I just question how you are ever going to get on top of that kind of an operation. What type of commodities will the $70 million be allocated for?

Mr. O'CONNOR. I can give you the type of commodities. I obviously can't at this stage of the game give you exactly how much of each one.

Mr. PASSMAN. I want it in the record. I am not asking you to have all of that information.

Mr. O'CONNOR. We can give you the approved list which we have approved against which they would be allowed to import.

Mr. PASSMAN. Would it cover spirits, wine, cigarettes, luxuries?

Mr. O'CONNOR. No, sir.

Mr. PASSMAN. Any luxuries?

Mr. O'CONNOR. I think there are no luxuries and very few consumer goods on the list. We are looking at machinery, spare parts.

Mr. PASSMAN. You are talking about human consumers because gas and oil would be considered consumer goods for the domestic economy.

Mr. O'CONNOR. It is essential to keep their civilian logistical system going.

Mr. PASSMAN. I don't quarrel with you there, but what do you mean by consumable goods?

Mr. O'CONNOR. Non-necessity goods or luxury goods. There is nothing of that nature on the list.

Mr. PASSMAN. How about bread and butter?

Mr. O'CONNOR. No.

Mr. PASSMAN. Furnish for the record a list of what you are going to spend the $70 million for in fiscal 1971 and how you are going to be able to control it with five men.

Mr. O'CONNOR. We are clearly going to have to have more than five men.

Mr. SHRIVER. Is tobacco a luxury?

Mr. O'CONNOR. In tobacco, almost every military organization regards it as essential to the morale of their troops and that is the same situation in Cambodia. I agree one can argue about it.

Mr. SHRIVER. It is not for the people on the streets. This tobacco is all for the troops, is that correct?

Mr. O'CONNOR. That at least is what the agreement was signed for.

(The information follows:)

COMMODITIES TO BE FINANCED UNDER THE FISCAL YEAR 1971 COMMODITY IMPORT PROGRAM FOR CAMBODIA

The following categories of commodities are eligible for financing under the fiscal year 1971 commodity import program for Cambodia: petroleum and petroleum products, gas, chemicals, mineral tars, dying materials, polishing and cleansing preparations, rubber products, paper and paper products, cement, nonferrous metals, electrical and other machinery, transport equipment.

The Cambodians will use their own procurement procedures under the initial $20 million grant, with subsequent AID reimbursement. We have already supplemented our permanent five-man staff with a number of short-term personnel in the economic, supply, logistics, and fiscal advisory fields. Most recently, a representative of the AID Controller's Office visited Phnom Penh to assist the Cambodian Government in expediting the reimbursable procedure. To supplement the work of our permanent staff in implementing the last $50 million portion of the fiscal year 1971 program, we have engaged the U.S. General Services Administration to carry on U.S.-source procurement for the Cambodians. In addition, we have sent a number of short-term supply specialists including GSA officials to assist the Cambodians in developing specifications for imports to be purchased from the United States.

OTHER AID DONORS IN CAMBODIA

Mr. PASSMAN. This as always a question I dislike to ask, because without exception we always put up sometimes as much as 90 percent of all the aid, and in other instances 100 percent, and the 10 percent that others put up are AID recipients themselves. Do any of the other countries have a comparable program like supporting assistance for Cambodia?

Mr. O'CONNOR. Yes, sir, the Australian Government has given over $2 million.

Mr. PASSMAN. Against our $70 million?

Mr. O'CONNOR. That is right.

Mr. PASSMAN. Another nation?

Mr. O'CONNOR. The New Zealanders are giving something and the Japanese have.

Mr. PASSMAN. You use the word "something." That could be a used bicycle tire.

Mr. GREEN. Japan has given $4 million.

Mr. PASSMAN. Since this thing started?

Mr. O'CONNOR. For economic assistance.

Mr. PASSMAN. The more questions I ask the more disillusioned I get. How about any of the others?

Mr. GREEN. New Zealand, Great Britain, and Germany have given very small amounts.

Mr. PASSMAN. Very small amounts. In other words, in reality it is an American aid program, and the others are just like when you are stewing a chicken and you put a little salt in to make it taste better. I could almost put up as much as the others and I guess you could also.

Mr. GREEN. In the case of Indonesia, Japan is matching our aid there.

INTERNAL POLITICAL SCENE IN CAMBODIA

Mr. PASSMAN. I am talking about Cambodia, old gullible Uncle Sam. That is the record. Mr. Secretary, would you comment briefly about the internal political situation in Cambodia, its stability now as compared to the time when the new government was formed, and especially at the time when we went in to clean up the sanctuaries.

Mr. GREEN. The stability of the government, as mentioned earlier, is better than it was because they faced a very marginal situation in the beginning and they have been able to consolidate their position. Their position has been improved by the presence of the South Vietnamese forces there, which has directed a lot of the enemy attack against the South Vietnamese, and has given the Cambodians precious time in which to organize their forces. They are moving from 35,000 with no combat experienced officers, no unit training in the field, to a force of over 200,000 trained men.

As far as the Government itself is concerned, Lon Nol is still there but he has really turned over the Government to Sirik Matak. He is a good administrator. He has handled the Government very well in the absence of Lon Nol. He has three deputy prime ministers today. They are called vice presidents of the council. They are all good men who bring to the government different qualities. I would say the most redeeming quality of all in Cambodia is the strong support that the young people as well as other elements of the population are giving to the Government. It is a kind of a crusade against the Communists, against the Tonkinese, the North Vietnamese. That mood has been sustained over the year. The most important quality of all is nationalism. This is of course the reason, Mr. Chairman, we want to keep down our presence to the maximum extent possible. Even though we do run certain risks in not being able to monitor our aid to the extent we would like to, nevertheless if we start building up a presence we may go the same route that we did in Vietnam, finding ourselves involved in a kind of unwritten commitment. We want to avoid that and we think that is the feeling of Congress too in terms of the hearings we had in the supplemental appropriation bill last December. We are going to try to run this thing in a very different way than we did before. We know we are running risks but I think we will be able to cover that by a maximum use of TDY personnel and making sure we make maximum use of all the people we have out there.

IMPLICATION OF WAR IN CAMBODIA AND LAOS ON U.S. TROOP WITHDRAWALS

Mr. PASSMAN. Policywise, and I don't want to get into any partisan argument, I just want to see if I understand it correctly. I think that I did. Under the old system, the North Vietnamese and the Communists could attack our troops.

Mr. GREEN. Yes.

Mr. PASSMAN. And the troops in South Vietnam, and when they completed the attack, then they could run back across the border, have a few parties, rest up, rearm, strike again, and run back to the sanctuaries is that correct?

Mr. GREEN. That is right.

Mr. PASSMAN. Under this policy which is a new policy, they can no longer do that.

Mr. GREEN. That is right.

Mr. PASSMAN. That is one reason why the President has been able to bring home over half of our troops since he has been in power.

Mr. GREEN. That is right.

Mr. PASSMAN. Haven't you stepped up the number of withdrawals?

Mr. GREEN. Yes. The withdrawals are up to 14,200 a month now and it was at the rate of 12,500 before.

Mr. PASSMAN. Do you think possibly the strikes in Cambodia and Laos enabled the President to bring more home than his previous pronouncements called for?

Mr. GREEN. Very definitely.

Mr. PASSMAN. As you can see the situation in Cambodia, it is stabilizing?

Mr. GREEN. It is stabilizing. It is difficult. I don't want to make any predictions.

Mr. PASSMAN. I wouldn't want you to.

Mr. GREEN. It is stabilizing, and I think as far as our own forces in South Vietnam, the progress of Vietnamization, and being able to get out of there faster and under better circumstances, that the role we have played in Cambodia has been an important one, even though it has given many people anguish. We never asked for this role in Cambodia. We would have been content to have things stay as they were, but the North Vietnamese poured in. Sihanouk was thrown out by his people. We faced a new threat. As you say, the North Vietnamese built up on the border. They could attack us at any time and then disappear right across the border. We had to liquidate that threat if we were going to safeguard our own soldiers.

Mr. PASSMAN. I am speaking about the South Vietnamese or Cambodians. The sanctuaries are no longer there?

Mr. GREEN. That is right. Between the two of them working together they have liquidated that threat.

Mr. PASSMAN. You see it that way?

Mr. GREEN. Yes, sir.

SUPPORTING ASSISTANT FOR EAST ASIA

Mr. PASSMAN. Do you subscribe to Dr. Hannah's philosophy, that there is an asking price and a taking price on all of this?

Mr. O'CONNOR. That is the way of realism, sir.

Mr. PASSMAN. Putting it on that basis the $202,750,000 is your asking price?

Mr. O'CONNOR. That is correct.

Mr. PASSMAN. Thank you very much. Dr. Hannah has made it possible for us to resolve a lot of unpleasant differences in the past by putting it on the line. This is the asking price and later we will decide

the taking price. This is your asking price, $202 million, putting it in Dr. Hannah's words?

Mr. O'CONNOR. That is right.

Mr. PASSMAN. You are so agreeable. I hope it is substantially lower.

Mr. O'CONNOR. I hope it will be high enough to do the job.

Mr. PASSMAN. We will make it high enough to do the job. It all depends on what kind of job you want to do.

Mr. O'CONNOR. Just the job you are talking about.

EFFECT OF AID ON ECONOMY OF CAMBODIA AND LAOS

Mr. PASSMAN. Extravagance is the most simple thing in the world. The commodities that you make available to Cambodia and Laos, government-to-government, if this falls in the category of food then the government may sell these commodities to the nationals in that country as it becomes available and they take their earnings and buy the commodities. Is that the way it works?

Mr. O'CONNOR. That is right.

Mr. PASSMAN. Really I don't quarrel with that at all. It provides them with the badly needed food and at the same time they have an incentive to go out and work and earn money with which to pay for the food. Really it helps in two directions; builds up the economy and furnishes employment. Is that the way it works?

Mr. O'CONNOR. Well, I think it is a contribution to the economy either directly or indirectly.

Mr. PASSMAN. It has that effect?

Mr. O'CONNOR. Yes, sir.

Mr. PASSMAN. Providing jobs and subsistence for people in the country?

Mr. O'CONNOR. Yes, sir.

Mr. PASSMAN. I would assume that these people who administer these programs work for a minimum profit rather than a maximum profit. They don't really gouge the locals or nationals on profits?

Mr. O'CONNOR. I think in most cases——

Mr. PASSMAN. Retail over cost?

Mr. O'CONNOR. I think in most cases the government sets the price at which it is sold to the people.

Mr. PASSMAN. I know that is true, but do they try to double their money or add a reasonable margin over and above the cost? You have to have a profit to stay in business.

Mr. O'CONNOR. At least, if they are, I have not heard of it. I don't mean to say every transaction is absolutely the lowest possible price.

Mr. PASSMAN. Do you have any idea what the markup is? You have three levels of cost to the Cambodian Government of these commodities. In turn, the Cambodian Government bills the distributor and wholesaler. The Government makes a profit on that one transaction.

Mr. O'CONNOR. Right.

Mr. PASSMAN. Then the wholesaler moves it on down through the retailer and the retailer makes his profit when he sells it to the consumer. Is that the way it moves through channels?

Mr. O'CONNOR. Yes; I think, roughly speaking, it is.

Mr. PASSMAN. It couldn't move any other way.

Mr. O'CONNOR. It is the way.

Mr. PASSMAN. You have to go from the Government to the wholesaler, do you not?

Mr. O'CONNOR. Yes, sir.

Mr. PASSMAN. Would you try to find out what the markup is?

Mr. O'CONNOR. That is an excellent question.

Mr. PASSMAN. They can get it. The Government's profit to the wholesaler and the wholesaler's profits when he sells to the retailer. Then the retailer's profit when he sells to the consumer.

Mr. O'CONNOR. Yes, sir.

Mr. PASSMAN. I think it is good for us to ask those people questions on things like this. It makes them a little bit careful about overcharging.

Mr. O'CONNOR. I will get that for you. It will be interesting to see.

(The information follows:)

MARKUP ON COMMODITIES

In Cambodia, the permissable markup for the Government import organization, wholesalers, and retailers is established by decree, and includes customs duties, port, and banking charges varying according to the commodity involved. The total markup for all three stages ranges, with very few exceptions, from 16 to 38 percent of the riel cost of the goods at time of import. This markup is apportioned as follows: one quarter of the total 16–38 percent markup goes to the Cambodian Government import organization, 40 percent of it to the wholesaler, and 35 percent to the retailer.

In Laos, no commodities are furnished to the Royal Lao Government for resale.

COST OF AID SHORT-TERM PERSONNEL IN CAMBODIA

Mr. PASSMAN. Mr. Director, you indicated it is going to cost $195,000 for short-term personnel. Would you please explain what is involved in this request.

Mr. O'CONNOR. This is in Cambodia?

Mr. PASSMAN. Yes, sir.

Mr. O'CONNOR. This was the project we set aside, I think. We set aside initially $300,000 because without an authorized program we didn't have any way of paying our own personnel.

Mr. PASSMAN. I don't quite follow you. What do you mean by that? Put something in the record on that.

Mr. O'CONNOR. Yes, sir.

(The information follows:)

TECHNICAL SUPPORT PROJECT FOR CAMBODIA

This project provides personnel and overhead costs for administering U.S. economic aid to Cambodia. Our fiscal year 1971 aid agreements provided that $300,000 of the $70 million program would be set aside for such costs (in the last half of fiscal year 1971). Similarly, of the $110 million requested for fiscal 1972, $500,000 (a full year's costs) is being reserved to cover these personnel and overhead costs.

Mr. O'CONNOR. I know it is for some kind of short-term personnel but whether or not for our own or outside people, I don't know. We have a breakdown here of that. They are for our own direct-hire people.

Mr. PASSMAN. What are they going to do, these short-term personnel?

Mr. O'CONNOR. We are quite sure we need them on a TDY basis out of Saigon or Bangkok. If we find we need them permanently they will be transferred.

Mr. PASSMAN. It appeared to me you just made a statement that in all probability they would become permanent. You are justifying them on the basis of $195,000 for short-term personnel.

Mr. O'CONNOR. At this stage of the game I don't think that you can tell whether they will be turned into permanent personnel or not.

Mr. PASSMAN. What would be the cost if they should be permanent?

Mr. O'CONNOR. It would be the annualized cost of this program.

Mr. PASSMAN. I am awfully sorry. You don't define what you mean by short-term personnel. I don't know whether the $195,000 is for 2 days or 2 weeks.

Mr. O'CONNOR. They will be people that will not be permanently housed in Cambodia.

Mr. PASSMAN. You said that you had short term personnel, I guess that I should have asked you what do you mean by short-term personnel, 1 week or 2 weeks?

Mr. O'CONNOR. What we mean is a limit of 90 days. I think if they were there more than 90 days they should become permanent personnel. It is entirely——

Mr. PASSMAN. If they were there. They may not be there for 1 week.

Mr. O'CONNOR. It is entirely possible they would come down for a week or 3 days and go back. In other words, they could do the job on less than a full-time basis. What we are trying to do——

Mr. PASSMAN. What I am trying to find out is what you mean by short term. You want $195,000 for short-term personnel. If short term should mean that you are going to employ a given number for 1 week, then you would decide they should become permanent, you would have to multiply the $195,000 by 52. I am trying to find out how much money you are going to spend if you should make them permanent and put them on an annual basis.

Mr. O'CONNOR. Mr. Chairman, I simply have to give you an estimate for the record. If they were converted to full-time personnel we would be down on travel money. We wouldn't have to have any travel money but the salary would be up.

Mr. PASSMAN. In other words, if the $195,000 for short-term personnel represented 1 week and if you should decide to employ them on an annual basis you would multiply that by 52. I am going to make the record look as bad as I can if you don't know anything about it.

Mr. O'CONNOR. Let me supply the answer that you want for the record.

Mr. PASSMAN. I have been trying to get the answer.

Mr. O'CONNOR. I don't have it and I will try to supply it.

Mr. PASSMAN. I want to be as nice as I can. We represent you on this side of the table. You may know more about it than we do but we are the ones getting paid to make you justify these funds.

Mr. O'CONNOR. The reason we are proceeding in this way is to try to keep as small an outfit there full time as we can.

Mr. PASSMAN. What you are doing is looking at the degree of uncertainty. You state directly that you want $195,000 for short-term personnel. You don't explain what you mean by short term. Then you say that you may make them permanent. That means simply that the

$195,000 does not mean anything. That is why I was trying to find out how long is a short-term employee.

Mr. BREECHER. It is an average of 3 months. What it would mean is that these people would be there up to 3 months.

Mr. PASSMAN. Then they could be there for 1 week but the very maximum would be 90 days?

Mr. BREECHER. The maximum would be 90 days. We figure that it would be about 16 people there. If you have permanent personnel you could cut down that number. Probably get along with about 6 or 7 people and our costs would be in the neighborhood of $195,000 or $250,000.

Mr. PASSMAN. Put something in the record on that.

Mr. O'CONNOR. Yes, sir.

(The information follows:)

SHORT-TERM PERSONNEL IN CAMBODIA

To supplement the very small permanent AID staff in Cambodia we are requesting $195,000 in fiscal year 1972 to cover short-term personnel costs, including travel, per diem and allowances. This amount could fund approximately 16 short-term employees providing needed economic, supply, logistics, and fiscal advisory services for periods of time averaging 3 months. These services could be supplied on a permanent direct-hire basis by six or seven people at a total annual cost of from $200,000 to $250,000.

COST OF TRANSFERRING SHORT-TERM PERSONNEL IN CAMBODIA TO A PERMANENT BASIS

Mr. PASSMAN. How long are they going to be left there? You know how long you are going to use them. You use a minimum and maximum. You are bound to have a specific task for them. Let us know what that job is. What is the cost in the event you decide to keep them on a permanent basis; and where are you going to get the money to pay for them?

Mr. BREECHER. It will be a little higher but not much. We can absorb that in the $500,000.

Mr. PASSMAN. You have some things in there that you can absorb? How much?

Mr. BREECHER. We have that $195,000 and we have money for direct hire.

Mr. PASSMAN. You can absorb the difference between 90 days and 1 year on the——

Mr. BREECHER. Yes, sir.

Mr. PASSMAN (continuing). Sixteen?

Mr. PASSMAN. You can absorb the difference between this funding of 90 days or $195,000 in the amount in 1 year?

Mr. BREECHER. That is correct.

Mr. PASSMAN. Do you have the same kind of——

Mr. BREECHER. We wouldn't have 16 people.

Mr. PASSMAN. Do you have the same kind of formula built into all of these requests, that much absorption?

Mr. BREECHER. We have them on a permanent basis.

Mr. PASSMAN. You said that you could absorb it out of some other funds?

Mr. BREECHER. That is right.

Mr. PASSMAN. What funds can you absorb it out of?

Mr. BREECHER. It would be a small amount and we would absorb it within the $500,000 technical support.

Mr. PASSMAN. What kind of support?

Mr. BREECHER. Technical support project.

Mr. PASSMAN. Still you are not sure that you are going to need them on a permanent basis?

Mr. BREECHER. That is right.

Mr. PASSMAN. Tell us what item you are referring to and we will take the excess out. You made a good case for us. You said that you don't know yet if you have enough money in the $500,000?

Mr. BREECHER. To keep within that.

Mr. PASSMAN. To absorb the excess cost?

Mr. BREECHER. We will keep within that limit.

Mr. PASSMAN. You don't know that you need it, do you?

Mr. BREECHER. If we don't need it we won't spend it, but we will keep it within the $500,000.

NUMBER OF TECHNICIANS PROPOSED FOR CAMBODIA IN FISCAL YEAR 1972

Mr. PASSMAN. On page C–3 you mention four technicians proposed for fiscal year 1972, but on page C–4 you only indicate three technicians for the fiscal year 1972 program. Will you give us a little explanation of that difference?

Mr. BREECHER. Mr. Chairman, this is the number who are onboard at the end of the year. This does not mean how many people we have there on average in the year.

Mr. PASSMAN. Are you proposing four technicians for fiscal year 1972?

Mr. BREECHER. Yes, sir.

Mr. O'CONNOR. There would be one program officer, supply adviser, program economist.

Mr. PASSMAN. Go back to C–4. There you indicate that you will only use three technicians. Is that correct?

Mr. BREECHER. We made a mistake.

Mr. PASSMAN. If you made a mistake state so. You are trying to cover it with some other, but now you give three reasons why you handle it this way. Which one did you want us to accept?

Mr. BREECHER. I said——

Mr. PASSMAN. If you made a mistake we will move along.

Mr. O'CONNOR. We did.

Mr. BREECHER. We didn't put the secretary in there, Mr. Chairman.

FISCAL YEAR 1972 PROGRAM FOR LAOS

Mr. PASSMAN. Returning to Laos, you are proposing $50,550,000 for fiscal year 1972, is that correct?

Mr. O'CONNOR. As I mentioned earlier, Mr. Chairman, that figure has been reduced by $3.3 million as a result of a funding shift to other Government agencies after our presentation book was prepared.

Mr. PASSMAN. What did you have for Laos in fiscal year 1971?

Mr. O'CONNOR. In fiscal 1971 we asked for $45.9 million.

Mr. PASSMAN. Really your asking price is $4,625,000 above the program for last year?

Mr. O'CONNOR. Well, with the $3.3 million reduction the fiscal year 1972 figure would be $47.2 million, so the increase would be $1.3 million.

Mr. PASSMAN. In your original hearings that you presented to the committee today, you requested $50,550,000?

Mr. O'CONNOR. Yes, sir, the change occurred after our books were prepared.

Mr. PASSMAN. Have you somewhere along the way gotten through to the proper people that your $202,750,000 would have to be reduced by this amount?

Mr. O'CONNOR. Yes; it is in my statement and I mentioned it when I first came up because this is subject to agreement. We have concluded in the last few weeks——

Mr. PASSMAN. With whom?

Mr. O'CONNOR. Two other agencies of the Government, Pentagon and another, taking the $3.3 million into their budgets and out of ours.

Mr. PASSMAN. It is not a reduction but switched over to the economic aid in Defense?

Mr. O'CONNOR. It is not a reduction for the U.S. Government as a whole; no, sir.

Mr. PASSMAN. It is no reduction at all?

Mr. O'CONNOR. No, sir. It would be a transfer out of our budget into two other budgets.

Mr. PASSMAN. In the entire amount of ——

Mr. O'CONNOR. $3.3 million.

Mr. PASSMAN. What other budget is it being transferred into?

Mr. O'CONNOR. DOD.

Mr. PASSMAN. Department of Defense. Put it so people know what we are talking about.

Mr. O'CONNOR. That is the Department of Defense.

Mr. PASSMAN. The next one? Transferred to two agencies?

Mr. O'CONNOR. Can I go off the record on that one?

Mr. PASSMAN. Off the record.

(Discussion off the record.)

Mr. PASSMAN. On the record.

In fact, if we had been examining hurriedly, the readers would gain the impression that you reduced the amount in supporting assistance for your area, which would have not been true. You are merely transferring the same amount over into another agency. It all comes out of the same pot, doesn't it, the U.S. Treasury?

Mr. O'CONNOR. Yes, sir; it does. I testified to that earlier in this hearing.

Mr. PASSMAN. I am not arguing that you didn't. People may not have read that earlier. If I am going to buy what you said earlier, we would have dismissed you after your statement. You understand that?

Mr. O'CONNOR. Yes, sir.

Mr. PASSMAN. We subsequently ask questions about it to see if you give us the same answer you had in your statement.

There is nothing wrong with putting it in the record again.

Mr. O'CONNOR. Right.

PROBLEM OVER DIVERSION OF RICE IN LAOS

Mr. PASSMAN. In the July 22, 1970, issue of the *Washington Post* an article appeared stating that several Chinese businessmen in Laos had been buying cheap rice illegally from neighboring Thailand and selling it to AID at inflated prices under a contract calling for Pakse rice. How about that?

Mr. O'CONNOR. There were some problems there. There is no question about that. We did have an investigation. We did have somebody from our Inspection Corps inspect that situation. I think by and large it is cured now, but I can not vouch for that.

Mr. PASSMAN. How much did we get gypped out of in this transaction, any idea?

Mr. O'CONNOR. I don't know that we have those figures. There was definitely a violation of the contracts as to the source of the rice, there is no question about that. I will have to supply for the record the estimated amount of the rice involved.

(The information follows:)

HOW MUCH DID THE UNITED STATES LOSE IN THE LAOS ILLEGAL RICE TRANSACTION INVOLVING THE CHINESE

Investigation showed that one of the contractors apparently violated the terms of a contract which called for the purchase of paddy rice in the Pakse area of Laos, by substituting at least some rice purchased in Thailand.

A total of 2,141 metric tons of milled rice had been delivered to Vientiane on this contract before it was cancelled by USAID/Laos. If the same amount of rice had been purchased in northeast Thailand at the same time for delivery to Vientiane it would have cost about $21,000 to $32,000 less ($10–$15 less per ton) because of the higher cost of transportation from Pakse to Vientiane. It has not yet been absolutely proven, however, how much of the rice supplied by the contractor was Thai rather than Lao rice.

In any event, pending conclusion of the U.S. Government's investigation and final settlement of the matter which involves other possible contract violations and related problems, USAID/Laos is withholding final payment to the contractor of about $52,000 for rice delivered.

Mr. PASSMAN. There is nothing wrong with the Chinese merchants making a profit. They were buying the rice and selling it to AID; isn't that true? AID, in turn, sold the rice?

Mr. O'CONNOR. Well, what we were trying to do, Mr. Chairman, was to have Laotian rice bought and sent from Pakse. There was a transportation situation. That would have been an input into the Laotian economy. Instead, Thai rice was substituted and the payment did not go where we thought it was going to go.

Mr. PASSMAN. Did you agree to buy it from the Chinese merchants at an inflated price?

Mr. O'CONNOR. No, sir. We discovered that it was not coming from the origin we thought and we did not buy it. I have a full report on that and, if you wish, I will submit it for the record, or a summary.

Mr. PASSMAN. I am trying to find out if you actually bought some of the rice. If you got hooked you just got hooked. That is all.

Mr. O'CONNOR. I think we did, in fact, buy some.

Mr. BREECHER. We bought some. The price was all right, but our purpose was to take it out of Laos and deny it to the Pathet Lao. We then found there was rice coming from Thailand, so the strategic idea of denying it to the Laotian Communists was not achieved. Therefore we suspended any further dealings and this dispute is now with

the man whose payment is suspended and we suspended him from delivering any more rice.

Mr. PASSMAN. Thailand had to be involved in this illegal transaction, did they not?

Mr. O'CONNOR. Not the Thai Government but some Thai merchants.

Mr. PASSMAN. There was a list of importers or exporters handling the transaction?

Mr. O'CONNOR. That border is less than totally restrictive.

KOREAN PURCHASE OF U.S. RICE

Mr. PASSMAN. We were out in Thailand in a little meeting with the Ambassador and members of his staff and actually one gentleman there reprimanded the very idea that we would try to sell our rice out in that part of the world. These markets traditionally belonged to those people there and we shouldn't be doing ugly things like that. I said it is time for you to be brought home on home leave. The committee moved on to Korea and there was some publicity prior to our departure that we would be discussing with those people the surplus rice that we have in our country. Evidently this hit the press, because when we got off the plane the former Prime Minister of Japan was holding his conference with President Park of Korea and they agreed in principle that the Koreans would buy 400,000 tons of rice from Japan.

In my meeting with the President, delivering a personal message from Secretary Laird as to the supplemental, very diplomatically I brought it up that we had a tremendous surplus of rice in this country. We were threatening a 10-percent acreage cut and if it was not inconsistent with their policy, since they were getting ready to buy the rice, would he look favorably upon buying the rice from our country.

He said that was the first time he knew that we had a surplus. "If it is on equal terms, we will certainly buy the rice from your country." So he switched the order and authorized me to release it to the press. Upon returning to this country I mentioned it to the President and also to the people in the Agriculture Department as well as Dr. Hannah. To abbreviate a long story, the Koreans purchased, not a gift, but purchased 400,000 tons of rice at approximately $70 million or $80 million from our country on good hard terms. Of course, I had been getting a lot of praise for it. It was not me but a question of bringing some facts to the attention of the Koreans.

It kind of worries me that our State Department people and AID people wouldn't have informed the people in Korea that we had this tremendous surplus of rice. We had been very kind to them and looked with favor upon the purchase of rice from our country, which they did. You would have thought I had the Statue of Liberty moved down to Louisiana with all the headlines I got. It was a question of bringing it to their attention. It was a good, hard sale.

I am just wondering why we have to take a back seat to any part of the world in selling our commodities if we are competitive, because this country became great, free, strong, and wealthy, built around a free enterprise system and being able to meet world prices, did they not?

Mr. O'CONNOR. It did.

Mr. PASSMAN. If we have to pull in our horns on selling rice to the Far East and selling textiles to some other country, the first thing you know we will have to be selling only to ourselves. When I observe this about the Thai rice, it just reminded me of the gripe one of our people was putting up out there, the very idea of us coming over there and trying to sell these people rice.

AID ANSWER TO GAO CHARGES OF LOSSES OF RELIEF GOODS FOR LAOS

Mr. PASSMAN. Another Washington Post article of October 11, 1970, stated that the General Accounting Office found serious losses of U.S. aid relief goods intended for refugees in Laos, which amounted to about $109,000. Several examples of mismanagement were cited. Would you comment on this article and the situation?

Mr. O'CONNOR. I think this is the one that came out in the Kennedy hearings.

Sir, we have no evidence of that so-called misuse. We have answered the GAO on that charge. I would like, if I may, to submit that answer for the record.

(The information follows:)

ALLEGED MISMANAGEMENT OF U.S. AID RELIEF GOODS INTENDED FOR REFUGEES IN LAOS

Investigation by the USAID revealed most of the losses cited by the GAO were not losses of the commodities themselves, but reflected misfiling or nonarrival of documents at the time the GAO report was made.

Mr. PASSMAN. While submitting that answer, let me restate for the record that we got into a lot of difficulty.

Mr. O'CONNOR. Yes.

PREVIOUS PROBLEM OF MISUSE OF U.S. AID IN LAOS

Mr. PASSMAN. Years ago, I believe 62 percent of important imports were being accepted before they crossed the border into Laos and other instances there was collusion between Laotian officials and the sellers where they would charge us 300 percent profit on commodities. In other instances they substituted used goods for new goods.

It was a very serious matter. These Laotian officials later agreed that they were guilty of these charges and worked out some kind of a deal to reimburse our Government what they defrauded us out of. I believe I mentioned that earlier. You said you read about it, you heard about it. I make it a statement of fact because I have been sitting over here conducting these examinations for 17 years.

Knowing of that situation back then and seeing what looks like a repetition of it causes me great concern.

Mr. O'CONNOR. I agree with you for being concerned. I think, however, there is a difference.

At that time these were commodity imports flowing into the economy. These drugs, I think, are being used by our own people largely for refugees and sick and injured.

Mr. PASSMAN. I want to suggest again that you watch these people. I have nothing but compassion for underprivileged people and I have contempt for the corrupt, whether they are Americans or foreigners.

Mr. O'CONNOR. Right, sir.

Mr. PASSMAN. You should read the record, Mr. O'Connor, on how we got hoodwinked by these Laotians in this program. This goes back some 10 or 12 years ago. It was unpardonable. I am not going to do the research. It is in our hearings here.

I am sure if you would ask someone down on the Laotian desk to give you a résumé of these incidents of some 10 or 12 years ago, you would be just as shocked as I am.

These were public officials.

Mr. O'CONNOR. I can say, though, sir, in the 2 years that I have been operating this program, I think there have been very few instances of that kind that I have seen any mention of.

Mr. PASSMAN. You do not usually mention dishonesty. These things are pretty well covered up. You find out after they happened.

Mr. O'CONNOR. I am talking about what the General Accounting Office, and so forth, uncovered. They have been relatively minor.

Mr. PASSMAN. I can say from what I see here and what we read in the press, it looks like possibly history is repeating itself. We admitted that there were some illegal transactions or attempted transactions, some of them successful, buying rice from Thailand and selling it to AID, no doubt, for the Laotians, and follow it up with this other report about GAO finding serious losses of U.S. relief goods intended for refugees in Laos, about $109,000 worth.

This looks like I am reading the same statements which I read years ago. The AID people said then, you are getting excited about nothing. Subsequently, the officials admitted it was true. Our Government worked out some kind of a deal with their Government for us to be reimbursed for it.

You had better have a look at that chapter in history.

Mr. O'CONNOR. I will, sir, and we will keep our eye on these two items and report to you.

Mr. PASSMAN. Not just these two items.

Keep your eye on these Laotians. Do not be bashful about it. They would like you better if you would.

THAI GOVERNMENT'S TRANSPORTATION COMPANY

For the last several years we have had discussions concerning the express transportation organization which transports goods across Thailand to Laos. Is it not true that this organization is owned by the Thai Government?

Mr. O'CONNOR. It is true they are owned by the Thai Government.

Mr. PASSMAN. Last year you indicated payments to this company prior to fiscal year 1968 had been destroyed in a warehouse fire. Where was this warehouse located?

Mr. O'CONNOR. I will have to supply that for the record.

Mr. PASSMAN. OK. Thank you.

(The information follows:)

FACTS REGARDING THE TRANSPORTATION ORGANIZATION WHICH TRANSPORTS GOODS ACROSS THAILAND TO LAOS

The warehouse destroyed by fire in which the express transportation organization (ETO) payment records prior to fiscal year 1968 were stored was located in

Bangkok, Thailand. This warehouse was maintained by the office of USAID/Laos in Bangkok.

Mr. PASSMAN. Would you please indicate what amounts have been paid to this company by the United States over the last 5 years, either calendar or fiscal?

Mr. O'CONNOR. Yes, sir. I have the 1971 figure.

Mr. PASSMAN. I want it for 5 years.

Mr. O'CONNOR. Right. We will supply it for all 5 years.

Mr. PASSMAN. Do not confuse the record with one figure. We want it for all 5 years.

Mr. O'CONNOR. All 5 years, right, we will supply it.

(The information follows:)

Facts Regarding the Transportation Organization Which Transports Goods Across Thailand to Laos

Amounts paid to the express transportation organization in Thailand for transportation of USAID/Laos commodities from Bankok to Laos.

Fiscal year:	
1968 [1]	$260, 314. 84
1969	242, 383. 43
1970 (obligations)	226, 800. 00
1971 (estimate as of December 1970)	223, 000. 00
Total, 1968 through 1971	952, 498. 27

[1] Payment records prior to fiscal year 1968 were destroyed in a warehouse fire in Bangkok in 1969.

Mr. PASSMAN. Do you require some sort of proof from the company that all goods shipped have been received at the final destination before payment is made?

Mr. O'CONNOR. Yes, sir; we do.

Mr. PASSMAN. What kind of proof?

Mr. O'CONNOR. I am afraid I will have to supply the exact kind of documentation for the record.

Mr. PASSMAN. Are you dealing with documentation or are you dealing with some inspection of the goods themselves?

Mr. O'CONNOR. I cannot answer that, sir. I will have to supply it. I imagine there is some sort of spot checking of goods to the sellers.

Mr. PASSMAN. Let's find out for sure.

Mr. O'CONNOR. Yes, sir; I will supply it.

(The information follows:)

FACTS REGARDING THE TRANSPORTATION ORGANIZATION WHICH TRANSPORTS GOODS ACROSS THAILAND TO LAOS

The USAID/Laos control procedures entail verifying the receipt of all ETO shipments. Payment is made to the express transportation organization on the basis of the presentation of signed manifests or signed delivery receipts accompanying their bills. When the mission, however, discovers any losses or damages, it files a claim with the ETO, generally excepting cases where the value involved is less than $15.

Mr. PASSMAN. Certainly it would be good if we have a system of spot checking.

Off the record.

(Discussion off the record.)

Mr. PASSMAN. In how many instances has this company been involved in fraudulent practices that you have a record of?

Mr. O'CONNOR. I do not have any record of that here. I will supply it.

Mr. PASSMAN. You are familiar with the charge, are you not?

Mr. O'CONNOR. I know there have been a number of charges; yes, sir.

Mr. PASSMAN. Will you get something for us?

Mr. O'CONNOR. I will.

(The information follows:)

FACTS REGARDING THE EXPRESS TRANSPORTATION ORGANIZATION WHICH TRANSPORTS GOODS ACROSS THAILAND TO LAOS

AID has no record of any fraudulent practices involving this company. The GAO last year raised questions about several deliveries of refugee relief commodities by the Express Transportation Organization but the AID mission, upon investigation, found that virtually all of the commodities in question had been received. The mission filed claims with ETO for the relatively small quantities found not to have been received.

LAOS

Mr. PASSMAN. You indicate that about two-thirds of the population and one-half of the land area are under Royal Laotian Government control. Has this situation changed substantially since these justifications were prepared?

Mr. O'CONNOR. I do not think it has.

Mr. GREEN. No. There has been a little bit of erosion of position.

Mr. O'CONNOR. Particularly in the south there has been some erosion.

Mr. GREEN. Yes.

Mr. PASSMAN. In other words, the Communists are not only holding their ground, they are creeping up a little?

Mr. GREEN. That is right.

Mr. O'CONNOR. Particularly in the south, in the Boloven Plateau area.

Mr. PASSMAN. What happens if the situation reaches a point where it is critical? Do we suspend aid until it can be stabilized or do we continue disbursing it?

Off the record.

(Discussion off the record.)

PROPOSED AID PROGRAM TO LAOS IN FISCAL YEAR 1972

Mr. PASSMAN. Be sure to indicate for the record the total U.S. aid to Laos that is proposed for the fiscal year 1972 program, all-inclusive, picking up these other pieces, so we will know the title.

(The information follows:)

Total U.S. Aid to Laos for Fiscal Year 1972—All Pieces

	Millions
AID supporting assistance	[1] $47.3
Public Law 480, title II	[2] 1.9
MSF—In DOD budget	[3] ———
Total	———

[1] Current request is $3,300,000 less than the original request to Congress for fiscal year 1972.

[2] Estimated value of transfer authorizations to be issued.

[3] As given in the International Security Assistance Program Congressional Presentation Book for fiscal year 1972.

Mr. PASSMAN. Now, the type of aid that is going to this area is all grant aid, is it not?

Mr. O'CONNOR. In Laos, yes, sir.

Mr. PASSMAN. I am talking about your area of Thailand, Laos, Cambodia.

TYPES OF AID PROPOSED FOR LAOS, CAMBODIA, AND THAILAND

Mr. O'CONNOR. These three countries all have security assistance grant aid, with the exception of one item in Thailand where we propose a security assistance loan.

Mr. PASSMAN. In the amount of what?

Mr. O'CONNOR. $10 million.

Mr. PASSMAN. $10 million for what?

Mr. O'CONNOR. It is for a multisectoral project. We want to try to take care of five different sectoral areas with this loan.

Mr. PASSMAN. If we start paying back on this $100 million that we borrowed from them, could we not get them, possibly, to go ahead and use that money to finance these projects? It does not make sense that you go out and take a wealthy country by their standards, where we actually borrowed $100 million, then turn around and have a very large grant program going into the same country. It is just very hard for me to reconcile it as the proper way to proceed.

When did we repay the first installment on this $100 million? It is all due in a lump sum, 4½ years?

Mr. BREECHER. Yes.

Mr. PASSMAN. What is the maturity?

Mr. BREECHER. July 2, 1973.

Mr. PASSMAN. In other words, 2 years from now we are going to have to deliver to them $100 million in repayment of this loan, is that not correct?

Mr. BREECHER. That is correct.

TOTAL AID PROGRAM FOR LAOS IN FISCAL YEAR 1972

Mr. PASSMAN. You are running the show. I wish you would look at that. You indicate $1.9 million is proposed for fiscal 1972 for Public Law 480, title II, assistance for Laos. This is pure grant, again, is it not, consisting of commodities that may be financed by CCC?

Mr. O'CONNOR. That is right. That is the food for work program.

Mr. PASSMAN. In my State it is food for working, in a great many instances. So this is certainly a departure from our formula, in many instances.

We mentioned about some of the other countries making small token contributions to this program in Laos. Would it be about the same, percentagewise, as the country we mentioned earlier, Cambodia? A little token assistance.

Mr. O'CONNOR. Twenty-five percent of the stabilization fund, FEOF, is from outside donors.

Mr. PASSMAN. What is FEOF?

Mr. BREECHER. Foreign Exchange Operations Fund.

Mr. O'CONNOR. Basically an economic stabilization fund, which about a third of our aid goes to. I have the figures. I will supply them.

About 25 percent of the Fund comes from Australia, United Kingdom, France, and Japan.

Mr. PASSMAN. Let's make the record for Laos. What is the total aid, all spigots?

Mr. O'CONNOR. The total is $52.3 million, for all spigots, for 1972.

Mr. PASSMAN. That is what you have in supporting assistance alone?

Mr. BREECHER. We have a problem because Laos and Thailand are in the DOD budget.

Mr. PASSMAN. I am not quarreling. I am just trying to get the facts like Cambodia, where we had $110 million, the largest contributor I believe was Japan, $4 million; some other country, $2 million; another country, about $300, just to get their names in the pot. Is it about the same situation in Laos?

Mr. O'CONNOR. Does the Colonel have the MASF figure?

Mr. GREEN. The answer to your question is yes, it is.

Mr. PASSMAN. If it is yes, there is no use to proceed.

Mr. GREEN. It is if you take in all these other expenditures, DOD, and so forth.

Mr. PASSMAN. We have to make it all-inclusive. In other words, ours represents 95 to 97 percent of the grand total, is that not right?

Mr. GREEN. That is right.

Mr. PASSMAN. Of course we get a lot of fun kidding ourselves we have allies in Vietnam. We do not have allies. These people, with the exception of Korea, where we have these rented soldiers, are just giving token assistance; a few cooks. The medical team from the Philippines, I believe they withdrew last year. At least the Americans should not kid themselves.

I am not going to try to kid you. I know you would not want to kid me. It is really a U.S. program. These token contributions are just like the salt in the stew. That is about right, is it not?

Mr. Reporter, he nodded "yes."

Mr. GREEN. I do not know about the simile of the salt in the stew.

Mr. PASSMAN. I know you nodded in the affirmative, but he has no way of recording those nods, unless we put it in a word.

Mr. GREEN. Yes.

Mr. PASSMAN. Thank you.

LAOS REFUGEE PROGRAM

Is the Laos refugee program coordinated in any way with the other refugee programs found around the world?

Mr. O'CONNOR. Well, it has not come under the U.N.'s High Commissioner, so far as I know. When you say around the world, sir, I am not clear what you mean.

Mr. PASSMAN. You have the refugee program, most of them are headquartered in Geneva. Yet you arrive out in Hong Kong and you run into a refugee program.

Mr. O'CONNOR. No, this does not come under the U.N. High Commissioner, I think because of the wartime situation there.

Mr. PASSMAN. The reason I ask this is it seems everyone is in the refugee business and they are located in many different agencies.

Mr. O'CONNOR. They are, sir.

Mr. PASSMAN. So this Laotian refugee program, is that just a U.S. program?

Mr. O'CONNOR. Well, as you mentioned earlier, the bulk of the assistance certainly is from the United States. On the other hand, there are very helpful, but admittedly small pieces that come in from Catholic relief services, a number of other religious groups. I think World Vision is one of these groups.

Mr. PASSMAN. The religious groups are distributing in the main the commodities that we furnish under title II of Public Law 480, are they not?

Mr. O'CONNOR. Yes, in title II, I think that is true.

Mr. PASSMAN. I visited many of these places where these church groups are distributing commodities, but they are commodities that are given to them, paid for by the U.S. taxpayer. Their only service is actually distributing them, is that not correct?

Mr. O'CONNOR. Yes, but they have their personnel there. If they did not, we would have to have ours.

Mr. PASSMAN. I know. I am trying to make the record as far as the commodities, they are given free to these religious organizations to distribute.

Mr. O'CONNOR. That is right.

Mr. PASSMAN. Off the record.

(Discussion off the record.)

HOSPITALS IN LAOS OPERATED BY FILIPINOS UNDER AID AUSPICES

Mr. PASSMAN. You indicate that seven municipal hospitals are operated by Filipino medical personnel under an AID contract.

Would you state where these hospitals are located and why they are operated by Filipino personnel?

Mr. O'CONNOR. We have the locations here, but it might save time to supply it for the record.

(The informaiton follows:)

LOCATION OF SEVEN FILIPINO HOSPITALS AND WHY THEY ARE OPERATED BY FILIPINO PERSONNEL

Operation Brotherhood personnel work or have worked in hospitals at the following seven locations: Vientiane, Paksong (hospital recently destroyed by enemy action), Khong Sedone, Keng Kok, Sayaboury, Vang Vieng, and Ban Houei Sai.

Laos has never had sufficient trained medical prsonnel and the need has been made more acute by the war. In fiscal year 1964, AID contracted with Operation Brotherhood (OB), a Filipino nonprofit organization, for continuaiton of primarily civilian medical services that organization had previously provided under various other auspices. These hospitals are under the jurisdiction of the Royal Lao Government and have Lao administrative staffs and Lao supplemental staffs supporting the Filipino personnel who provide professional clinical and advisory services. With the increased number of Lao being trained as medical personnel, it is planned to gradually replace the Filipino personnel.

Mr. PASSMAN. Are these Filipinos paid by contract salary or is it a personal contribution by the Filipino Government?

Mr. O'CONNOR. No, they are paid by contract salaries.

Mr. PASSMAN. By the AID agency?

Mr. O'CONNOR. Yes, at the indigenous rate. The reason it is Filipinos is, they are well-trained, they are very well-received by Laotians at a fraction of the cost of U.S. personnel.

Mr. PASSMAN. Is it not true the United States is providing assistance to the Philippines concerning health matters?

Mr. O'CONNOR. Only in the family planning area is that true, sir.

Mr. PASSMAN. Are you sure?

Mr. O'CONNOR. I think in family planning, some nutritional supplements are being provided for children.

Mr. PASSMAN. That is right. I wish you would have a look. It looks like we are helping the Philippines to do the very things we are paying them to do over in Laos.

Mr. O'CONNOR. But we do not have American doctors and nurses in the Philippines.

Mr. PASSMAN. You have some.

Mr. O'CONNOR. Not through AID or any government service, so far as I know.

Mr. PASSMAN. We have the Army and Air Force installations there with doctors.

Mr. O'CONNOR. Yes, for our own military, that is true.

AID MEDICAL PROGRAM IN THE PHILIPPINES

Mr. PASSMAN. I am not quite satisfied that that is what we want to leave hanging there. I would like to have you look a little closer at the type of medical technicians that we have in the Philippines, giving them aid, training them to do certain things. Would you have a look at that?

Mr. O'CONNOR. Yes, I will. I do know that we are involved very much in family planning and we do have at least one physician attached in the mission to that project.

Mr. PASSMAN. All right.

Have a look at it, because it would be rather strange if we send our own personnel to the Philippines, then turn around and send the Filipinos over to Laos to run their hospitals.

Mr. O'CONNOR. All right, sir.

(The information follows:)

NUMBER OF PHYSICIANS ON U.S. AID STAFF IN PHILIPPINES

The U.S. AID staff in the Philippines includes one physician who is employed full-time in the family planning program.

Mr. PASSMAN. I think it would be a good question to ask if the Filipinos have progressed to the point where they have excess medical personnel to go overseas.

Mr. O'CONNOR. I think they do, sir. They do have excess personnel, but I think the quality is the real question.

Mr. PASSMAN. We do not have excess medical personnel in this country.

Mr. O'CONNOR. We have a lot of Filipino nurses and doctors in our hospitals.

Mr. PASSMAN. You may have, but that is not answering my question. We do not have sufficient medical personnel in this country, do we?

Mr. O'CONNOR. No, sir.

Mr. PASSMAN. There is a great shortage?

Mr. O'CONNOR. There is a shortage.

Mr. PASSMAN. Well, it is strange that the Philippines would have excess medical personnel. I know we have given an awful lot of aid to them, but why would they have excess personnel and in this great land of yours and mine we are short of medical personnel?

Mr. O'CONNOR. I think it is a question, really, sir, of standards, that is, what you are used to.

They have enormous—that is too strong a word—they have a very high ratio of doctors to individual people in the Philippines as compared to the rest of Asia.

Mr. PASSMAN. That is strange, really.

Mr. GREEN. I think in Taiwan and Korea they also have quite a few doctors. As you know, they have these programs in Africa; both those countries have medical programs in Africa.

Mr. PASSMAN. Are these people, that we employ to run hospitals that we finance, trained in these countries, equal to the medical personnel in this country?

Mr. GREEN. I do not suppose they are.

Mr. O'CONNOR. I doubt it.

Mr. GREEN. To answer your earlier question, some of our own doctors will not go into certain parts of our country, they will not work there.

Mr. PASSMAN. It is not really a question of going into other countries. You named three countries that had a sufficient medical training program where they have excess doctors in their countries. Did you not say that?

The Philippines being one——

Mr. O'CONNOR. Yes; I think they do have.

Mr. PASSMAN. All right. Then let me finish the statement, and you do know we have a tremendous shortage of doctors in this country?

Mr. GREEN. That is right.

Mr. PASSMAN. I know one of the little towns in my district, Winnsboro, La., fine new hospital, had 11 doctors. Today you have only three doctors. I have tried to get some young doctor—they really need five—to go to Winnsboro. Even the community is willing to raise funds, you understand, to give them a guaranteed annual income, for, if necessary, up to 3 years. I have been trying to get some young man transferred from one part of the country down there, but here they are, from 11 down to three doctors and we cannot find a single doctor.

I talked to the manager of the hospital today, Mr. Lee, begging for doctors. So it is strange to me that these countries, so-called underdeveloped countries, that we have given billions of dollars to, that they are able to train doctors in excess of their needs and they can send them abroad.

How do we get ourselves in that situation?

Mr. O'CONNOR. I do not think it is excess of the need. I think it is a market supply situation.

Mr. PASSMAN. Earlier you said they had excess.

PROBLEM OF LACK OF MEDICAL FACILITIES IN PHILIPPINES

Mr. O'CONNOR. They do, sir. In the Philippines there are doctors who are not working at their trade because there are no hospitals or institutions or not enough money in the economy to pay them.

Mr. PASSMAN. They either have excess doctors or they do not, so let's be sure we have the record straight.

You said they did. I asked you that question. You answered in the affirmative. Now let's straighten out the record. They either do or do not have excess medical men in these countries. You named the Philippines and I think you mentioned two other countries.

Mr. GREEN. I mentioned Korea and Taiwan.

Mr. PASSMAN. Yes. Korea and Taiwan that you mentioned have a specific surplus?

Mr. GREEN. They have programs in Africa.

Mr. O'CONNOR. We will clarify that.

Mr. PASSMAN. It is not going to be easy to explain to my constituents, these countries that we have given billions of dollars come along and have excess doctors.

Mr. GREEN. Some of the doctors have come here and many of the nurses have come here from Asia.

Mr. PASSMAN. I know that. I go out to the hospitals and see them. Usually they are interning.

MAINTENANCE OF ROADS IN LAOS

Mr. PASSMAN. Once roads are built in Laos, are they properly maintained so as to remain usable throughout the year?

Mr. O'CONNOR. Yes, they are. The major emphasis of all roads activities in Laos is maintenance and repair of roads and bridges. This emphasis is dictated by the importance of usable roads for keeping the economy going and linking people to each other and to their Government, as well as for military purposes.

LAO INDUSTRY LOAN FUND

Mr. PASSMAN. You indicate on page D–3 that loans from the Lao Government industry loan fund are used to buy U.S. equipment through the import program at a subsidized price. Does the U.S. Government absorb the difference between what the standard price of the equipment is and what it is sold for?

Mr. O'CONNOR. Under the U.S. import program (USIP) the U.S. equipment is purchased at the standard price with foreign exchange provided by the United States. The subsidized price refers to the local currency put up at the Laos end. The purchaser there pays at the official (or subsidized) exchange rate of 240 Kip to $1 rather than at the free market rate of 505 Kip to $1.

PUBLIC HEALTH DEVELOPMENT PROJECT

Mr. PASSMAN. On page D–10, I notice you increased the fiscal year 1971 program level by $623,000 above what was justified last year for the public health development project. What was the need for this increase?

Mr. O'CONNOR. More medicines and medical equipment and supplies than had been anticipated were required by the increased refugee flow during fiscal year 1971, which resulted from military actions.

EDUCATION DEVELOPMENT PROJECT

Mr. PASSMAN. On page D–11 you indicate that you will need $280,000 for seven U.S. technicians for education training assistance in the education development project. Don't you think these are high priced technicians?

Mr. O'CONNOR. The seven direct-hire education technicians have an average salary of $24,000 plus a 25 percent differential for an average of $30,000 per employee. In addition, education and other allowances, home leave or reassignment travel, shipment of household effects and private vehicles are also covered in these budget figures. The fiscal year 1972 projection is substantially higher than the fiscal year 1971 estimate because six of the seven employees are scheduled to finish their current tours during fiscal year 1971. This will involve travel and related costs for home leave and return to post, or for the assignment of successors to Laos, which did not occur in fiscal year 1971.

DEVELOPMENT OF RURAL ECONOMY PROJECT

Mr. PASSMAN. I notice on page D–13 you increased the fiscal year 1971 program by $541,000 above what was justified last year for the development of rural economy project. What was the need for the increase?

Mr. O'CONNOR. The increase, which fell in the rural public works subproject was necessary to accommodate a greater number of new refugees than had been foreseen. This increase in funds was due to higher costs than were foreseen to clear land and construct access roads for resettlement sites for the refugees.

Mr. PASSMAN. I also notice on the same project that the total cost and the completion date of this program are not listed. Why can't you estimate the cost and completion date of the project?

Mr. O'CONNOR. The uncertain political and military situation in Laos makes it extremely difficult to project the termination date of this project, which aims basically to strengthen support to the Lao Government in rural areas.

REFUGEE RELIEF AND RESETTLEMENT PROGRAM

Mr. PASSMAN. On page D–14, I notice you increased the fiscal year 1971 program level by $995,000 above what was justified last year for the refugee relief and resettlement program. Why was this increase necessary?

Mr. O'CONNOR. This was due to the unanticipated large increase in new refugees, from about 254,000 in June 1970 to about 308,000 in

March 1971, and the displacement of many people who were already refugees. These factors resulted in increased requirements for commodities, as as food, protein supplement, blankets, and for additional U.S. personnel, hired on a contract basis in Laos to help in relocating and meeting the needs of new and displaced refugees.

THAILAND

Mr. PASSMAN. The next country for supporting assistance in this area is Thailand, for which the fiscal year 1972 estimate is $40 million, an increase of $16,700,000 above the current fiscal year 1971 program. What is the need for the very large increase?

Mr. O'CONNOR. We are asking for an increase because of a worsening security situation and a deterioration in economic conditions. Events in Laos and Cambodia have caused the Thais to place greater emphasis on external military defense at the expense of development programs and of activities aimed at the Communist-inspired insurgency within Thailand. At the same time, U.S. expenditures in Thailand related to our support of Vietnam are declining, and external markets for Thai rice have weakened. Foreign exchange reserves are declining, and forecasts by the IBRD and IMF predict a continuing drawdown of foreign exchange reserves and a reduction in the rate of economic growth.

TOTAL AID TO THAILAND

Mr. PASSMAN. What has been the total aid to Thailand from the United States, including all programs?

Mr. O'CONNOR. As of the end of fiscal year 1971, the total U.S. assistance to Thailand from all programs since 1946 will amount to $1,587,800,000. These funds were supplied under the following programs:

AID and predecessor agencies	$534.8
Food for Peace	7.3
Other official development assistance	16.0
Total official development assistance	558.1
Import-Export Bank long-term loans	24.0
Total economic	582.1
Military assistance (MAP) through fiscal year 1967	588.8
Total economic and MAP	1,170.9
MASF since 1967 in DOD budget (classified)	416.9
Grand total, economic and military	(1,587.8)

SIZE OF THAILAND FOREIGN EXCHANGE RESERVE

Mr. PASSMAN. How much does Thailand presently have in her foreign exchange reserve account?

Mr. O'CONNOR. As of the end of April 1971, the gross official Thai foreign exchange reserve account stood at $941 million.

LOAN PROGRAM

Mr. PASSMAN. Last fall when I was in Thailand, I had an opportunity to talk with the AID Director and he indicated that they were

trying to turn away from the pure grant program and start providing loans. Could you tell us what progress has been made on this proposition?

Mr. O'Connor. There is a new emphasis on loans in our program. A quarter of our fiscal year 1972 program—the $10 million multisector project—consists of five proposed loan projects.

AID TO THAILAND—FISCAL YEAR 1972

Mr. Passman. What will be the total U.S. aid proposed for Thailand in fiscal year 1972, considering all programs?

Mr. O'Connor. The total proposed U.S. assistance for Thailand in fiscal year 1972 is $144.4 million. This includes $40 million for supporting assistance, approximately $20 million in food-for-peace loans (title I) and $0.9 million in food-for-peace grants (title II). The Peace Corps costs will run about $1.3 million and the Export-Import Bank estimates that its long-term loans may reach $5 million. Proposed military assistance service funded program in the Department of Defense budget is $77.2 million.

FAMILY PLANNING

Mr. Passman. How is the family planning program progressing in Thailand?

Mr. O'Connor. The Thai family planning program is progressing exceptionally well. The number of Thai "acceptors" has exceeded targets and led to a greatly expanded network of facilities. In addition, the Thai Cabinet has enunciated an official policy in favor of family planning.

FOREIGN EXCHANGE RESERVE

Mr. Passman. You stress in your presentation Thailand's worsening economic situation but is it not true they still have a large foreign exchange reserve on hand?

Mr. O'Connor. Thailand's foreign exchange reserves have fallen from $1,021 million in 1968 to $941 million at the end of April 1971. Despite corrective measures taken by the Thai Government, it is expected that Thailand will still face a substantial deficit in its goods and services account during the next few years. This requires Thailand to continue to draw down its exchange reserves. As a raw material exporter subject to great fluctuations in world market prices, Thailand is dependent on its reserves to cushion such shocks so the continued depletion of those reserves is viewed with great concern by the Thais.

NEED FOR CONTRACT PARTICIPANTS

Mr. Passman. Last year you indicated that no contract participants would be needed in fiscal year 1970 and fiscal year 1971 but this year you list 18 for fiscal year 1970 and 12 for fiscal year 1971. Why did you change your estimates?

Mr. O'Connor. In the agricultural research activities of the Agricultural Development project participants may be funded either under the contract with the University of Kentucky or through regular AID procedures. While last year's presentation did not show planned use

of the contract for participants, it was later decided that the more appropriate manner would be to fund participants through the contract.

PROJECTS WITH NO COMPLETION DATE OR TOTAL COST ESTIMATES

Mr. PASSMAN. You have six projects listed in your justifications that indicated no completion date of the program and the total cost was listed as "undetermined." Why can't you give us these figures on every project?

Mr. O'CONNOR. The six projects referred to are agricultural development, civil police administration, rural education, accelerated rural development (ARD), special training for national development and technical support. The reason we have not given final total cost figures in the case of the first four projects is that they are closely related to the Thai Government's counterinsurgency efforts and thus would continue as long as our policy is to support those efforts, and as long as the projects are effective. Special participant training differs from the regular project pattern, in that each year a number of promising students or potential Thai leaders are chosen for specialized training under this project, which is subject to annual review. Thus, it is impossible to predict in advance the exact size or cost of the program. Finally, technical support is the project medium which covers costs of program support and overhead of the mission; thus it would continue so long as there is an aid program in Thailand.

AGRICULTURE DEVELOPMENT PROJECT

Mr. PASSMAN. Did you justify the $135,000 and the $10,000 listed on page E–6 concerning contract services or commodities for the agriculture development project in the fiscal year 1971 program?

Mr. O'CONNOR. No, we did not. Initially, we had not projected any contractor funding for commodities or participants. However, $135,000 was shifted to contractor funding when it became clear that 13 master of arts candidates in agricultural research could best be trained under AID's contract with the University of Kentucky. The unprojected $10,000 for contract commodities reflects a one-time purchase of special laboratory equipment, which could best be acquired by utilizing the backstop staff working under this contract at the University of Kentucky. However, it is pertinent that the total fiscal year 1971 cost of this project was reduced to $2,095,000 from our request of $3,585,000.

LABOR DEPARTMENT ADMINISTRATION PROJECT

Mr. PASSMAN. I note on page E–10 in connection with the Labor Department administration project, you plan to extend this project for 1 year, and increase the total estimated cost by $54,000. Would you comment?

Mr. O'CONNOR. The Thais have asked us to extend the project a year, primarily to continue advisory services from the U.S. Department of Labor relating to several measures now in the Thai parliamentary process. The Thais have also requested some assistance in employment guidance and counseling. The funds involved are for

one full-time and two short-term advisers from the U.S. Department of Labor and for training of seven participants in the United States. The project will be terminated in fiscal year 1972.

DEVELOPMENT OF VOCATIONAL EDUCATION PROJECT

Mr. PASSMAN. In connection with the development of vocational education project on page E–13, I notice you increased the estimated total cost of the project by $659,000 and raised the projected fiscal year 1971 program level by $95,000 over last year's estimate. Please comment.

Mr. O'CONNOR. When the fiscal year 1971 congressional presentation was prepared, we expected to undergo forced cutbacks of contract personnel on this project. Later in the year, it turned out we did not have to make this adjustment; the larger total cost figure thus reflects contracts made with two institutions for 28 man-years of service. The rise in the fiscal year 1971 figure by $95,000 reflects an additional direct hire and one additional contract adviser over the original proprosal, plus an increase in contract costs.

RURAL EDUCATION PROJECT

Mr. PASSMAN. You indicate 13 contract personnel will be needed for the rural education project on page E–15 during fiscal year 1972 at a cost of $620,000. This is over $47,000 per person. Would you comment?

Mr. O'CONNOR. Only part of this average $47,000 would go for direct salary payment to a technician. The total cost of $620,000 would include sums for travel, overhead, allowances, insurance, secretarial help, and other similar contractual obligations, which reduces the actual amount allocated for direct salary payments.

CIVIL POLICE ADMINISTRATION PROJECT

Mr. PASSMAN. You are going to increase the civil police administration project from $5 million in fiscal year 1971 to $9 million in fiscal year 1972. What is the need for this large increase?

Mr. O'CONNOR. Effective counterinsurgency efforts by the Thai National Police require increased police manpower as well as more effective aircraft and vehicle maintenance than has been the case in the past.

The Thai National Police Department has recently resolved its manpower augmentation problems and been successful in recruiting volunteers for aircraft and vehicle maintenance training programs. These developments will increase both the need and the capacity of the Thai National Police Department for larger commodity inputs. The largest portion —$7 million—of the $9 million proposed in fiscal year 1972 will be used for commodities for improving the mobility, training, and defense communications capabilities of police security units. These commodities include jeeps, weapons, ammo, radios, and possibly helicopters.

ACCELERATED RURAL DEVELOPMENT PROJECT

Mr. PASSMAN. According to the project data sheets, the $1,296,000 listed as other contract costs in fiscal year 1971 for the accelerated rural development project on page E–21 was not justified last year. Would you comment?

Mr. O'CONNOR. This $1,296,000 represents a legal obligation on the United States to pay a litigated claim to Raymond International for work done under a terminated roadbuilding contract. Thus, it was an unexpected item of expenditure in fiscal year 1971. However, the Thai Government is expected to absorb half the cost and reimburse the United States accordingly.

PHILIPPINES

Mr. PASSMAN. The next country we turn to in supporting assistance for East Asia is the Philippines, for which the fiscal year 1972 estimate is $800,000, a decrease of $100,000 below the current fiscal year 1971 program. This amount is all for public safety, is that correct?

Mr. O'CONNOR. That is correct.

CRIME RATE

Mr. PASSMAN. Is the crime rate increasing in the Philippines, and if so, why?

Mr. O'CONNOR. On the surface, statistical data compiled in recent years would indicate that the crime rate has increased, however, there is a question as to whether the increase is an actual increase or the result of more sophisticated reporting and recordkeeping systems. In a study conducted by the Rand Corp. in 1969, it was concluded that while crime was a very serious problem in the Philippines, and the crime rate far too high, there was little indication that it was growing noticeably worse. One interesting conclusion of the Rand study was that while the rate of violent crimes—murder and homicide—in the Philippines was per 1,000 population greater than that of the United States, the rate of robbery and theft was lower.

INTERNAL SECURITY PROJECT

Mr. PASSMAN. On page H–34 in connection with the internal security project, I notice you have increased the estimated total cost of the program by $1,025,000 and you raised the fiscal year 1971 program level $75,000 over last year's estimate. Would you comment on this increase?

Mr. O'CONNOR. Initially this project was designed to establish six regional police training centers in the Philippines, to improve the local police departments in the cities which were served by the regional centers and to improve national, provincial, and local police communication networks. The six centers proved to be inadequate to serve the needs of all of the cities requiring police training. Consequently we agreed to increase the number of centers by four for a total of 10. We

also added to the project a national police records and identification program that is an essential feature of crime prevention and control. As a result of these changes in the project, the fiscal year 1971 cost was increased $75,000 over the estimate and the overall cost of $1,025,000.

Regional Program

Mr. Passman. The next item for supporting assistance in this area is the regional program, for which the fiscal year 1972 estimate is $1,400,000, an increase of $1,184,000 above the current fiscal year 1971 program. Would you please explain briefly the Mekong development program which is covered under this regional program?

Mr. O'Connor. The Mekong development program is an effort of the four riparian countries to develop jointly the vast resources of the river and its basin. In this effort, the United States, 25 other countries and a large group of international organizations have given assistance. The Mekong Committee, made up of representatives of Laos, Cambodia, South Vietnam, and Thailand, has been meeting regularly and administering the program for 13 years despite serious political and security problems. Those countries realize the necessity of working together if the basin is to be developed properly.

Mekong River Ports and Cargo Handling Project

Mr. Passman. On page G–7, I notice you increased the fiscal year 1971 program level by $16,000 above what was justified last year for the Mekong River ports and cargo handling project. Would you please explain this increase?

Mr. O'Connor. On the Mekong ports and cargo project, we had cut down on our earlier estimate of the total cost of the project by dropping some elements, but increased the proposed fiscal year 1971 funding by $16,000. The fiscal year 1971 estimate represents what we could reasonably use during the fiscal year—a slight increase.

Mekong Pioneer Projects Development

Mr. Passman. You indicate on on page G–8 in connection with Mekong pioneer projects development program that the U.S. contribution of $1 million for fiscal year 1972 will go into a fund managed by the World Bank to develop projects in the Mekong basin. Isn't the United States already providing funds to the World Bank?

Mr. O'Connor. Yes, we contribute to the IBRD. Insofar as the Mekong pioneer projects program is concerned, we are programing $1 million in fiscal year 1972 as our first contribution to the running of a major agricultural program with locations in all four countries. This project will be big enough to make a real impact on agricultural technology throughout the basin, with particular attention given to the control of water. We are not providing any funds to the World Bank itself, although the Bank has agreed to serve as executive agent to manage the program. Rather, we will be making our contributions directly to the Mekong Committee, as will the other donors.

Mr. Passman. What other countries or organizations will be contributing to this fund and in what amounts?

Mr. O'Connor. We don't know yet just what the other countries or organizations will be contributing to the fund for running the program

or the amounts, but we will not go forward with our contribution until all the other funds are in place. For the first increment of the development phase of the program, which was started this year, we provided $500,000, the United Nations development program provided $1 million. The other donors include the United Kingdom, $240,000; the Dutch, $100,000; and the Japanese, $200,000. The Bank is now trying to enlarge that group of donors for the next phase and several other countries have already shown interest in contribution.

Mr. PASSMAN. Will the World Bank provide all the personnel to carry out this project?

Mr. O'CONNOR. The Bank itself is providing all the personnel to manage the central operations of the program, and may provide some funds in addition. It will contract for technical services connected with the program on a worldwide basis.

Mr. PASSMAN. Let's adjourn until tomorrow at 1 o'clock.

TUESDAY, JUNE 15, 1971.

EAST ASIA—DEVELOPMENT AND SUPPORTING ASSISTANCE

WITNESSES

RODERIC L. O'CONNOR, ASSISTANT ADMINISTRATOR, BUREAU FOR EAST ASIA, AGENCY FOR INTERNATIONAL DEVELOPMENT
JAMES M. WILSON, JR., DEPUTY ASSISTANT SECRETARY, 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
HENRY BARDACH, SPECIAL ASSISTANT, ECONOMIC AFFAIRS, BUREAU OF EAST ASIAN AND PACIFIC AFFAIRS, DEPARTMENT OF STATE
CHARLES F. FLINNER, CONTROLLER, OFFICE OF THE CONTROLLER, AGENCY FOR INTERNATIONAL DEVELOPMENT
DOUGLAS ROBBINS, REGIONAL BRANCH CHIEF, BUDGET DIVISION, OFFICE OF THE CONTROLLER, AGENCY FOR INTERNATIONAL DEVELOPMENT
COL. FRANK BURDELL, OFFICE OF THE SPECIAL ASSISTANT FOR CONGRESSIONAL RELATIONS, OSD/ISA, DEPARTMENT OF DEFENSE
MICHAEL GROGAN, LEGISLATIVE PROGRAM COORDINATION STAFF, OFFICE OF LEGISLATIVE AFFAIRS, AGENCY FOR INTERNATIONAL DEVELOPMENT

Mr. PASSMAN. The committee will come to order.

DEVELOPMENT ASSISTANCE REQUEST

Today we will consider the development assistance portion of the AID budget request for East Asia and I believe your part of the overall package, Mr. O'Connor, is $173,825,000; is that correct?

Mr. O'CONNOR. That is correct, Mr. Chairman.

Mr. PASSMAN. Is this a decrease or an increase over the program for fiscal 1971?

Mr. O'CONNOR. This is an increase, sir.

Mr. PASSMAN. Of what amount?

Mr. O'CONNOR. The amount in 1971 was $159,451,000. I just have rounded figures in front of me. The increase is $14,374,000.

Mr. PASSMAN. This brings me back to the statement the very able and distinguished Director of AID, has made to me. He said, "Mr. Passman, let's have an understanding. There is an asking price and a taking price." So using Dr. Hannah's own words, this is the asking price?

Mr. O'CONNOR. That is correct.

Mr. PASSMAN. And the taking price will have to be resolved at a later date, when we finally go over your justifications and we mark up the bill; is that correct?

Mr. O'CONNOR. That is entirely correct, Mr. Chairman.

Mr. PASSMAN. Would you furnish for the record a table showing the actual fiscal year 1970 program, the fiscal 1971 program, and the proposed program for fiscal 1972 for each country in your area by category?

Mr. O'CONNOR. Yes, Mr. Chairman.

(The information follows:)

EAST ASIA PROGRAMS - A.I.D.
FY 1970 - 1972
($ in millions)

Country/Fund	FY 1970 Actual	FY 1971 Est. in FY '72 CP	FY 1972 Proposed
East Asia Totals	191.4	285.1	376.5
TA (except FP)	38.3	37.4	23.5
SA (except FP)	72.4	124.2	200.6
DL (except FP)	71.4	111.3	140.0
FP	9.3 (DL)	10.7 (DL)	12.4 1/
CF	-	1.5	-
Cambodia - SA	-	70.0	110.0
Laos	51.9	45.9	50.5
TA	7.2	6.6	-
SA	43.6	38.4	50.0
FP	1.1 (DL)	0.9 (DL)	0.5 (SA)
Thailand	26.5	23.1	40.0
TA	6.4	6.1	-
SA	18.8	15.6	38.4
FP	1.3 (DL)	1.4 (DL)	1.6 (SA)
Indonesia	56.1	63.5	107.3
TA	4.3	5.4	5.5
DL	51.4	56.3	100.0
FP	0.4 (DL)	1.8 (DL)	1.8 (TA)
Korea	35.0	59.2	24.1
TA	4.1	3.4	3.3
SA	10.0	-	-
DL	20.0	55.0	20.0
FP	0.9 (DL)	0.8 (DL)	0.8 (TA)
Philippines	9.1	10.8	29.9
TA	4.1	4.3	3.7
SA	-	-	0.8
DL	-	-	20.0
FP	5.0 (DL)	5.0 (DL)	5.4 (TA)
CF	-	1.5	-
Regional Development	12.8	12.6	14.7
TA	12.2	11.6	11.0
SA	-	0.2	1.4
FP	0.6	0.8	2.3

	FY 1970 Actual	FY 1971 Est. in FY '72 CP	FY 1972 Proposed
International Security Assistance	79.6	140.4	202.7
Cambodia	-	70.0	110.0
Thailand	26.5	23.1	40.0
Laos	51.9	45.9	50.5
Philippines - Police Program	0.8	0.9	0.8
Korea - Police Program	0.4	0.3	-
Regional Development	-	0.2	1.4
Development Assistance	111.8	144.7	173.8
Indonesia	56.1	63.5	107.3
Korea	34.6	58.9	24.1
Philippines	8.3	9.9	29.1
Regional Development	12.8	12.4	13.3
GRAND TOTAL	191.4	285.1	376.5

1/ $2.1 million SA; $10.3 million TA.

LEGEND: (TA) TECHNICAL ASSISTANCE, (SA) SUPPORTING ASSISTANCE,
(DL) DEVELOPMENT LOANS, (FP) FAMILY PLANNING, (CF) CONTINGENCY FUND

Mr. PASSMAN. Of the $173,825,000 requested for fiscal 1972, what part of that would be under development loan funds and where would the other fall?

Mr. O'CONNOR. Sir, we are requesting a total of $140 million in development loans.

Mr. PASSMAN. And the other $33,825,000 is in what area?

Mr. O'CONNOR. The $33,825,000 includes $23.5 million in regular technical assistance, and $10.3 million for family planning.

Mr. PASSMAN. Does this mean that this year each area is going to present their part of the program, and in order for us to find out what you have in bilateral technical assistance we have to pull it out and put it together, or will Dr. Hannah, when he appears before the committee, give the total amounts in each category?

Mr. O'CONNOR. He will discuss the total amounts in each category.

Mr. PASSMAN. You can understand why we are a little confused because we are examining now on a partial basis of the total, rather than on the aggregate, but thinking in terms of prior years, the asking price this year is substantially more than the asking price was last year, isn't that true?

Mr. O'CONNOR. That is true, sir.

(Discussion off the record.)

Mr. PASSMAN. Wouldn't the witnesses present here admit that in prior years witnesses have testified that, "These are our minimum requirements." Isn't that your understanding of it, Mr. Controller?

Mr. FLINNER. Yes, sir.

Mr. PASSMAN. But we did manage to cut it on an average of 20 percent, I believe, over a 16-year period.

Mr. FLINNER. I think about that percentage; yes, sir.

UNEXPENDED BALANCES

Mr. PASSMAN. What is the anticipated unexpended balance estimated for the fiscal year 1972 program countries in your area including the regional program as of June 30, 1971? Put it in the record.

(The information follows:)

ANTICIPATED UNEXPENDED BALANCE FOR DEVELOPMENT ASSISTANCE COUNTRIES, INCLUDING REGIONAL

Indonesia	$241,693,000
Korea	418,814,000
Philippines	49,951,000
EA regional development	23,794,000
Total	734,252,000

PROJECTS TO BE INITIATED IN FISCAL YEAR 1972

Mr. PASSMAN. Furnish for the record a list of projects by country which you propose to initiate in fiscal year 1972, showing the name of the project, the fiscal 1972 cost, the estimated cost to complete the project, and the final year of expenditure.

(The information follows:)

NEW PROJECTS IN FY 1972
($ 000)

	Proposed FY 1972	Estimated Total Cost To Complete	Scheduled FY To Be Completed
TECHNICAL ASSISTANCE			
Indonesia	85	2,445	
Basic Science Education	45	1,890	1976
Private Investment Center	40	555	1974
Korea	760	5,820	
Development Research and Administration	401	2,841	1977
Education Development	189	1,489	1976
Science and Technology	170	1,490	1977
Philippines	325	1,300	
Rural Electrification	200	1,000	1976
General Technical Advisory Services	125	300	1974
Regional Development	370	1,450	
Regional Management Training	150	1,000	1975
Regional Telecommunications Development	220	450	1974
Total (9 Projects)	1,540	11,015	
SUPPORTING ASSISTANCE			
Thailand	13,585	23,855	
Agricultural Water Utilization	1,865	6,000	1976
Rural Electrification Planning	225	225	1972
Private Capital Investment	555	1,855	1976
Graduate Science Education	530	4,500	1976
Commodity Management	50	125	1974
Local Government Finance	180	450	1974
National Economic Policy	180	700	1975
Multi-Sector Development Assistance	10,000	10,000	1972
Regional Development	1,000	6,250	
Mekong Pioneer Projects Development	1,000	6,250	1978
Total (9 Projects)	14,585	30,105	
GRAND TOTAL (18 New Projects)	16,125	41,120	

Mr. PASSMAN. I believe you said in most instances you funded a project to completion.

Mr. O'CONNOR. In the case of development loans, yes, sir.

Mr. PASSMAN. You will indicate when each one of these projects will be concluded. You also do it in the technical aid projects, do you not?

Mr. O'CONNOR. No, sir; as a general rule, technical assistance projects are funded incrementally each year.

Mr. PASSMAN. 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 date and your best estimate as of June 30, 1971.

Mr. O'CONNOR. Yes, sir.

(The information follows:)

PROJECT DEOBLIGATIONS IN FY 1971
(Grants as of 3/31/71 - Loans as of 5/21/71)
($ 000)

Country	Amount	Fund
BURMA		
Technical Support	3	TC
(Number of Projects: 1)		
Total	3	TC
CAMBODIA		
Technical Support	61	TC
(Number of Projects: 1)		
Total	61	TC
INDONESIA		
Family Planning	1	TC
	85	SA
	18	DL
Air Trans. Oper. & Maintenance	148	TC
General Participant Training	123	TC
Develop. & Use of Educ. Material	1	TC
Spec. Dev. Activity	1	TC
Assis. to Agriculture	23	TC
Civic Action	12	TC
Geological Survey Assistance	1	TC
(Number of Projects: 8)		
	310	TC
	85	SA
	18	DL
Total	413	
KOREA		
Investment Promotion	2	TC
Education Policy and Planning	4	TC
Mineral Development	4	TC
Water Resources Planning	4	TC
Economic Planning	33	TC
Technical Support	34	TC
Rural Policy Plan & Survey	28	TC
Industrial Development	3	TC
Public Safety	16	TC
	91	SA
Family Planning	18	DL
	197	SA
Public Administration	14	TC
(Number of Projects: 11)		
	142	TC
	18	DL
	288	SA
Total	448	

Country	Amount	Fund
LAOS		
Maternal & Child Health	14	DL
Military Tech. Support	7	SA
Relief	3	CF
Agriculture Development	17	TC
Air Technical Support	15	SA
Civil Police Admin.	44	SA
Public Admin.	23	TC
Industry Development	23	TC
Project Commodities	391	TC
	1,067	SA
(Number of Projects: 9)		
	14	DL
	454	TC
	1,133	SA
	3	CF
Total	1,604	
PHILIPPINES		
Malaria Eradication	15	TC
Agricultural Services	7	TC
Provincial Development	20	TC
Project Execution System	1	TC
Rural Development	3	TC
Nutrition Support	1	TC
Economic Develop. Foundation	13	TC
General Participant Trng.	10	TC
Internal Security	9	TC
Water Resources Develop.	22	TC
Population Planning	9	DL
Public Personnel Administration	2	TC
Fiscal & Financial Coordination	1	TC
Tax Collection Improvement	8	TC
Urban Planning	1	TC
Technical Support	19	TC
(Number of Projects: 16)		
	132	TC
	9	DL
Total	141	

Country	Amount	Fund
THAILAND		
Technical Support	145	TC
Aeronautical Ground Service	23	TC
Civil Police Admin.	972	SA
	152	CF
Statistical Services	17	TC
Community Development	14	TC
Educational Planning	23	TC
Management Improvement	15	TC
Local Government Admin.	10	TC
Private Sector Develop.	41	TC
Rural Training	130	SA
	20	TC
Accelerated Rural Develop.	460	SA
	99	CF
Mobile Develop. Units	40	SA
Special Participant Trng.	24	TC
Civil Service	2	TC
Agricultural Development	63	TC
	105	SA
Malaria Eradication	62	TC
Chiengmai Medical School	29	TC
Rural Health	15	TC
	72	SA
Mun & Chi River Basins	1	TC
	10	SA
Village Radio	176	SA
Potable Water Project	22	SA
50 KW Transmitter	8	SA
Labor Dept. Admin.	3	TC
Family Health	59	SA
	10	DL
(Number of Projects: 24)	507	
	507	TC
	2,054	SA
	10	DL
	251	CF
Total	2,822	
REGIONAL DEVELOPMENT		
Trans/Comm. Feasibility Study (Thai)	4	TC
Mekong Pa Mong Survey (Thai.)	1	CF
Technical Advisory Svcs. (Thai., Phil., AID/W)	106	TC
Education Development (Thai.)	59	TC
Seato Cholera	40	TC
Mekong Basin Development (Thai.)	1	TC
Logistics Management (Japan)	2	TC
(Number of Projects: 7)	212	TC
	1	CF
Total	213	

LOANS AS OF JUNE 30, 1971

Country		Amount Deobligated
CHINA		
484-A-044	(Lower Tachien)	250
484-A-045	(Linkou)	145
(Number of Loans: 2)		
	Total	395
KOREA		
489-H-019	(Kunsan)	15
489-H-021	(Taegu)	26
489-H-024	(T&D #1)	49
489-H-032	(Hyun Dai)	23
489-H-033	(Seoul Thermal)	857
489-H-037	(3rd Diesels)	72
489-H-040	(Medium Industry Bank)	801
489-H-042	(Korean Development Bank)	493
489-H-046	(Yong Nam)	1,000
489-H-049	(Program Loan #3)	25
489-H-074	(Ag. Development)	10,000
(Number of Loans: 11)		
	Total	13,361
INDONESIA		
497-H-014	(Commodity Assistance)	13
497-H-015	(Commodity Assistance)	101
497-H-016	(Commodity Assistance)	686
(Number of Loans: 3)		
	Total	800
PHILIPPINES		
492-A-005	(Roads & Bridges)	13
492-H-024	(Irrigation)	150
(Number of Loans: 2)		
	Total	163
THAILAND		
493-H-010	(Irrigation)	23
(Number of Loans: 1)		
	Total	23
	Grand Total	14,742

Total All Projects 78
Total All Loans 19

Grand Total	TA/SA	8,656	(Est.)
	DL	14,742	(Act.)
		23,398	

Actual Deobligations Recovered by Country as of June 30, 1971*
($ 000)

Country	Fund		Amount Recovered
Burma	TA		3
		Total	3
Cambodia	TA		15
		Total	15
Indonesia	TA		662
	SA		102
		Total	764
Korea	TA		193
	SA		297
		Total	490
Laos	TA		122
	SA		725
		Total	847
Philippines	TA		232
	SA		86
		Total	318
Thailand	TA		714
	SA		5,505
		Total	6,219
	Grand Total TA/SA - All Countries		8,656

*No project-by-project breakdown of deobligated funds by country is available at this time. Additional deobligations may have been made by AID/W but the exact amounts of these deobligations is not presently available. A project-by-project breakdown for TA/SA funds will be forwarded as soon as the information becomes available. The figures given in this table represent preliminary estimates only.

SUPPORTING ASSISTANCE REQUEST FOR EAST ASIA

Mr. PASSMAN. I am going to yield to Mr. Shriver because he came in from his other committee meeting about 30 seconds after I had started my examination, and I didn't have an opportunity to yield to him. I yield to you at this time on the supporting assistance program as well as the development assistance item before us now, because you did not have an opportunity to examine on supporting assistance yesterday in this area, so would you proceed?

Mr. SHRIVER. Are you putting both of them together?

Mr. PASSMAN. I finished supporting assistance, but you were not given an opportunity yesterday to ask any questions on supporting assistance for this area, and I want to yield to you for that purpose. Then when you have completed that area you can move on the development assistance item. In other words, use all the time you need.

Mr. SHRIVER. Mr. Green is not here?

Mr. O'CONNOR. Mr. Wilson is Mr. Green's deputy.

Mr. SHRIVER. He was here yesterday, the man of whom I was going to ask these questions?

Mr. PASSMAN. Let me say that the gentleman had an important speech. It was an engagement he had that he could not conveniently cancel and I said, "All right, sir, if you have a deputy who can answer our questions then it is quite all right to send the deputy", and any witnesses whom you want brought back I am sure they will be accommodating.

Mr. SHRIVER. It was his statement I wanted to inquire about. Are you prepared to answer questions on his statement?

Mr. WILSON. I can try to.

PROGRESS OF THE PROPOSED NEW LEGISLATION FOR FOREIGN AID

Mr. SHRIVER. The President now accepts the fact that the new foreign aid legislation dealing with his reform proposals will not be enacted before fiscal 1972. Yet you are still presenting this budget based on the new proposals, are you not?

Mr. O'CONNOR. Yes, sir; we are.

Mr. SHRIVER. Would you comment on this?

Mr. O'CONNOR. Well, sir, our congressional presentation books were based on the President's new proposals; these were put into this format about 3 months ago. Now the turn that has been taken by at least the House Foreign Affairs Committee would be to move ahead with a 1-year extension of the present authorization.

HOW PROPOSED LEGISLATION AFFECTS CURRENT BUDGET PRESENTATION

Mr. SHRIVER. How will it affect what you have presented to us?

Mr. O'CONNOR. I don't think in terms of the substance of what we have presented that it would affect it very much. I think there is some confusion with the presentation, because the old presentation went by region across the board, and this one, as you know, does not, but I think—and I would perhaps like to ask Mr. Flinner, who is a little more familiar with that aspect of it than I am——

Mr. FLINNER. Yes, sir. The presentation books were put together to

take this possibility into consideration. The rest of the regions, when the administratoors are up here, will be dealing with their entire region's program at one time, development assistance—both loans and technical assistance—and supporting assistance. In the case of Vietnam, the whole program is supporting assistance, and it will be presented at one time. It is only in Mr. O'Connor's area that two separate sessions have been scheduled—one for supporting assistance and another for development assistance. The money amounts, of course, will depend upon the authorizing committee action also.

Mr. O'CONNOR. The requests for supporting assistance outside of Southeast Asia are very small. Therefore, the rest of the presentation will follow pretty much along standard lines.

REACTION OF EAST ASIAN NATIONS TOWARD U.S. NEW CHINA POLICY

Mr. SHRIVER. What is the reaction—perhaps I should ask this of you, Mr. Wilson—of the free Asian countries to the President's new initiatives toward Red China on the diplomatic and trade levels?

Mr. WILSON. Mr. Shriver, it is probably too early to give you a definitive answer to that question. The countries concerned have been studying the matter along with us, in terms of two primary aspects of the question. The first is, of course, the immediate problem which faces all of us with respect to the question of the admission of the People's Republic of China to the United Nations. The second is the question of the recognition of the People's Republic of China by individual governments.

So far as the countries of East Asia are concerned, the answer must depend upon the individual countries themselves. For those countries which have been traditionally nonalined, and have taken a position in the United Nations that has been one of either abstaining on the questions put with respect to the membership of the People's Republic of China in the United Nations or taking a position contrary to that which the United States has previously advocated, there is not much change which is immediately involved. With other countries, of course, there is a new set of problems which they are faced with, and we have made it a point, as you are probably aware, to consult closely with these countries, and to make sure that we continue to consult closely with them, as this whole situation develops.

UNACCEPTABLE RISKS IN ASIA

Mr. SHRIVER. On page 4 you say that "as our presence is reduced in Asia, adequate self-help measures must be taken to avoid the creation of "unacceptable strategic risks." What would these unacceptable risks entail?

Mr. WILSON. Let me divide my answer into two parts if I may, Mr. Shriver. The first is in the area of military preparedness and defense on which, of course, the Department of Defense would be really the expert witness to answer your question. In general terms, however, I think as we see it the problem presented in this area is the fact that with the drawdown of United States forces to levels roughly approximating those of the Pre-Tonkin Gulf period, we create, or run the danger of creating, the sort of military vacuum which might tempt hostile countries in the area to move in.

What we are referring to in this statement here is the need, in a military sense, to fill that vacuum by further building up the forces of the countries in the area. This means, in practical terms, that they will have to be doing more for themselves, and at the same time we would expect to assist, within the means made available to us, to provide financial support to that effort on their part.

The second part of the question is more political in nature, and depends, to a large extent, on the credibility of the United States presence in East Asia, and our ability, in the longer term, to continue our posture of deterrence in that area.

This means that from the standpoint of not only the countries hostile to our interests in that area, but also from the standpoint of the friendly countries, that we must be in a position to back up what the President himself has said on many occasions. The President has said that we will continue to carry out the treaty commitments which we have entered into in the past, and that we will be available, in those instances where outside support is needed where our interests are at stake. In order, however, for this psychological deterrent posture to be maintained, it is our strong feeling that we must be willing at the same time to support the self-help measures of the countries themselves.

INCREASED AID IN EAST ASIA FROM OTHER DONORS

Mr. SHRIVER. On page 7 you mention the increased aid efforts on the part of Western Europe, Australia and Japan. Mr. O'Connor also mentioned this on page 10 of his statement, that the United States furnished 40 percent of external aid to East Asia, excluding Vietnam in 1970 as compared to over 50 percent in 1968. Does this represent a real increase in aid from others, or just a cutback in the U.S. aid levels during this period?

Mr. O'CONNOR. I would like to submit these figures for the record. It does represent a real increase in the economic aid coming from other sources. It also represents an increase in aid by the international institutions, a portion of which comes from the United States, as well as from other donors. So there is an increase in those two areas, and I can give you these figures for the record. The figures I have in front of me are estimates for calendar year 1970. Out of a grand total of $1,483,300,000, multilateral or international institutions contributed $351,400,000. The non-U.S. bilateral contribution was $527,600,000, and the U.S. bilateral contribution was $604,300,000. This is in East Asia, sir. I will submit them all for the record.

(The information follows:)

TOTAL COMMITMENTS TO A.I.D. RECIPIENT COUNTRIES IN EAST ASIA, EXCLUDING VIETNAM
CY 1968, 1969, and 1970**
($ million)

	Burma	Cambodia	Indonesia	Korea	Laos	Philippines	Thailand	Total
CY 1970**								
GRAND TOTAL	15.85	83.02	615.10	423.60	66.50	121.39	157.84	1,483.30
MULTILATERAL	.70	3.80	124.30	105.90	1.70	32.60	82.40	351.40
BILATERAL -								
ALL DAC	15.15	79.22	490.80	317.70	64.80	88.79	75.44	1,131.90
Non-U.S.	14.50	39.97	257.30	115.45	14.90	51.85	33.63	527.60
U.S.	.65	39.25	233.50	202.25	49.90	36.94	41.81	604.30
CY 1969*								
GRAND TOTAL	18.12	18.70	507.27	388.85	63.46	154.21	144.20	1,294.81
MULTILATERAL	1.70	1.10	73.20	107.60	.50	87.70	59.40	331.20
BILATERAL -								
ALL DAC	16.42	17.60	434.07	281.25	62.96	66.51	84.80	963.61
Non-U.S.	15.81	17.58	223.92	108.19	13.20	51.78	52.98	483.46
U.S.	.61	.02	210.15	173.06	49.76	14.73	31.82	480.15
CY 1968*								
GRAND TOTAL	20.93	15.11	423.56	318.77	71.58	75.39	109.46	1,034.80
MULTILATERAL	4.00	1.70	11.30	20.30	.90	4.20	37.40	79.80
BILATERAL -								
ALL DAC	16.93	13.41	412.26	298.47	70.68	71.19	72.06	955.00

	Burma	Cambodia	Indonesia	Korea	Laos	Philippines	Thailand	Total
Non-U.S.	16.34	13.41	265.36	56.62	10.50	39.02	23.68	424.93
U.S.	.59		146.90	241.85	60.18	32.17	48.38	530.07

* Source: Development Assistance Committee Annual Reviews; Lending Institution Financial Statements; UNDP Reports.

** CY 1970: A.I.D. Estimate - Subject to Revision.

COMPARISON OF U.S. AID IN EAST ASIA WITH THAT OF OTHER NATIONS

Mr. SHRIVER. Including Vietnam what is the percentage of the U.S. aid in East Asia?

Mr. O'CONNOR. $604 million out of $1,483 million is about 41 percent. I think that is where the figure in my statement came from, but that excludes Vietnam.

ECONOMIC ASSISTANCE GIVEN BY JAPAN

Mr. SHRIVER. What is the amount of economic assistance given by Japan to East Asian countries in fiscal 1971? If you know, what is planned for fiscal year 1972?

Mr. O'CONNOR. We don't have it for fiscal year 1971, sir. We have a calendar year 1970 figure, $336 million. That compares with the U.S. figure of $604 million. I will have to supply it for the record. It is not as much as the U.S. contribution.

Mr. PASSMAN. Will the gentleman yield?

Mr. SHRIVER. Yes.

Mr PASSMAN. You are talking mainly about loans and not grant aid?

Mr. O'CONNOR. You are quite right in saying a good part of the Japanese aid is in fact loans.

Mr. PASSMAN. They drive a hard bargain, short term, high profit, and a substantial interest rate, isn't that a statement of fact?

Mr. O'CONNOR. That is a statement of fact.

Mr. PASSMAN. I thank the gentleman for yielding.

Mr. O'CONNOR. The reason I was hesitating, I am not quite clear, and it doesn't show, exactly what category this $336 million is in.

Mr. SHRIVER. You don't have anything for 1971?

Mr. O'CONNOR. No, sir.

Mr. SHRIVER. You can't get it?

Mr. O'CONNOR. They operate on a calendar year, so they are not through with 1971 yet. They make up their budget going to the Diet for approval in December.

DECREASE IN COST OF VIETNAM WAR

Mr. SHRIVER. On page 80 you say the cost of the war in Vietnam has been cut by more than half since 1969. That is an important statistic. Would you give me the actual dollar figure involved?

Mr. WILSON. The figure as we have it, Mr. Shriver, comes from the Department of Defense—statements made by Secretary Laird. The figure shown for fiscal year 1969 was roughly $29 billion. For fiscal year 1971 it is expected to be roughly $14.5 billion. Mr. Chairman, if I may, I would like to check those figures and correct them for the record, but this is approximately correct.

Mr. PASSMAN. You always have permission to use any figures off the top of your head and if they are not in keeping with the actual record, you may correct the record because we want it to be correct.

Mr. SHRIVER. You say on page 150, "Although our current supporting assistance costs in Vietnam amount to hundreds of millions of dollars, they make it possible to continue reducing overall U.S. costs by billions." Will you give us the comparative figures on what you base

that statement. You can put it in the record. I think it is important on the floor to have this kind of information.

(The information follows:)

SAVINGS TO THE U.S. TAXPAYER

Specifically, the statement regarding savings concerned the overall savings to the U.S. taxpayer which is a result when we reduce and demobilize some of our military forces in Asia, while at the same time provide selected Asian countries with the security assistance to assume increased defense costs. The best example of this savings is the reduction in the incremental cost of the Vietnam war. In fiscal year 1971 the total cost of the war was $14.5 billion compared to $29 billion in fiscal year 1969.

INTERNATIONAL OBSERVERS IN VIETNAM ELECTION

Mr. SHRIVER. You mention the fairness of past Vietnam elections on page 9. As you know, there has been some isolated criticism of these and future elections. Who were these international observers in past elections?

Mr. WILSON. In the last election, Mr. Shriver, there was a series of election observers who were sent in at the invtiation of the government of South Vietnam. They represented both groups in this country and foreign countries. As you are aware, President Thieu, with respect to the upcoming elections, has issued a similar invitation for foreign countries, foreign organizations, and specifically the United States, to send observers to check on the fairness of the election. This is something which we consider to be a very healthy development, in that it indicates very strongly the desire of the government of South Vietnam to make sure from impartial sources that indeed they are carrying out what they have said they intend to do.

Members of the Congress here have made proposals for sending a delegation from the U.S. Congress, and this is something on which we would look with considerable favor.

IMPROVEMENT OF VIETNAMESE MILITARY POSITION

Mr. SHRIVER. I am glad to read in Mr. Green's statement that Vietnamization is succeeding. You say that even with the withdrawal of over half of the U.S. forces, South Vietnam has improved its military position. Would you describe that further, the improvement of their military position? I heard this morning several speeches to the opposite, that they have not improved their military position.

Mr. WILSON. Mr. Shriver, I would be happy to try to give you an answer on that now, but if I may, I would like to point out that Ambassador Sullivan and Mr. Nooter will be here before this committee tomorrow, and they can give you the most expert testimony on the subject available.

Mr. PASSMAN. Is that agreeable?

Mr. SHRIVER. Yes; that is always agreeable. We are now debating a bill concerning a date of withdrawal. Some of those who are in favor of fixing a date are making statements that there has been no improvement in the military position, or not an adequate improvement, and that there won't be improvement as long as we are there. You are familiar with this argument.

Mr. WILSON. Very much so, Mr. Shriver. Our thought on this, and the very strong position of the Department of Defense I would say, is to the contrary, that is to say that all the evidence does point to a

vast improvement in the military situation so far as the armed forces of Vietnam are concerned. While we would not quarrel with the overall proposition that our withdrawal to some extent may accelerate their improvement, by the same token I think that the effort to date has been essentially a cooperative one, and the results have reflected that cooperative effort.

Mr. O'Connor. Mr. Shriver, I think one of the most persuasive aspects of this matter is that today the severe fighting is basically outside of Vietnam. A year, a year and a half, 2 years ago it was in the heartland of Vietnam. This represents a very significant change. The really tough fighting going on now is on the border area sanctuaries of Cambodia and at one time across the borders of Laos. It is no longer in the heart of Vietnam.

LAOS

Mr. Shriver. Why is it necessary to continue to classify our activities in the defense of Laos? It is pretty obvious that we have been very active there. Why is that classified?

Mr. Wilson. In that regard, Mr. Shriver, the whole subject of classified activities in Laos, as you know, has been discussed in executive session by other agency representatives.

Mr. Shriver. You mean over on the Senate side?

Mr. Wilson. On the Senate side, yes, sir; and also in the House Foreign Affairs Committee on this side of the Congress.

(Discussion off the record.)

Mr. Shriver. You may have asked for this information yesterday. Would you provide a table showing the dollar amount of military and economic assistance in fiscal 1971, and anticipated in fiscal 1972, from all sources for Cambodia?

Mr. Passman. Yes, we asked for that, Laos, Cambodia and Thailand, every source, every spigot of aid.

Mr. Shriver. From any country?

TYPES OF AID

Mr. Passman. They can put it in if they want to. I have little faith in these statistics on other countries, because from time immemorial, almost in every civilization there have been certain types of loans, and most of these countries are making short-term, high-profit, high-interest-rate loans, no different than countries that have been doing business for centuries. It makes it look better for us to give our wealth away if they put theirs in. As long as it is amply qualified that these are the types of loans they have been making for the past hundred years with short-term, high-profit, high-interest rates, then it would be an accurate record.

Mr. O'Connor. I think we can give that information in most cases, Mr. Chairman.

Mr. Shriver. If it is in a table, I suggest that you fix it up.

Mr. Passman. With the proper footnotes that these are hard loans, short-term, high-profit, high-interest rates. Ours in the main is grant aid in that area, isn't that correct?

Mr. O'Connor. Yes, sir.

Mr. PASSMAN. It makes it easy, you understand, for those who want to take the time to study the record. There is a lot of difference between grant aid and a loan. When we mention aid from other countries, we must describe what it is.

(The information follows:)

FY 1971 and 1972 Military and Economic Assistance for Cambodia from All Sources

		(in millions of dollars)
FY 1971		
U.S. (actual)	A.I.D. - grants	70.0
	PL 480 - Title I sales	8.5
	M.A.P. - grants	185.0
	TOTAL	263.5
Other (estimated)	Japan - humanitarian aid-grants	4.0
	ADB - loan for power project	1.7 a/
	UNICEF - technical assistance	.3
	France - loan for public works projects	22.5 b/
	Australia - grants	2.2
	Belgium - loan for sugar plant	7.0 c/
	West Germany - humanitarian	.1
	Denmark - loan for public works equipment	4.0 d/
	United Kingdom - grant	.3
	New Zealand - grants	
	UNDP, France, Japan, USSR, Israel - various technical assistance	amounts unknown
	Thailand, South Vietnam, South Korea, Republic of China - various military and humanitarian aid	.2
FY 1972 (estimated)		
U.S.	A.I.D. - grants	110
	PL 480 - sales	20
	M.A.P. - grants	200
	TOTAL	330
Other	Levels of other donor aid similar to FY 1971 are anticipated. In addition, U.S. and other donors may be asked to participate in a multilateral stabilization fund. The U.S. contribution would be within the $110 million shown above under A.I.D. grants.	

a/ ADB - $1.7 million loan is for sixteen years at 3 percent interest; four-year grace period.

b/ France - $11.5 million of loan is for twenty years at 3 percent interest. Remaining $11.5 million is for ten years at 6.4 percent interest; no grace period.

c/ Belgium - $7 million loan is for eight years at 5.3 percent interest; no grace period.

d/ Denmark - $4 million loan is for twenty five years with no interest; six-year grace period.

KOREAN MILITARY SELF-SUFFICIENCY

Mr. SHRIVER. On page 16 you say the South Koreans are beginning to talk in terms of eventual military self-sufficiency. It has been nearly 20 years since the Korean war, so it is certainly time for such talk. Based on the assistance levels requested, when do you expect this self-sufficiency to be accomplished?

Mr. WILSON. It would be very difficult, Mr. Shriver, to give you a precise date on this, because there are a number of variables which enter into the equation. The present program, as you know, is designed to effect the modernization of the Republic of Korea Armed Forces. It is a program which is spread over several years. All other things being equal we would expect, at the completion of this program, the armed forces of Korea to be able to give an excellent accounting for themselves in military terms. However, there are other considerations which must enter into this.

Mr. SHRIVER. Such as?

Mr. WILSON. The first of these is, of course, the intentions of the North Koreans. This is a very difficult thing for us to try to answer at this point.

The second consideration is going to be the economic capability of the Republic of Korea itself to assume an increasing share of the cost of maintaining its military forces. We are hopeful in the long run, once the modernization has been achieved, and assuming a continued progress economically on the part of the Republic of Korea itself, that they will be able gradually to move into something like the military sales program. This we would expect to happen, however, on a gradual basis. As I say, it would depend to a large extent on the success that the government has in putting the country on its feet economically.

NEED TO MAINTAIN ECONOMIC ASSISTANCE IN INDOCHINA

Mr. SHRIVER. Let me ask this, Mr. O'Connor. It has been 20 years since Korea. We are not making any plans to do anything like this in Vietnam and Indochina, are we, to remain in there with a massive aid program such as we have had in Korea for an extended period of time? You were asked yesterday if there was any planning being done, and so I am asking that question.

Mr. O'CONNOR. I think there is no question, sir, that we are going to have to maintain some kind of economic assistance programs in the Indochina area for sometime after the war. Now, how long is, of course, a major question.

Mr. SHRIVER. So we are getting into the same situation there after the winddown of the war as we have been in Korea?

Mr. O'CONNOR. If I may, sir, I certainly would expect that it would not take 20 years. If you look at the progress in Korea in the last 6 or 7 years, it has been very, very good, as you know, economically. That does not mean that they aren't going to continue to need some assistance, with this very large military establishment. The key to how rapidly we will be able to get out of, or wind down economic assistance, which we are now winding down in Korea, is going to, of course, be the degree to which the other side maintains large military forces. They put a tremendous burden, as they do in Korea, on the budgets of those countries, a burden frankly out of proportion to what their economy

can carry. But, given a reasonable degree of peaceful arrangements in that area, I think, as I said yesterday, that, for example, Cambodia can come back economically very quickly. It has always been a relatively prosperous country with a reasonably good balance of trade.

I would think that is equally true of Vietnam, which is not my immediate responsibility, but an economy with which I have some degree of familiarity. But as long as you are maintaining these very large military establishments it is going to be more expensive than these governments can afford. Our choice, therefore, is to support where necessary those military establishments by supporting the economy or taking the reverse, having those military establishments deteriorate.

MAINTENANCE OF PRICE STABILITY IN CAMBODIA

Mr. SHRIVER. You say on page 4 that the maintenance of price stability in Cambodia "will depend primarily on fiscal measures undertaken by their own government." What measures are you referring to?

Mr. O'CONNOR. The International Monetary Fund was invited by the Cambodian Government some months ago to come and make an inspection of their economy and make some recommendations. They did that. The IMF has now agreed to send a resident representative. The representative is Mr. Thamasson, an Icelandic gentleman whom we regard as a highly talented and able gentleman, who has been there some weeks. He has been discussing these reform measures such as increased taxation, higher interest rates to bring money back into the banking system, and a floating exchange rate structure of some kind with the Cambodian Government. We have heard within the last few days he has some reason to believe he is making real progress in persuading the Cambodian officials to adopt a good many of these recommendations.

We regard that exercise as very important and highly desirable. I don't mean to say that we favor every single recommendation, but we are, generally speaking, in favor of it.

COMMERCIAL IMPORT PROGRAM IN CAMBODIA IN PETROLEUM

One thing we have done is in terms of our commodity import program. We did negotiate when we concluded our first aid agreement, an exchange rate for our commodities of 83 riels to the dollar, as compared with the official exchange rate of 55. So for our commodities they are flowing at what represents substantially a 50-percent increase.

Mr. SHRIVER. The $110 commercial import program for Cambodia is in part for petroleum products, you say?

Mr. O'CONNOR. In part, sir.

Mr. SHRIVER. Where will those products come from?

Mr. O'CONNOR. They are by and large not coming from the United States. They are coming, I think, in most cases through Singapore, but I suspect the actual origin may be Indonesian oil.

Mr. SHRIVER. And there is no chance of companies in this country participating in the production of those commodities?

Mr. O'CONNOR. Yes, sir; there is. I don't happen to know precisely whether Caltex or perhaps Shell is involved. We are, of course, in

this country net importers of oil, and so we have used offshore procurement of oil in Asia quite extensively.

Mr. SHRIVER. But there are quite a few American companies that would like to do business over there.

Mr. O'CONNOR. I would like to check that, Mr. Shriver, because it is a good point, and supply for the record from whom we are buying the oil. I know some was bought from Shell. I will submit that information for the record.

(The information follows:)

COMPANIES FROM WHICH OIL IS BEING PURCHASED UNDER AID'S COMMODITY IMPORT PROGRAM

The Cambodian Government is purchasing, under AID's commodity import program, a variety of crude and refined oil products. Most of these petroleum products are supplied by Shell, Caltex, and Esso, which are the three largest petroleum marketing organizations in Cambodia.

FOREIGN EXCHANGE RESERVES OF THAILAND

Mr. SHRIVER. You say on page 7 that the foreign exchange reserves of Thailand have dropped, but the justification book shows they are still in pretty good shape in this regard.

Mr. O'CONNOR. They are right now, sir. I believe at the end of the calendar year they were about $916 million. That represented a drop of something like $120 million from their peak. The estimates made by the World Bank and the Monetary Fund, which have both been in Thailand, is that if the present rates of decline continue, they will be down in another couple of years by about $300 million. Those are estimates based on present trends. If the present trends are reversed, of course they won't come out at that level.

Mr. PASSMAN. Will the gentleman yield at that point?

Mr. SHRIVER. Certainly.

Mr. PASSMAN. You have to look at an average. You can't just pick a low year and a high year, so again let's read it into the record. In calendar year 1966, they had a surplus of $924 million, is that correct?

Mr. O'CONNOR. That is correct, sir.

Mr. PASSMAN. In 1967 it was $1,009 million, is that correct?

Mr. O'CONNOR. Yes, sir.

Mr. PASSMAN. In 1968, $1,021 million, is that correct?

Mr. O'CONNOR. That is correct.

Mr. PASSMAN. In 1969, $985 million.

Mr. O'CONNOR. That is correct.

Mr. PASSMAN. In 1970, $916 million.

Mr. O'CONNOR. That is correct.

Mr. PASSMAN. If we take it over an average, it is a very substantial surplus, isn't it?

Mr. O'CONNOR. There is no question about that.

Mr. PASSMAN. And it reflects a stable economy, and the very fact that you may get a reduction in a quarter or possibly in 6 months to 1 year, you shouldn't use that to justify large grant aid programs for Thailand. We have to look at this over a period of several years. All nations have peaks and valleys that may go up or down 5 or 10 percent, but it would appear that somewhere along the way you people unintentionally are trying to make the case that the situation in Thailand is

deteriorating and it is going to get worse. The record doesn't show that. What you want to do, sir, is to get us a table up to date. They operate on a calendar year, do they not? I think Thailand's reporting is on a calendar year.

Mr. O'CONNOR. I think that is right.

Mr. PASSMAN. We read into the record 1970, so the only thing you can add to that is a statement for the first 90 days of this year, or an accurate table for the first 90 days, plus an estimate for the first 6 months. Then again it would follow that what you are saying will have to really be proven next year, not this year, because it may be that they reach their peak later in the year; isn't that true?

Mr. O'CONNOR. Sir, that is true, but——

Mr. PASSMAN. Let's keep the record straight now, you will actually, since we read into the record 5 consecutive years, including 1970, have to deal with 1971, because Thailand reports on a calendar year basis, so the only thing you could do would be to take the first 90 days, and maybe furnish that to the committee. Then the next thing you could do is give an estimate as to what it may be on June 30, for 6 months, but it may well be that it would be down, but by the end of the year it may be the peak year; isn't that correct?

Mr. O'CONNOR. That could be, sir.

Mr. PASSMAN. Thank you very much. Let's just keep the record straight.

Mr. O'CONNOR. Mr. Shriver, could I comment a bit further on that, because I would like to describe, just for a moment, the underlying causes. We are not talking about short-term estimates. The chairman is absolutely correct. Short-term estimates don't prove very much, and I hope that the figures won't be as declining as I am afraid they will be.

Mr. PASSMAN. They may be better than you think they will be.

Mr. O'CONNOR. They might be, sir.

Mr. PASSMAN. I have been keeping up with these charts for 17 years. Thank you.

WHY THE THAI FOREIGN EXCHANGE RESERVE IS DROPPING

Mr. O'CONNOR. The underlying problem here is that most of this increase from about $660 million to $1,021 million came from spending on U.S. airbases that were put in there. That was running as high as $250 million a year. This was an extra bonus that the Thai Government had, and it increased their balance by a very large amount. Those amounts are no longer going in there. There are other factors—their exports have fallen off badly because their markets have gone down in rice, rubber, and tin, and prices have fallen. Those are underlying factors, and if they don't change, you will have this decrease, but the chairman is absolutely correct. It may well not happen, and we cannot base it on short term.

Mr. PASSMAN. Will the gentleman yield again so the record may be complete?

Mr. SHRIVER. Certainly.

THE THAI DOLLAR LOAN TO THE UNITED STATES

Mr. PASSMAN. Thailand is one of those nations that the black satchel man, I believe, visited in 1968 trying to find nations with a foreign

exchange account surplus. Regardless of what our people and the Thais discussed, we wanted to borrow $250 million out of their surplus of over $1 billion, but the Thais finally agreed to make us a dollar loan of $100 million, didn't they?

Mr. O'CONNOR. $100 million, sir.

Mr. PASSMAN. To be repaid in 4½ years at 6-percent interest, isn't that correct?

Mr. O'CONNOR. Yes, sir.

Mr. PASSMAN. On July 1, 1973, we are going to have to repay Thailand that $100 million that we borrowed from it, isn't that correct?

Mr. O'CONNOR. That is correct.

Mr. PASSMAN. But at the same time you have almost that much grant aid going in there.

Mr. O'CONNOR. In 1973, sir.

Mr. PASSMAN. July 1, 1973, which is 2 years hence we have got to repay Thailand 100 million hard dollars we borrowed from them, but in the interim we are going to be giving them grant aid in excess of $100 million, aren't we?

Mr. O'CONNOR. Not to my knowledge; no, sir.

Mr. PASSMAN. What do you have this year in supporting assistance?

Mr. O'CONNOR. $40 million.

Mr. PASSMAN. I said during the same period, didn't I?

Mr. O'CONNOR. Over the total period? Then you are right.

Mr. PASSMAN. Before this thing becomes due, you are going to give them in grant aid more than the $100 million we borrowed from them. You have new members of this committee who don't realize that we were out borrowing money from recipient nations of this program on very short terms and at a high rate of interest, and we have got to repay that money. I thank the gentleman for yielding, but these things come back, and I think they should be in the record.

PUBLIC SAFETY PROGRAM IN THAILAND

Mr. SHRIVER. You say you want $9 million to help the Thai national police to develop a rural security capacity. We have been in this for a long time. How much have we put in the program since its inception?

Mr. O'CONNOR. I have those figures.

Mr. SHRIVER. I am not arguing against it. I think it is an important effort, but I am not sure as to what progress has been made with the vast sums of past assistance. I recall seeing what they were doing back in 1965 or 1966.

Mr. O'CONNOR. Mr. Shriver, through June 30, 1971, we have put $76.9 million into this program. Let me comment on the developments. There have been some substantial improvements in the police capacity. Quite frankly, it has not been as much as we would like, nor has it been, I think, as much as is necessary in view of a rather increasing problem.

As I think we discussed yesterday, the present status is that guerrilla forces in the northeast have gotten much stronger in the last year or year and a half. There have been signs of systematic training out of the country, some by Peking and Hanoi. There are definite signs of trying to set up cadres in the villages in the northeast and there are signs of a safe haven in the northeast, in an area which is largely now under their control. So that things have, I would say, gotten acceler-

ated to the degree, I think, of the real risk that this represents. I am not trying to suggest, for a moment, that there is enough force in this kind of activity to have a serious affect on the Government at this point. Here again, it is a question of the trend, and the trend over the last year and a half has not, in the judgment of all of our people, been good.

ATTITUDE OF THE THAI GOVERNMENT TOWARD THE NORTHEAST

Mr. SHRIVER. What is the attitude of the central Government towards that area in connection with doing what they can to help improve the situation?

Mr. O'CONNOR. I think that has improved a good deal, Mr. Shriver. One of the purposes of not only our police program, but the accelerated rural development program is to try to get the Central Government to realize that they had a problem in these very far-flung, very rural areas. The Thais have greatly increased their budget contribution in these areas. I am just looking at the police figures. They have gone up from 50,000 men in 1965 to 76,000 men today. Of course, that is all paid for out of the Thai budget. I would like to supply similar figures for the accelerated rural development areas. Certainly one of the things we have been trying to do is to get the Central Government to allocate more of its funds into the northeast, and that I think has been a successful effort.

TAIWAN

Mr. SHRIVER. The final economic aid project for the Republic of China was started on January 9 of this year. When do you anticipate the completion of all projects there?

Mr. O'CONNOR. Mr. Shriver, are you referring to Public Law 480?

Mr. SHRIVER. No.

Mr. O'CONNOR. Is that in Mr. Green's statement? Mr. Shriver, where did you pick that one up? I am not sure we can identify it. I am not sure we have any ongoing projects in Taiwain.

Mr. SHRIVER. A press release dated January 9.

Mr. BEECHER. That project is finished.

Mr. SHRIVER. So that is all of it?

Mr. BEECHER. That is all of it.

INDONESIA

Mr. SHRIVER. You are requesting a substantial increase in the program level for Indonesia. Perhaps that is needed, but have any indications been given that they will change their policies of recognizing diplomatically North Vietnam and not the South?

Mr. O'CONNOR. I would like to ask Mr. Wilson to answer that.

Mr. SHRIVER. They also recognize North Korea and not the South, and not Taiwan?

Mr. WILSON. As you are aware, Mr. Shriver, the Indonesian recognition of both North Vietnam and North Korea is a hangover from the former regime of President Sukarno. This has not been changed under the new regime of President Suharto, the reason for this is that to some extent the feeling that the maintenance of diplomatic representation with these countries is, to a certain extent, a symbol of the

continuing nonalined policy of the Government of Indonesia. These missions, however, have not been particularly active under the new regime; most particularly, Indonesia has, under the new regime, now established commercial relations with both South Vietnam and with South Korea, and they have entered into consular relations with the Government of Korea.

LAOS

Mr. SHRIVER. Do we still pay the expenses over the world, except in France, of the Embassies of Laos?

Mr. O'CONNOR. No, sir. That practice stopped I believe 2 years ago.

Mr. SHRIVER. Several of the projects in Laos include contracts to Express Transportation Organization. What is the background of that?

Mr. O'CONNOR. That actually is a Thai organization.

(Discussion off the record.)

Mr. SHRIVER. On page D–1 of the supporting assistance book it is stated that the war has created inflationary pressures on the "largely nonmonetized economy of Laos." How does inflation work on a nonmonetized economy?

Mr. O'CONNOR. It works on the monetized portion.

Mr. SHRIVER. But this is described as a "largely nonmonetized economy."

Mr. O'CONNOR. In fact, sir, because of the stabilization fund, we have had very little inflation in Laos. There are, however, some funds coming into the economy of American origin for the purchase of supplies and the like which don't come through the FEOF, and that has caused some degree of inflation.

AID EMPLOYEES IN LAOS

Mr. SHRIVER. The table on page D–5 shows that you have 324 U.S. technicians in Laos in fiscal year 1972. Are they going to be employees of yours?

Mr. O'CONNOR. In 1972 the 324 would consist of 233 AID direct-hire employees; 34 employees of participating agencies, largely the Bureau of Public Roads and Reclamation; and 57 contractor technicians. I don't know exactly where they all fit into the picture. I can give you that information for the record.

IVS CONTRACT EMPLOYEES IN LAOS

Mr. SHRIVER. I have received correspondence from a constituent who has until recently been serving with the International Voluntary Service under AID contract in Laos. He has presented some convincing statistics on the relative costs of using IVS personnel for education and refugee programs there instead of regular AID personnel. Would you comment on this and tell us whether such volunteer contracts are being stepped up or cut back?

Mr. O'CONNOR. I have no doubt IVS would be less expensive. On the other hand, there have been some problems in Laos and one or two other countries with IVS volunteers not being willing to serve in certain areas.

I would like to submit a fuller answer for that for the record.
(The information follows:)

INTERNATIONAL VOLUNTARY SERVICES PERSONNEL

The AID contract with International Voluntary Service in Laos during fiscal year 1971 provides for 34 volunteers and 4 staff members. At the present time 25 volunteers are assigned to the education project as teachers in the teacher training college and in various secondary schools. The remaining 9 volunteers are assigned to rural development and agriculture projects. AID policy has been to contract for IVS volunteers in response to approved requests from the Royal Lao Government to perform technical assistance services for which they are professionally qualified. During the mid-1960's there were a large number of IVS volunteers working in community development throughout the rural countryside. Following the tragic death of two IVSers who were ambushed by Pathet Lao guerrillas in 1969, IVS informed AID that they would not send volunteers to any areas where there would be a question of their physical security. This action by IVS has reduced assignments of volunteers to those which can be effectively utilized in areas which are considered secure. AID advisers working in the refugee program travel extensively to areas which IVS has said they will not send volunteers. Therefore, no IVS volunteers are assigned to the refugee project.

IMPROVEMENT IN CONTROL OF REFUGEE RELIEF COMMODITIES IN LAOS

Mr. SHRIVER. As you know, the GAO issued a report on September 21, 1970, regarding the need for improvement in the control over refugee relief commodities shipped to Laos. What action has been taken to meet this need?

Mr. O'CONNOR. I think the action was in the process of being taken before the report was actually made. We have tightened up very substantially on our administration of those projects and, again, we did answer in full the GAO report. I would like to submit a copy of that portion of the report covering that for the record.
(The information follows:)

RESPONSE TO GAO REPORT ENTITLED "NEED FOR IMPROVEMENT IN THE CONTROL OVER REFUGEE RELIEF COMMODITIES SHIPPED TO LAOS"

The GAO team, while still in Laos, brought to the attention of the USAID certain weaknesses in the accounting and control procedures applied to refugee relief commodities. As shown in the GAO report, the Acting Mission Director ordered an immediate examination of the problem. One result was a USAID/Laos Action Memo, incorporated in the GAO report as Appendix II, providing for improvement in the USAID's organization and procedures in the fields covered by the GAO report.

The GAO findings and conclusions presented below with our comments are drawn mainly from the GAO "Digest" on pages 1 and 2 of the GAO report.

1. GAO:

"The United States Agency for International Development (USAID) Mission in Laos had not established the controls necessary to safeguard U.S. interests and to account for the large amounts of commodities sent to Laos under its programs to assist refugees and other victims of the conflict."

COMMENTS:

This is a generalized statement of specific GAO points presented below with our comments on each.

2. GAO:

"The Bangkok Operations Branch of USAID had approved for payment transportation billings submitted by the Express Transportation Organization, a Thai Government entity, without documentation that refugee commodities had been received in Laos."

COMMENTS:

Payment to ETO by the Bangkok Operations Office is based on a signed Shipping and Receiving Report accompanying each invoice as evidence that the cargo was delivered to Thanaleng (Port of Entry for Laos). These payments are in accord with standard commercial practices relative to the payment of transportation invoices. At Thanaleng ETO delivers the cargo to Societe de Gestion et d'Outillage Public de le Province de Vientiane (SOGOV - a Lao Government controlled firm operating the in-transit customs warehouse) where it is, in turn, picked up by the Lao Transport Association for delivery to USAID. In every instance cited by the GAO, ETO produced receipts to prove it had performed the transportation service before payment was made.

The above procedure applies to approximately 90% of all ETO shipments. The other 10% consists of cargo which, for one reason or another, cannot be conveniently off-loaded and reloaded at Thanaleng and which the Royal Lao Government permits to be transported directly to receiving warehouses by the Thai trucks after clearing customs. These shipments are received, checked and signed for by USAID personnel and the Mission knows of no deficiencies in accounting for transportation services performed.

3. GAO:

"Regarding shipments made by a second transportation company, Bar Peng Chiang, the GAO noted: "Many of the commodities shipped with this carrier were signed for by employees of a USAID contractor and the Royal Laotian Government. GAO observed some weaknesses in the receiving operation, including the use of inexperienced students and lack of signature authorization procedures."

COMMENTS:

The USAID Supply Management Branch (SMB) has taken over the receipt of all refugee relief commodities. Third Country National (TCN) personnel receiving commodities work in the SMB Supply Warehouse Section under American supervision.

Stock control records are maintained for all non-bulk items and all issues are via Supply Requisition/Issue and Return Document (Lao Form 203). The bulk commodities, rice, salt, etc., are handled differently after receipt by SMB since they are never actually stored for long periods but pass through KM-4 and Wattay Warehouses in transit to the refugee sites. The normal period for holding rice in Vientiane before transshipment is 24 to 48 hours. SMB monitors all shipments between KM-4 and Wattay Warehouses. A daily summary in and out record book is maintained and the balances on hand are verified by evening floor counts.

Signature cards are being obtained from all stations for those personnel authorized to receive refugee commodities. A set of these cards is maintained both at SMB/Vientiane and at the Bangkok Operations Office.

4. GAO:

"On the basis of very limited tests, GAO found unexplained shortages amounting to about $109,000 worth of commodities shipped with the two companies identified above. GAO was not able to determine whether any of these commodities were diverted to private use. After GAO's field review was completed, USAID informed GAO that receiving documents were found to account for most of the shortages.

COMMENTS:

The following are the specific shortages found by the GAO and the results of further USAID action thereon:

(1) The GAO states (p. 8) that: "Records at USAID/Laos showed that, of 39,250 bags of Public Law 480, Title II cornmeal shipped from Bangkok during the period January through June 1970, only 37,515 were received, a shortage of 1,735 bags."

As footnoted in the GAO report (p. 8), USAID subsequently located documents accounting for all but 10 bags. It later found that another 10 bags could not be accounted for. It has submitted a claim on the missing 20 bags.

(2) The GAO states (p. 8) that: "Records at the medical warehouse showed that, of 74,985 pounds of milk products shipped to Vientiane in May 1970, only 56,760 were received, a shortage of 18,225 pounds."

The apparent shortage resulted from the misdirection of three conex containers. These were received subsequent to the shipment mentioned by the GAO and with their arrival receipt of the entire shipment was accounted for.

(3) The GAO states (p. 8) that: "Records at USAID/Laos showed that, of 8,993 cases of Singapore canned beef shipped from Bangkok to Laos during the period March through June 1970, only 6,085 cases were received, a shortage of 2,908 cases."

As footnoted in the GAO report (p. 8), all but 29 cases were subsequently accounted for. Later findings reduced the missing quantity to 25 cases plus 23 cans. A claim was filed on the missing quantity.

(4) The GAO states (p.9) that it examined into "shipments of 2,174,400 cans of buffalo beef sent to Laos over a 6-month period in fiscal year 1970" and "found that USAID could not account for receipt of 312,960 cans, valued at about $63,000.

As footnoted in the GAO report (p.9), USAID subsequently located documents accounting for all but 176 cans of buffalo beef. It later accounted for the receipt of another 80 cans, reducing the number of unlocated cans to 96. A claim was filed on the missing quantity.

(5) The GAO states (p.10): "We found that shipments of steel bars and axes could not be accounted for as having been received in Laos, although Ear Peng Chiang had been paid for shipping them."

This matter was explained to GAO representatives by the Bangkok Operations Office. The steel bars and axes were shipped in mixed loads, part of which were signed for on the manifest at the SMB Thong Thoum Warehouse, Vientiane, with the axes and bars deleted. The balance of the shipment was signed for at the Refugee Relief That Khao Warehouse on a separate receiving report. Both documents were shown to the GAO representatives.

5. GAO:

"A USAID internal audit report dated August 1969 stated that USAID controls over receipts of bulk commodities were weak and that rice inspection services did not conform to requirements of the contracts. The report showed that rice quantity and quality certifications were made at the shipping sources in Thailand rather than at the delivery points in Laos. The report showed also that no count of rice was made at the receiving warehouse in Laos."

COMMENTS:

The USAID Supply Management Branch is verifying the quantities of all Thai rice received as an integral part of its receiving function. Quality is guaranteed by the Royal Thai Government under the terms of USAID contracts. In addition, International Inspection and Testing Corporation (INTECO) is now inspecting refugee commodities at the Lao point of receipt.

Regarding control over receipt of bulk commodities, see 3, above, and 6, below.

6. GAO:

"GAO does not know what improvements, if any, were made after issuance of the USAID report. GAO can only conclude, on the basis of its own review, that weaknesses in the controls over receipts of refugee supplies still exist and that there is a need for USAID to restudy its operation and make improvements."

COMMENTS:

Effective August 13, 1970, as outlined in USAID/Laos Action Memo 71-02 of that date (incorporated in the GAO Report as Appendix II), the Supply Management Branch (SMB) took over the receipt of all refugee commodities at the principal warehouses (KM-4, Wattay Airport and Thong Thoum), and accounting and control procedures were tightened up. In October 1970, SMB was assigned the responsibility for the receipt of all refugee relief commodities, and also for their inspection, storage and issuance. A special warehouse unit was established in the SMB Supply Warehouse Section to deal with refugee relief commodities. Further, since the GAO report three additional Third Country Nationals (TCN's) have been recruited to deal with the receipt, storage, inspection and issuance of bulk refugee relief food commodities at Wattay Airport and KM-4 warehouses and at a large warehouse newly rented in November 1970. As stated under 3, above, the TCN's work under American supervision. In addition, another American employee is being hired for SMB work in this field under a personal services contract.

7. GAO:

"GAO's review showed that USAID was not processing most claims against carriers for shortages or damages incurred in transit. GAO observed weaknesses in internal control, both in evaluating losses or damages and in not processing potential claims against carriers, among the responsible organizational elements of USAID."

COMMENTS:

In instances where shortages or damages are noted but claims are not filed, this is due to the minor amounts involved. The "rule of thumb" in deciding which shortages and/or damages are significant is $15 or over. Appropriate claims are then filed accordingly.

The Supply Management Branch in conjunction with the Office of Refugee Affairs and the Bangkok Operations Office investigated the shortages mentioned by the GAO and filed claims against the transportation companies on the quantities found to be missing. Five additional claims, for a total value of about $270, have been filed on missing commodities since the Supply Management Branch took over the receipt, storage, and issuance of refugee relief commodities in October 1970.

The GAO notes (p. 12) that as of July 31, 1970 the Mission had not collected on a claim for $239 against the transportation of certain medical equipment that had been lost. This was correct, but after an additional Mission effort (November 1970) to collect this amount was unsuccessful, the amount was deducted from the transporter's subsequent billing.

8. GAO:

"USAID pays about $56 more per 10-ton truckload for cargo moved from Bangkok to Vientiane by the Express Transportation Organization than for cargo transported by Ear Peng Chiang."

COMMENTS:

As the GAO report recognizes elsewhere, the Express Transportation Organization is a Thai Government corporation having the sole authority to transport international cargo off-loaded in Thailand to the Lao border. It is correct that the Mission obtains lower rates from Ear Peng Chiang, with whom it contracts for transporting to Laos commodities bought in Thailand. The ETO rates, however, have been reduced four times over the past eleven years; they are now about 20 percent less than they were prior to June 1, 1960. We are hopeful that further reductions can be achieved. The Joint Lao-Thai Committee for Economic Cooperation, which held its first meetings in 1970 and is concerning itself with transportation matters among others, may be helpful in this regard.

FINAL OBLIGATION DATES INSERTED FOR PROJECTS

Mr. SHRIVER. I notice that contrary to prior policy, most of the projects in Laos now have scheduled final obligation dates rather than just being in the undetermined category. The committee is glad to see this, although some of the final obligation dates are too far away. Would you explain this change in policy?

Mr. O'CONNOR. The change in policy is due to the suggestion made by this committee at last year's hearings. We have analyzed all projects in Laos and have scheduled a final obligation year wherever that seemed feasible. The uncertain political and military situation in Laos makes it extremely difficult to estimate when the refugee, rural development, and technical support projects may be terminated; on all other projects a final obligation year has been projected.

INCREASE REQUEST FOR THAILAND

Mr. SHRIVER. On page E–2, it is stated that in spite of a lower rate of economic growth in Thailand, "it should be within Thai capacity to deal with these conditions without a major change in U.S. assistance levels." Why, then, are you here requesting $40 million for Thailand in fiscal 1972 as compared to $23.1 million in fiscal 1971?

Mr. O'CONNOR. The projected economic growth rate has slackened largely due to a cutback in foreign exchange available from exports and income from U.S. bases, and an increase in defense expenditures. Recent external developments affecting Thailand's security have forced them to hold down planned development expenditures for the next few years to a growth rate of 3 or 4 percent in order to sustain projected 10-percent annual increases in defense expenditures. This unavoidable cutback on the projected growth of the development budget represents a marked reduction in the increase of development funds available in past years. The Thais gradually should be able to adjust their economic policies to minimize the import of these developments. We have proposed an increase in U.S. assistance for fiscal year 1972 to $40 million to help the Thai sustain an adequate growth rate during this transition period.

NEED FOR WATER UTILIZATION PROJECT

Mr. SHRIVER. You are proposing the initiation of a new project in Thailand called agricultural water utilization at a total cost of $6 million. You say on page E–5 that the water involved is already available in reservoirs. Why hasn't this water been used in the past by the Thai Government? As we lower our profile over there and encourage more regional cooperation, it would seem that this project should not be started with our support.

Mr. O'CONNOR. While the construction of the reservoirs was completed, it was left to the farmers to construct the small canals, ditches, and dikes to obtain and utilize the water. As in most developing countries, the farmers were not organized to accomplish this, nor do they adequately understand how to manage and use the water from an irrigation system. We will assist Thai agencies in addressing this problem.

RURAL ELECTRIFICATION PLANNING PROJECT

Mr. SHRIVER. Another new project for Thailand is the rural electrification planning project described on page E–7. After this planning is completed, will you be back here asking for funds to initiate a rural electrification program?

Mr. O'CONNOR. As mentioned in our written presentation, we are considering limited assistance in the area of rural electrification, should the planning project prove that further expansion is economically feasible and worthy of our support.

PRIVATE CAPITAL INVESTMENT PROJECT

Mr. SHRIVER. Is the new private capital investment project on page E–9 merely an extension of the private enterprise-private sector development project on page 102 of last year's book? Nothing ever seems to stop.

Mr. O'CONNOR. No; they are not the same project. Through our private enterprise project, which phases out in fiscal year 1971, we have concentrated largely on improving the quality of staff, on organizational matters, and on definition of the proper roles of several new Thai Government offices with responsibility for promoting private sector development. This institutional development phase is complete. Under the new private capital investment project, we now are proposing to assist these agencies to address policies and programs directed specifically at increasing foreign private investment and promoting agribusiness—a matter of considerable importance in light of Thailand's worsening balance-of-payments situation.

GRADUATE SCIENCE EDUCATION PROJECT

Mr. SHRIVER. You are proposing a new $4.5 million project for Thailand entitled graduate science education. This is ridiculous. We have many more important demands on tax dollars, both here at home and around the world. Do you want to comment on this project?

Mr. O'CONNOR. The total foreign exchange cost of this project over a 5-year period is estimated at $4.5 million. We are requesting $530,000 for fiscal year 1972. Several studies have identified this improvement in science and matematics instruction as a critical first step in the required strengthening of the secondary and higher education systems in Thailand. We propose to assist the Thai in addressing this major impediment.

ASSISTANCE IN PREPARING LOAN APPLICATIONS

Mr. SHRIVER. Part of the $10 million loan package being considered for Thailand in fiscal 1972 for general and miscellaneous purposes is for helping the Thais prepare applications for loans from other lending sources. Why is that our responsibility under our bilateral program?

Mr. O'CONNOR. The Thais have been slow in preparing projects under the development plan for loan application. Since non-U.S. financing may be available for most of these projects, we wish to assist the Thais to take maximum advantage of these possibilities.

NEW PRESENTATION FORMAT

Mr. SHRIVER. I just want to add my comments to those of the chairman regarding the new way you are presenting the economic development requests on a functional basis rather than a country basis. This makes it very difficult to compare these projects with prior year justifications. I hope you will go back to the country basis for these presentations.

Mr. O'CONNOR. The fiscal year 1972 congressional presentation was revised this year to reflect the legislation prepared by the administration, which separates development assistance and security assistance. In regard to development assistance we made a further division along the lines of the International Development Corporation, which would handle development loans, and the International Development Institute, which would handle technical assistance activities. It was proposed that each of these institutions would respond to country initiatives in the future rather than to carry out the extensive country programing that we have had in the past. We have prepared the justification on a functional basis, but we have attempted to provide the same information, although on a different format, that we have made available in our presentation in the past. However, we want to respond to your needs for information to the maximum extent possible and will most seriously consider the suggestions of Members of Congress concerning the preparation of our presentation documents.

NEED FOR NEW PROJECTS IN KOREA

Mr. SHRIVER. Korea has less need of our economic assistance now and will have even less in the future. Why are you initiating a new 6-year social development research and administration project for $2.8 million and a new 5-year education development project for $1.5 million there in fiscal 1972?

Mr. O'CONNOR. While the Korean need for U.S. economic aid is declining, we believe there is a continuing need for U.S. technical assistance, and that new projects are required to meet the changed conditions in Korea. The proposed special development research and administration and education development projects will help address social development and education development problems which have surfaced as the result of recent rapid economic growth.

REPORT ON INDONESIAN DEBT RESCHEDULING

Mr. SHRIVER. Would you summarize for the committee the report to the President of the National Advisory Council on International Monetary and Financial Policies regarding the Indonesian debt rescheduling.

Mr. O'CONNOR. I would be glad to, Mr. Shriver.

The United States has agreed with Indonesia on a rescheduling of its debt incurred prior to July 1, 1966, that is during the Sukarno regime. The United States holds a relatively small portion of the Sukarno debt. The Eximbank, Public Law 480, surplus property, and AID credits that will be rescheduled under this agreement amount to $215 million, or about 10 percent of the total Sukarno debt of $2.1 billion. The terms of the agreement are based on the understandings—

the Paris Minute—reached in April 1970 between representatives of the U.S. Government and the other members of the Paris Club—Australia, France, the Federal Republic of Germany, Italy, Japan, the Netherlands, the United Kingdom, and Indonesia. The Paris Minute provides essentially that the principal on pre-July 1966 Government loans and Government-insured private credits will be repaid in 30 equal annual installments beginning in 1970, with repayment of interest in 15 equal annual installments beginning in 1985. A complete restructuring of Indonesia's debt service arrangements is necessary because Sukarno had brought Indonesia to the brink of total financial collapse.

A cardinal principle of the present debt rescheduling as embodied in the Paris Minute is that all creditor countries be treated alike, that each creditor's claims be rescheduled in the same way as all other creditors. One of the distinguishing features of the arrangement with Indonesia is that the Eastern bloc, which is owed over 50 percent of the Sukarno obligations, will be obliged to defer its receipts in the same manner as the United States, even though the United States holds only about 10 percent of the Sukarno debt.

Thus, the United States has favored the rescheduling with Indonesia on Paris Minute terms, because it had the following advantages both for Indonesia and the Western creditor countries including the United States:

1. In light of Indonesia's internal economic and foreign exchange difficulties, the chances of obtaining payments on the credits extended by the United States without such a rescheduling did not appear good.

2. A long-term rescheduling would help to reestablish Indonesia's international creditworthiness and would substantially increase the chances of Indonesia's nonaligned regime to survive by succeeding in its economic program of stabilization and development.

3. Without such a rescheduling, a large part of any new aid might have been diverted to nondonor countries (such as the Eastern bloc) for Indonesia's debt service payments on the old Sukarno debt.

4. It is in the U.S. interest to have a viable regime in Indonesia which is tackling the development needs of its people. Through our honoring Indonesia's obligations, the country is better assured of a place in the family of nations, together with assistance toward self-help which that status implies.

Mr. SHRIVER. Thank you, Mr. Chairman.

Mr. PASSMAN. Thank you, Mr. Shriver.

NEW RULES USED BY THE SUBCOMMITTEE IN HEARINGS

Let's take just a moment and explain something. I neglected at the beginning of the hearings to tell our distinguished witnesses that we are operating under different rules than in prior years. Each member of the subcommittee, and that applies to the chairman, can only consume 5 minutes in questioning and getting answers from the witnesses. Many times a 30-second question requires a 4½-minute answer and that just closes the witnesses out.

We have always operated, prior to this year, on the basis that each member of the committee, when we reach him, can consume, if he wanted to, one full week with one witness. We have had positively no limitation. All of these distinguished members here are serving on

other committees and it is impossible for them to be here in this committee all the time. I guess it is a responsibility of the chairman to keep the record straight where the witnesses unintentionally build up a good case about what other countries are doing, and I happen to know they are not doing anything but making profitable sales at a high rate of interest.

Each member will first consume 5 minutes and then we will resort back to the old system. If I want to use a week I use a week, and when the next member wants to use a week he can use a week. If you will, in the future, be as concise as you can and put it in the record. Otherwise, the members can only ask one question during their 5 minutes.

Yesterday some of our members were attending other committee meetings and could not be here when I had finished interrogating on supporting assistance. It is only fair in this one instance, so that we can get the rules in effect as they should be, that I want to yield as we go around the table 10 minutes to members so they can ask questions on both programs for East Asia. Is that a fair way to handle it?

Mr. RIEGLE. It sounds fair to me.

Mr. PASSMAN. Then I yield to Mr. Riegle 10 minutes.

Mr. RIEGLE. Just a parliamentary question. I assume that after we have gone through the people on their designated time, then we can open it up for further questions?

Mr. PASSMAN. Then it comes back to me and I consume whatever time I feel that I must use to make the record that I think should be made. Then we turn around and yield to members on the left and right as in previous years. Each member will consume all the time that he feels he should consume in asking his questions.

Isn't that fair?

Mr. RIEGLE. Yes.

One other thing, Mr. Chairman. After Mr. Shriver cross examines I wonder if I should be next or if it should revert to the other side of the table?

Mr. PASSMAN. Mr. Royal examined yesterday on supporting assistance, so it is natural that I come to you.

Mr. ROYBAL. Isn't it true, Mr. Chairman, that one can consume 5 minutes on any particular phase of the subject matter before us if he so desires?

Mr. PASSMAN. He can spend his 5 minutes on anything he wants to.

Mr. ROYBAL. I understand.

Mr. PASSMAN. Every member of the committee is entitled to interrogate for 5 minutes before we go into the rough part of the examination. Then it is necessary that I consume all the time that I feel is necessary, and when I yield to you you can do likewise.

Mr. ROYBAL. Mr. Chairman, when you say that "the rough part of the examination" comes later, the gentlemen before us are liable to anticipate a very rough time later on this afternoon.

Mr. PASSMAN. I hope they do, because we are going to give them a rough time, if that is what you mean.

Mr. ROYBAL. It seems to me that we shouldn't warn them.

Mr. PASSMAN. If we don't warn them we will ask a 10-second question and get a 4½-minute answer, and you can ask only one question. Isn't that the way it works?

Mr. ROYBAL. Most of the time it works that way, you are right.

Mr. PASSMAN. Sometimes you get a 30-second question and get a 9-minute answer. I didn't approve of the rule because I believe in the members of this committee consuming all the time that they need to examine a witness because they represent 206 million Americans on this committee. But since the rules call for each member to consume 5 minutes before we get to the rough part of the work, we will have to abide by those rules.

I yield to Mr. Riegle.

Mr. RIEGLE. Thank you, Mr. Chairman.

In the light of the fact that we are under a time limitation, I would appreciate it if in your response you would be as brief and complete as you can.

NEW YORK TIMES ARTICLE ON UNITED STATES IN SOUTHEAST ASIA

I would like to know if all of you here had an opportunity to read the disclosure in the New York Times Saturday and Sunday and continuing today on the historical review of our participation in Southeast Asia. How many of you have had a chance to read that material?

Mr. O'CONNOR. I glanced through it, but have not read it in depth.

Mr. WILSON. I read it partially.

Mr. RIEGLE. I might suggest that you read it, and read it carefully, because I think there is almost no way that we can proceed intelligently with hearings like these in the administration of these programs unless certain of these basic facts, now a matter of public record, are understood. I would like to urge that you do that.

AID REQUEST FOR LAOS IN FISCAL YEAR 1972

How much money is there in the bill that is before us on all aspects of Laotian assistance?

Mr. O'CONNOR. Mr. Riegle, specifically the AID appropriation that I am testifying for is $47.2 million. For the reasons I mentioned yesterday that represents a reduction of $3.3 million from what is in the presentation.

Mr. RIEGLE. I think it is important that we know what other continuing assistance is going to go on but is transferred to other budgets. Is that right?

Mr. O'CONNOR. That is correct.

NUMBER OF VILLAGES IN LAOS

Mr. RIEGLE. How many villages are there in Laos?

Mr. O'CONNOR. I am afraid I don't know the answer to that one. We have got that and I will submit it for the record. I don't have it in my head.

Mr. RIEGLE. Can you give me an approximation? I want an accurate figure later, but give me an approximation.

Mr. O'CONNOR. It is a question of definition, I would rather not hazard a guess because it might be incorrect.

Mr. RIEGLE. I would like to have that tomorrow. I want to talk about it tomorrow when we get into the Vietnam section, so I will relate what I ask tomorrow to that.

I would like to have it at that time.

(The information follows:)

NUMBER OF VILLAGES IN LAOS

The latest estimate from our mission indicates that there are approximately 11,700 villages in Laos, of which approximately 9,000 are under control of the Royal Lao Government. Laos has a population of about 2.8 million people; and the majority of them, about 2 million, live in areas under Government control. All of these population figures are at best estimates, since for more than 20 years there has never been the opportunity to conduct a reliable census even in the areas under Government control. AID does not have any figures on the number of villages 3 years ago.

NUMBER OF REFUGEES IN LAOS

Mr. RIEGLE. Do you have a record as to how many refugees there are in Laos? Someone located somewhere other than their home.

Mr. O'CONNOR. Approximately 300,000.

Mr. RIEGLE. Population of what?

Mr. O'CONNOR. I think that in the part controlled by the Government, there are only 1.8 million now.

Mr. RIEGLE. We are talking about what slice the 300,000 represents of the 1.8 million?

Mr. O'CONNOR. It would be one-sixth.

Mr. RIEGLE. Are you saying all those refugees come from areas not held by the Vietnamese?

Mr. O'CONNOR. No; not necessarily. I am saying there are 300,000 refugees in the Laotian territory controlled by the Government, and the population in that area in total is about 1.8 million.

Mr. RIEGLE. I would like you to have tomorrow the number of villages there are in Laos and not just how many there might be today, because there can be villages that are not in existence any more because of the pressures of war. And I would like to know how many villages there were 3 years ago and what the number is today. I want to get a measure of how many villages were evacuted for whatever reason.

Give me a breakdown of regions within Laos. You have to have that kind of data if you are going to endeavor to spend anything like $47 million in a country. I think that you have to start with viable data. Presumably that is where the people live, and this program is designed to help people. I assume that I am not asking for something that does not exist?

Mr. O'CONNOR. No, I think that we have that information.

U.S. LONG-RANGE OBJECTIVES IN LAOS

Mr. RIEGLE. I would like you to insert in the record what our long-term objectives are in Laos. Spell that out for us and what we hope to accomplish beyond the next 1 or 2 years.

Mr. O'CONNOR. I think that is perhaps more a political question than it is an economic question.

Mr. WILSON. To save time, could we provide that for the record?

Mr. RIEGLE. Yes. I would like a good, straight answer. I don't want bureaucratic language. I would like to know what we have in mind as a way of base setting for long-range objectives.

Mr. WILSON. Yes, sir.

(The information follows:)

U.S. LONG-TERM OBJECTIVES IN LAOS

The U.S. long-term objectives in Laos are as follows: To keep Laos independent and neutral; to keep it an area of international or multilateral concern and not one of confrontation; to preserve the essential forms of the Geneva Agreements of 1962; to help promote a negotiated solution to the Lao problem so that the Lao may have some hope for stability and normal development.

Mr. RIEGLE. Going to the statement by Mr. Green on page 9, let me just be clear on who is here representing Mr. Green today.

Mr. WILSON. I am.

Mr. RIEGLE. With no disrespect, but a healthy cynicism, I see on page 9 the same standard language about how well we are doing in Vietnam that I have seen for the 5 years that I have been on this subcommittee. I think the first full paragraph on that page tells only part of the story, and because it tells only part, I think it is almost as harmful as it is helpful because it does not tell the whole story.

JUDICIAL PROCESS IN VIETNAM

I would like to have inserted in the record the following things: A description of what the judicial process is in South Vietnam today, the one that as a practical matter is being used. In other words, if a fellow is accused of a crime, what right of due process does he have? Who can make the accusations? Can people be jailed without trial?

I would like what you might call a gut-level assessment of exactly the way the judicial process works in South Vietnam today.

As a case in point, I would like for you to describe the circumstances that surround the fact that this fellow Dzu who apparently ran second in the last election is still in jail or under house arrest. I would like to know how his case fits within this process. I don't mean the one on paper; which is obviously different from what the standard practice is. What, in fact, happens in practice.

(The information follows:)

The April 1, 1967, Constitution of the Republic of Vietnam established an independent judiciary headed by a supreme court, which is elected by the National Assembly from candidates selected by associations of judges, prosecutors, and lawyers. Decisions of all lower courts, including the military field courts (which are responsible for trying national security cases), may be appealed to the supreme court. The Constitution also empowers the supreme court to interpret the Constitution, to decide on the constitutionality of all laws and decree-laws, and to rule on the constitutionality and legality of decrees and administrative decisions of the Government. In addition, the supreme court administers the court system, and appoints judges.

The Constitution also defines the rights of citizens. Article 7 sets forth the following concerning an individual's legal rights:

"ARTICLE 7

"(1) The State respects and protects the security of each individual and the right of every citizen to plead his case before a court of law.

"(2) No one can be arrested or detained without a legal order issued by an agency with judicial powers conferred upon it by law, except in case of flagrant violation of the law.

"(3) The accused and his next of kin must be informed of the accusation against him within the time limit prescribed by law. Detentions must be controlled by an agency of the Judiciary.

"(4) No citizen can be tortured, threatened or forced to confess. A confession obtained by torture, threat or coercion will not be considered as valid evidence.

"(5) A defendant is entitled to a speedy and public trial.

"(6) A defendant has the right to a defense lawyer for counsel in every phase of the interrogation, including the preliminary investigation.

"(7) Any person accused of a minor offense who does not have a record of more than three months imprisonment for an intentional crime may be released pending trial, provided that he or she is employed and has a fixed residence. Women pregnant more than three months accused of minor offenses who are employed and have fixed residence can be released pending trial.

"(8) Accused persons will be considered innocent until sentence recognizing their guilt is handed down.

"(9) If unjustly detained, a person has the right to demand compensation for damages from the State after he has been pronounced innocent, in accordance with the provisions of law.

"(10) No one can be detained for indebtedness."

After the promulgation of the 1967 Constitution, a massive revision of the Vietnamese legal codes was undertaken to bring them into conformity with the Constitution. This revision—in effect, a complete redrafting of the country's entire body of law—has been completed and the revised codes are currently before the National Assembly, which has the responsibility of legislating the revised codes into law. To permit the country to function in the interim period between promulgation of the 1967 Constitution and legislative action by the National Assembly on the revised legal codes, existing laws have remained in effect until replaced by new legislation or declared unconstitutional by the supreme court. It was therefore not until 1970, for example, that the military field courts, which had previously been under Ministry of Defense jurisdiction, were placed, after supreme court challenge and National Assembly legislative action, under the jurisdiction of the supreme court. As a result of that 1970 legislative action, all lower court decisions may be appealed all the way to the supreme court.

There is not a significant gap between principles and practice of the Vietnamese judicial system. Violations of individual rights doubtless occur, as in any judicial system, but a valid avenue for correction of such violations exist. When a citizen believes his rights are being violated, he has access to the supreme court for redress of his grievances.

The process described above prevails in civil and criminal cases. It should also be noted, however, that the Republic of Vietnam faces problems peculiar to a nation struggling against a Communist insurgency movement. The Viet Cong have been attempting to take over South Vietnam by force. The Vietnamese Government has been countering this attempt by a variety of means, including the identification of Viet Cong infrastructure. Under this program, known now as the Phuong Hoang, or Phoenix program, provincial security committees are empowered to detain individuals against whom evidence of Viet Cong activity exists. Critics of this process contend that it does not adequately meet constitutional standards. Other observers suggest that the process has a valid legal basis in the November 1968 state of war law, passed by the elected National Assembly. There is some sentiment in Vietnam for revising the procedures by which the provincial security committees operate in these cases; the National Assembly has passed legislation abolishing these committees. The executive branch, however, argues that the war situation prevailing in South Vietnam necessitates a procedure for dealing swiftly with suspected members of the Viet Cong infrastructure and has requested the National Assembly to reinstate the committees. If the National Assembly can muster an absolute majority of its total membership opposing the executive branch request, the assembly position will prevail.

A classified document which provides additional insight and perspective into this area was forwarded by Assistant Secretary of State David M. Abshire to Chairman Thomas Morgan of the House Foreign Affairs Committee on June 30, 1971. This document, entitled "Internal Security in South Viet-Nam," is a report by Ambassador William E. Colby, head of CORDS (civil operations rural development support), to Secretary of Defense Melvin Laird.

STATUS OF TRUONG DINH DZU

Mr. Truong Dinh Dzu, a prominent Saigon lawyer, was a candidate for President of Vietnam in the 1967 elections. He finished second to President Thieu with a total of approximately 817,000 votes or 17.2 percent of the total. Mr. Dzu was popularly referred to in the Western press as the peace candidate.

Prior to Mr. Dzu's entering the political arena, he had been charged with writ-

ing bad checks, illegally transferring funds abroad, and embezzlement. His trial on these charges was postponed in order to allow him to participate in the September 3, 1967, presidential election. Following the elections he was brought to trial on September 15 and was found guilty on the bad check and illegal transferring of funds charges but was acquitted on the embezzlement charge. Dzu has appealed the convictions; the case is still pending.

During the Tet offensive in February 1968, Dzu, along with several other anti-Government figures, was taken into protective custody. The rationale of this action was a belief by the Government of Vietnam that these individuals were likely candidates for exploitation by the Viet Cong who were at that time in the process of setting up new front organizations and were seeking non-Communist, anti-Government figures to lend their names to these organizations.

In April 1968, Mr. Dzu was released and gave interviews with a UPI reporter and with the BBC in which he advocated forming a coalition government with the National Liberation Front. It was these interviews which caused the Government to charge him with violation of decree law 49/67 of July 1965 by having committed actions which "weaken the fighting spirit of the people and the army." Mr. Dzu was brought to trial before the military court of III Corps area on July 26, 1968 and sentenced by a majority decision to 5 years' hard labor.

Mr. Dzu was transferred in May 1969 from Con Son Island Prison to the Chi Hoa Prison in Saigon for medical treatment. According to recent information he is in good health and being well treated.

ELECTION SYSTEM FOR PRESIDENT IN VIETNAM

Mr. RIEGLE. Second, I would like you to insert in the record a description of what the election system for President looks like in South Vietnam, and I would like your comment on the move that is underway now in the legislature to restrict the number of candidates in the presidential elections.

(The information follows:)

South Vietnam will choose a president and vice president October 3. Voting is by universal suffrage, with 18 the minimum age.

The April 1, 1967, Constitution of the Republic of Vietnam sets the following conditions for presidential and vice presidential candidates:

"Article 53. Citizens who fulfill the following conditions may run for President or Vice President:

"(1) Must have Vietnamese citizenship from day of birth and continuous residence in Vietnam for at least 10 years as of the date of the election. Time spent abroad on official assignment or in political exile is considered as residence in Vietnam;

"(2) Must be 35 years of age as of election day;

"(3) Must have legal draft status;

"(4) Must enjoy full rights of citizenship;

"(5) Must meet all other conditions set forth in the presidential and vice presidential election law."

President Thieu promulgated the election law establishing procedures for the October 1971 election on June 23. This law, passed by the National Assembly, contains a provision requiring that all candidates for president be endorsed by either 40 National Assembly members or 100 provincial or municipal councilors. Supporters of this requirement recognize that it will limit the number of candidacies, which is in fact its purpose. They argue that a multicandidate race such as the 11-man 1967 presidential contest does not result in a decision sufficient to give the victor a meaningful mandate. (President Thieu received only 35 percent of the vote cast in 1967.) Opponents, however, regard the endorsement provision as an attempt to prevent opposition candidates from running. They argue that this part of the law is unconstitutional and contend it is designed to serve the incumbent President's political purposes.

We do not think the endorsement provision necessarily precludes the holding of a free and fair presidential election in South Vietnam. Most observers believe that President Thieu's presumed principal opponent, retired Gen. Luong Van Minh, could obtain the necessary endorsements. Vice President Nguyen Cao Ky

has stated that the requirement presents no obstacle to his candidacy. It can be argued that in the absence of a two-party system, or primary elections, requiring endorsements by elected officials could usefully screen out frivolous candidates, leaving the field for contention by serious challengers.

It should also be noted that the conduct of the presidential election in Vietnam is not under the the exclusive jurisdiction of the executive branch of government. The Constitution (article 54) specifies that "The supreme court will establish a list of candidates, will control the fairness of the election, and will announce the result." Accordingly, the supreme court (which was elected by the National Assembly from candidates selected by the bar, jurists, and prosecutors associations) has the final word concerning qualifications of candidates, complaints concerning the conduct of the election campaign, and the fairness of the electoral process itself, and announcing the ultimate outcome of the election.

In addition, article 54 of the Constitution states that all candidates "will receive equal means in the electoral campaign." In accordance with this provision, Vietnamese national-level electoral laws establish a sum of money to be granted to each candidate for the conduct of his campaign, and require that nationally provided means, including campaign literature and access to radio and television, be made available on an equal basis to all candidates.

Mr. RIEGLE. Again it appears to us and the American people that we have talked a long time about guaranteeing the sanctity of the free election process, but in all likelihood there may not be a free election process in South Vietnam as we normally think of it.

I would like a clear assessment of where that stands.

(The information follows:)

There will be two major elections in Vietnam in 1971. The entire Lower House of the National Assembly is due for election in late August, and on October 3, a president and vice president will be elected.

The Vietnamese Government is aware of the interest in these elections in the United States, and of our concern that the electoral process be, and be seen to be, a fair one. President Thieu has already publicly indicated willingness to receive election observers. In a statement issued April 22, the Republic of Vietnam President took note of the worldwide interest the forthcoming elections would arouse and said that he "welcomes all delegations, official and unofficial, from all nations which genuinely want to observe the elections in Vietnam to determine objectively the degree of fairness." He also stated that he would suggest that the Vietnamese National Assembly invite delegations to visit Vietnam during the elections. (In 1967, 24 nations sent election observers to Vietnam.)

The United States for its part will maintain its policy of strict neutrality and impartiality with regard to the election. Our policy is to advocate free and fair elections. As in previous Vietnamese elections, the U.S. mission in Saigon is instructing all U.S. personnel throughout the Republic of Vietnam to conduct themselves with absolute impartiality throughout the election period, and to render no service or assistance which could in any way be construed as favoring the candidacy of one individual over another.

COUNTRIES IN SOUTHEAST ASIA WHERE U.S. COMBAT IS OCCURRING

Mr. RIEGLE. I would like to know how many countries in Southeast Asia where actual combat operations are going on might be described as allied combat operations. That means any force with which we are allied with, including Thai troops for hire or South Vietnamese troops, or Lao troops, or Cambodian troops. Where is fighting going forward at the present time?

Where is bombing going on?

(The information follows:)

NUMBER OF COUNTRIES IN SOUTHEAST ASIA WHERE ACTUAL ALLIED COMBAT OPERATIONS ARE GOING ON—LAOS AND CAMBODIA

The United States flies air combat missions in support of Lao armed forces in north and south Laos when requested by the Royal Lao Government. These air sorties include some B–52 missions, also flown in support of Lao forces at the direct request of the Lao Government. We provide—not with AID funds—equipment, material, and financial support to the regular and irregular forces of the Lao Government. A part of this financial support has been used for the training and operations of Thai nationals who have volunteered to fight as local irregular forces in Laos under Royal Lao Army command. There are no Thai Government regular forces in Laos. Except for the air operations mentioned above, U.S. personnel are not engaged in combat operations in Laos.

The two forces countering the North Vietnamese/Vietcong in Cambodia are the Cambodian troops themselves and the South Vietnamese. The South Vietnam Air Force conducts air operations in Cambodia at the Cambodian Government's request, and in support of their own forces. U.S. air operations are conducted against enemy forces whose presence in Cambodia would endanger United States and allied forces in South Vietnam.

AMOUNT OF U.S. BOMB TONNAGE IN SOUTHEAST ASIA

Mr. RIEGLE. I think it would be important also to put in the record at this point—and this you can ascertain from the Defense Department—the bomb tonnage dropped by this country in Southeast Asia for 1961 through 1971.

(The information follows:)

BOMBING

The total tons of bombs expended in Southeast Asia by the United States during the period 1965–71 is as follows:

Year:	*Tons*
1965	360,000
1966	496,319
1967	932,119
1968	1,437,370
1969	1,387,259
1970	977,466
1971 (January–March)	229,483

Mr. RIEGLE. Again the tone of the statement on page 9 is to suggest that all of the data that comes out of Southeast Asia today is positive. In fact, not all of it is positive. As you probably know, the bombing levels in Laos and Cambodia in the last couple of years have been higher than previous years.

(The information follows:)

SOUTHEAST ASIA DATA

Secretary Laird indicated the following in his recent "Defense Report":

By any measurement of our overall activities in Southeast Asia since the start of Vietnamization, the thrust of American activity has been downward. For example:

American combat deaths are down from peaks as high as 500 a week to an average below 50 a week. I want to stress that we will not be satisfied, of course, until there are no U.S. combat deaths.

By May 1971, American troop strength in Vietnam will have been reduced to almost half othe authorized ceiling of 549,500 when I became Secretary of Defense.[1]

[1] On April 7, 1971, President Nixon announced a further 100,000 reduction to be made by December 1, 1971.

American air attack sorties in Indochina during 1970 were down more than 50 percent from peak 1968 levels.

American war costs for Southeast Asia have been cut approximately in half from the peak level of 1968, and are continuing to decline.

In short, American involvement by any measure—casualties, operations, manpower levels, incremental war costs—is significantly down. At the same time, security inside South Vietnam is markedly improved, and Vietnam's neighbors, notably Cambodia, are making new and determined efforts to defend themselves.

NUMBER OF REFUGEES IN SOUTH VIETNAM, LAOS, AND CAMBODIA

Mr. RIEGLE. I also would like to include in the record the number of refugees we presently have in South Vietnam, Laos, and Cambodia. Discuss the Laos refugees and we will get back to that at a later point.

(The information follows:)

Estimated numbers of refugees in South Vietnam, Laos, and Cambodia

South Vietnam	525,000
Laos	315,000
Cambodia	[1] 300,000

[1] Figure refers to Cambodians who migrated from war-afflicted rural areas to the capital, Phnom Penh, or to other provincial cities. Almost all have been integrated with families or friends, with about 6,000 relocated in refugee camps on the edge of Phnom Penh.

LAOS AND POTENTIAL PROBLEMS OF U.S. AID

Mr. RIEGLE. I have a series of other questions that I want to ask but under the time limit I am going to yield back. I do, however, want to say this: The indication that I and other Members of the Congress have is that the situation in Laos in the field is perhaps different than what we understand in terms of what has been said officially.

I want to find out exactly what the situation is in Laos, and I am not sure that will be possible, or what roadblocks we are going to encounter on the way. I know that if there is going to be any money spent in Laos it has to be approved by this subcommittee. We not only have the need but the right to know what the facts are in that country.

There is a dispute, as you know, as to the extent to which people have had to flee villages in Laos because of American bombing. There is controversy growing up out of this, partly due to the fact Congressman McCloskey was out in Laos and was told that no study had been made of the reasons refugees had to leave particular villages. The next day a study was discovered which indicated that refugees had been interviewed and the most compelling reason for their having left their villages was due to American bombing rather than any pressure from enemy forces.

WHY LAOTIANS FLEE THEIR VILLAGES

I would like to know and have you tell me what data exists, classified or unclassified, that shows what has caused people in Laos to flee their villages. Who is the person that should respond to that?

Mr. WILSON. Mr. Riegle, the studies which have taken place—and we can provide for the record a list of those studies—indicate to us very conclusively that the controlling reason for the presence of the refugees, reasons that they have left their villages, is, in the first instance, the pressure of the enemy forces. The American bombing

which has occurred certainly has a bearing in some instances on the fact that these people have left their homes. Nevertheless, the people on the ground who have looked at this and have interviewed the refugees are unanimously of the view that this is the case in the majority of circumstances. I think perhaps we do have a difference of opinion with some of the groups who have gone in most recently into Laos and have looked at this.

Mr. RIEGLE. Who are they exactly?

Mr. WILSON. I am referring specifically to the individuals whom you mentioned a short while ago.

Mr. RIEGLE. How many studies have been done?

Mr. WILSON. We will have to submit that for the record.

(The information follows:)

STUDIES OF REFUGEES AND REASONS WHY REFUGEES FLED THEIR VILLAGES

Two poll-type surveys of refugees were conducted in June and July, 1970 under the supervision of a U.S. Information Service officer for the internal use of the U.S. Embassy in Vientiane. These surveys and a summary of the first and longer of the two have been given to the committee.

Military pressure exerted by North Vietnamese regular forces has been the prime cause forcing refugees to flee areas of Government control. An exceptional group of about 17,000 refugees, however, who formerly lived in the Plain of Jars area were caught up in the center of the heavy fighting there during the last 9 months of 1969 and the first 2 months of 1970, in which U.S. air power was a component part. These refugees were given an opportunity to move out of the affected area and they elected to go. But they are a decidedly exceptional group out of the overall total of about 700,000 refugees who have moved westward by North Vietnamese pressure over the past 10 years.

Mr. RIEGLE. Would it be half a dozen or a dozen or two or three?

Mr. WILSON. It is a series which have been done over a period of the last several years. They have been done by various agencies within Laos.

Mr. RIEGLE. Can those be supplied? I would like to see copies of those. Can those be submitted to this committee for its private use?

Mr. WILSON. I will check that point.

Mr. PASSMAN. If the gentleman would yield.

What is it that you have to check to see whether you can present it to this committee? I thought we were cleared for security in any information that pertains to the handling of this legislation. We are entitled to that. What information do you need?

Mr. RIEGLE. There have been tremendous disruptions in that country, people driven from pillar to post, and some studies have been done about the attitudes of the refugees and where they come from and what their needs are and what causes them to leave their homes.

I have asked for the refugee studies that have been done. We would like to see them in this committee so that we can decide whether $47 million can be properly spent in that country.

Mr. PASSMAN. I believe that it is customary for the committee to be furnished all the information that it needs in considering the bill. If it is classified, then you so indicate. I don't think that but one time, possibly in 17 years, anything transpired in this committee that caused some embarrassment outside. We are very, very carefully about respecting these things, even though we may not agree it should be classified, but we respect it as such. If you could finish the information the

gentleman requested, we would be very grateful. I would be interested in seeing it myself.

Mr. WILSON. We will certainly do our best to do so, Mr. Chairman.

Mr. RIEGLE. Mr. Chairman, I am going to yield back what time I may have left at this point.

Mr. PASSMAN. Mr. Roybal.

Mr. ROYBAL. Thank you, Mr. Chairman.

VIETNAM

I would like to consume my 5 minutes going over some of the testimony already given. You said that security in Vietnam was greatly improved, that the pacification continues to move steadily forward, and that more than 95 percent of the population lives in relative security.

You go on to say that the rural areas are prospering and that most of the productive riceland has been brought back under cultivation and that Vietnam is now on the verge of self-sufficiency in rice.

You go on also to make other favorable statements with regard to Vietnam which perhaps give one a good argument as to why we should withdraw troops from Vietnam; and second, why money now spent in Vietnam should be curtailed.

What is the budget increase this year over that of last year in Vietnam alone?

Mr. O'CONNOR. Mr. Roybal, let the record show that the statement you talk about actually is Assistant Secretary Green's statement of yesterday.

Mr. ROYBAL. I understand that, but it is in reference to your Department.

Mr. O'CONNOR. Secondly, I do not have direct responsibility for Vietnam. Mr. Nooter will be here tomorrow to testify to that.

Mr. Wilson can perhaps answer some of the questions you have asked.

Mr. ROYBAL. I direct the question to Mr. Wilson.

Mr. WILSON. Again I don't want to appear to be evasive but point out, as I did earlier, that Ambassador Sullivan will also be here to talk in detail about the subject of Vietnam. He is perhaps our best expert witness on the subject.

Mr. PASSMAN. In other words, if the gentleman would yield, you are dealing specifically with Laos, Cambodia, Thailand, and Korea?

Mr. O'CONNOR. Indonesia and the Philippines.

Mr. PASSMAN. That is your area and South Vietnam is completely out of your area?

Mr. O'CONNOR. Totally separate area. The person in charge is Ambassador Sullivan.

Mr. PASSMAN. They have a special mission.

Mr. ROYBAL. Mr. Chairman, I ask a simple question. What is the increase of the request over last year's budget? I wanted to go into other sections, comparing that with the Philippines and then compare the statements made on page 8 with the conditions that exist in the Philippines and other areas.

Mr. O'CONNOR. We can give you the Vietnam figures.

PHILIPPINE MEDICAL SITUATION

Mr. ROYBAL. Thank you. Yesterday we talked about medical help, doctors and things needed for medical assistance in the Philippines. It was stated that there were more doctors than the economy could actually consume.

We know that these doctors have to do something. What is being planned in the Philippines to put these trained medical people into the communities to work with Filipinos?

Mr. O'CONNOR. Mr. Roybal, first of all let me give the perspective of what we were talking about. In the Philippines there is one doctor for every 1,300 or 1,400 members of the population. That compares with 650 in the United States and about 30,000 in Indochina per doctor. That gives you the range.

As to what we are doing to try to bring Philippine doctors into the Philippine rural society, which is where they are absent, we do have these rural development projects and we are trying to encourage better personal health and public health in those areas.

I would like to submit for the record the extent to which Philippine doctors are involved in that. I don't have that in my head.

Mr. ROYBAL. I would like to, when the time comes, compare the situation in the Philippines again with the medical situation in Vietnam. I would like to inquire as to why it was not possible to use some of these doctors in Vietnam since they cannot be used in their own country. Why can they not be used in other parts of the same area?

Mr. O'CONNOR. Right.

Mr. ROYBAL. Is this something that would be part of the program that you would be in charge of?

Mr. O'CONNOR. Yes; I think, for example, we could very well look at it, whether more Philippine doctors might not be used in Indochina, Thailand, and so on. It is a very good question and we will find out why it is not feasible. I agree with you.

Mr. ROYBAL. You think is it feasible?

Mr. O'CONNOR. I assume it would be.

OPERATION BROTHERHOOD IN VIETNAM AND LAOS

Mr. WILSON. May I say, Mr. Roybal, some effort has already been made along those lines largely by voluntary action of the Government of the Philippines and by the Philippine people themselves. You are perhaps familiar with the program which was started some years ago called Operation Brotherhood, which was a privately organized semi-government-sponsored activity beginning in South Vietnam and extended at one point to Laos.

Mr. O'CONNOR. Still there.

Mr. WILSON. Still there in Laos. It does involve Thai medical personnel and exactly this sort of operation, both doctors and nurses and technicians. Second, the Philippine Government still maintains, as you are probably aware, a contingent in South Vietnam which has as its basic objective civic action. Included among its activities is medical assistance to South Vietnamese, specifically in the area of III Corps in the district of Taininh Province. This is not a large operation, but it nevertheless is one in which the Philippine Government itself has moved ahead to provide medical assistance to these countries.

AID EMPLOYMENT PRACTICES OF MINORITIES

Mr. ROYBAL. The reason I ask the question, Mr. Chairman, is because eventually I want to get in the area of employment, the backbone of the people that you employ, their opportunities or lack of opportunities of advancement. The reason I want to know is because just recently—in fact, last night—talking to a Filipino here in Washington about the same situation, he expressed the opinion that AID is one of the most discriminatory agencies in the United States with regard to minority groups. I would like to examine that a little bit closer. He is of the opinion that the Filipinos from the Philippines would not be hired by AID to go to other countries anyway. Not even Filipinos here in the United States are hired by AID, and he challenged me to get the name of at least one AID employee in a policymaking position, a semi-policy-making position, either in the Philippines or anywhere in that section of the world.

Mr. O'CONNOR. Excuse me. We have a figure, but I don't have it in my head. I would certainly get it for you. We employ, I think, an estimated four times as many foreign nationals abroad, in almost every case indigenous foreign nationals, as we do Americans. If that is discrimination, I don't know what——

Mr. ROYBAL. We are not talking about foreign nationals.

Mr. O'CONNOR. I am talking about the——

Mr. ROYBAL. We are talking about Americans, descendants of the Philippines that are American citizens.

The man I talked to is complaining about Americans who are of Philippine descent, Mexican descent, or Latin American descent, who do not occupy positions in AID anywhere in Latin America or anywhere in Asia of any importance. This is a serious accusation and I am trying to find out just how true it is.

Mr. O'CONNOR. That accusation has not come to my attention before, but we will supply something for the record on that.

(The information follows:)

HIRING OF MINORITIES

As of the end of November 1970, the time of the last minority census directed by the Civil Service Commission, AID reported 6,812 full-time, direct hire employees. Of this number 121 (1.78 percent) were Spanish-surnamed Americans. An additional 1,012 (14.86 percent) were members of other minorities, principally Negro.

The following table shows the distribution of Spanish-surnamed Americans in the United States and AID's five regional bureaus:

United States	43
Overseas:	
Africa	3
East Asia	5
Latin America	47
Near East and South Asia	6
Vietnam	17
Total overseas	78
Grand total AID	121

Spanish-surnamed Americans constitute 1.37 percent of the AID work force in the United States and 2.31 percent of the total overseas force.

Mr. BREECHER. As one member of AID who was not born in the United States, I consider this accusation by this man as pure bunk.

Mr. ROYBAL. I hope that you are right. I have examined, for example, an AID program in Latin America and I can attest to the fact it is not pure bunk. It depends, I suppose, on the countries which you are talking about and it depends on the opportunity that the individual has had. I am talking about percentages, about applying the provisions of the Equal Opportunities Act to the employment of people by AID on an equal basis, and without favoritism to any one group.

Mr. O'CONNOR. Mr. Roybal, you raised a very good question. Let me say this: All of us assistant administrators are charged by Dr. Hannah with direct responsibility in minority employment. One of our problems is that we have been as an agency declining quite rapidly in strength. We have gone down over 2,000 people in the last 2 years. It is very difficult to bring in new employees when you are going down that sharply. That has hampered our efforts to bring in minorities. I don't say it is an excuse; it is a fact. Let me get you the figures on our minority employment and where they are.

Mr. ROYBAL. We can also examine your employment practices of the past to see if they have actually complied with the Fair Employment Practices Act or whether or not this accusation that has been made to me not only has merit now, but in the past as well.

Mr. PASSMAN. Would the gentleman yield?

Mr. ROYBAL. I yield.

Mr. PASSMAN. I know that you want to keep the record straight, you said personnel in AID was declining rapidly.

Mr. O'CONNOR. Yes, U.S. personnel.

Mr. PASSMAN. You have a larger program to administer if you take all segments. When this committee is examining we are not just examining on title I. This committee handles something like $9 billion when you put all pieces together. And remember that the total request for aid and assistance this year is $1,400 million higher than last year. I don't believe that you are going to be able to administer a much larger program with a substantial reduction in forces.

In other instances you are transferring direct hire out to contract agencies, aren't you?

Mr. O'CONNOR. Yes, there is some of that.

PRACTICES OF FAIR EMPLOYMENT BY CONTRACTORS

Mr. PASSMAN. I think Mr. Roybal and I would be interested, too, to know what these people under contract are doing, whether or not they are discriminating. That is just as important to this committee as your direct-hire personnel.

I think the gentleman joins me in that request. We want to know what the contractors are doing with respect to fair employment practices as far as minority groups. Is that a fair request?

Mr. O'CONNOR. Yes, sir.

Mr. PASSMAN. Fill us in on that at the present time. Let the record show that the AID program is not declining. It is just being fragmented and scattered throughout the budget, and the grand total, when you put all figures together, repeating if I may, exceeds last year's

request by $1,400 million. I am going to give you one of these sheets with my compliments so that you can check that out.

I thank the gentleman.

(The information follows:)

EQUAL EMPLOYMENT OPPORTUNITY RESPONSIBILITIES OF AID CONTRACTORS

AID contractors are required under Federal regulations issued pursuant to Executive Order 11246 to include in each nonexempt contract an equal opportunity clause which states in part that "the contractor will take affirmative action to insure that applicants are employed, and that employees are treated during employment, without regard to their race, creed, color, or national origin." AID contractors with 50 employees or more and Federal contracts of $50,000 or more are further required to maintain on file a written affirmative action program with goals, timetables, and detailed implementation plans for eliminating any underutilization of minorities (underutilization being defined as having fewer minorities in a particular job category than would reasonably be expected by their availability).

In December 1970, AID regulations were issued which impose upon prospective AID contractors the additional requirement of submitting a minority overseas team agreement indicating what affirmative action the prospective contractor plans to take to assure that a representative number of minorities will be included on any teams to be sent overseas to perform work on AID contracts.

As one of sixteen Government agencies and departments assigned Federal EEO contract compliance responsibility by the Office of Federal Contract Compliance, AID conducts onsite and desk reviews to determine the equal employment opportunity status of Federal contractors.

Mr. ROYBAL. My 5 minutes are up. Thank you, Mr. Chairman.

Mr. PASSMAN. I am going to consume my 5 minutes and yield to Mr. Galifianakis.

U.S. BALANCES OF PAYMENTS, AND ISSUE OF BORROWING MONEY FROM FOREIGN NATIONS

So the record is kept completely straight, I am going to deal with some statistics not dealing directly with this appropriation, and that is the U.S. balance of payments. From 1950 through 1967, 18 years, we had a very substantial balance-of-payments deficit with the exception of the 1 year, fiscal 1957, when we had a $500 million surplus. From 1950 down to 1968, with the exception of 2 years, we had a balance-of-payments deficit in the neighborhood of $37 billion. In 1968, I believe it was a desire to show an improvement in our balance-of-payments situation. By borrowing money from other nations, bringing those dollars home, that reflected favorably against our balance-of-payments deficit, did it not?

Mr. O'CONNOR. Yes, sir.

Mr. PASSMAN. In fiscal year 1968 we had a surplus of $93 million. This $93 million surplus was created not necessarily through an increase in our exports but by dollars we had borrowed from nations who had accumulated surplus foreign exchange accounts. Is that true?

Mr. O'CONNOR. I think that is a portion of it, yes, sir.

Mr. PASSMAN. I believe that the Nixon administration, and let's give them credit, almost the very week that he was inaugurated, put a stop to this borrowing money from foreign nations. Isn' that correct?

Mr. O'CONNOR. That is my understanding, Mr. Chairman.

Mr. PASSMAN. We borrowed 100 million U.S. dollars from Thailand on 4½-year terms with 6-percent interest, and that had the effect of

reducing our balance-of-payments deficit by $100 million, did it not?

Mr. O'CONNOR. That is right.

Mr. PASSMAN. This is no longer in effect?

Mr. O'CONNOR. That is correct.

Mr. PASSMAN. I wanted to make that record since I have been harping on this because it was the most ridiculous thing I ever heard of to be pouring in grant aid in the back door and borrowing it out of the front door knowing we were going to have to pay it back. Before you came in the room I believe that I stated to the subcommittee that we are going to be called upon on July 1, 1973, to repay this $100 million to Thailand that we borrowed.

Mr. GALIFIANAKIS. Mr. Chairman.

Mr. PASSMAN. Yes.

Mr. GALIFIANAKIS. Did the $100 million loan transpire after the announcement by the President of no more borrowing?

Mr. PASSMAN. Prior to. This happened sometime in the middle of Mr. Johnson's last year.

Mr. GALIFIANAKIS. No loans had been effectuated since President Nixon took office?

Mr. PASSMAN. As such, I don't believe so. The Nixon administration put a stop to that?

Mr. O'CONNOR. That is right.

Mr. PASSMAN. No money borrowed, not on this type of money. You always have certain transactions between the governments. This was just borrowing out of their surplus on short terms. It was not a daily exchange transaction between nations. It was an exception so as to get sufficient dollars back in the United States to show a credit rather than a deficit to our balance-of-payments situation. I raised the roof about it at the time. It didn't seem to do much good. You know the present administration stopped it immediately. What I am worried about is why we continue pouring money into Thailand in pure grant aid. It looks like we would prevail upon them to utilize this $100 million first. It did come out of their surplus. They built that surplus because of U.S. aid provided during the period.

I think we gave Thailand $1,200 million during that time. It just doesn't make sense to continue giving grant aid when we know that we are going to have to repay this loan.

I wanted to get the record straight on that so that we would know that this had one purpose—to show a favorable balance-of-payments situation. You can show a favorable balance-of-payments situation by borrowing money from countries, surplus money, if we didn't have to pay it back. When you have to pay $100 million back it is going to react the other way, increase the deficit, is it not?

Mr. O'CONNOR. It reverses itself.

Mr. PASSMAN. Of course. We know that at this time there is approximately 50 billion U.S. dollars floating around the world. Foreign nations' vaults are filled with dollars, aren't they?

Mr. O'CONNOR. That is my understanding, Mr. Chairman.

Mr. PASSMAN. About $50 billion that they have from their commitments to commerce and we don't have the gold to redeem them, so about all they can do is hold them and hope at a later date things will change.

Mr. GALIFIANAKIS. Mr. Chairman, you alluded to the fact there are other borrowings made by the United States. Are these witnesses prepared to comment on what kind of borrowings might be made from the countries that issue that?

Mr. PASSMAN. Foreign nationals are always selling U.S. bonds or buying U.S. bonds. This was a government-to-government loan. Most of the transactions are on an individual basis, bank to bank or company to company, bank to company. It is not government. This was a government-to-government borrowing.

Mr. O'CONNOR. There are constant offsettings between the central banks and private banks.

Mr. GALIFIANAKIS. Is the United States borrowing money from either governmental or private sources in the countries that are receiving support or aid assistance?

Mr. O'CONNOR. No. That specific practice was canceled by President Nixon when he came into office. We are not indulging in that practice again. I think it is technically legally perfectly correct. He took a short-term obligation and moved off the balance-of-payments sheet from a minus to a plus. The chairman is eminently correct, but, as he said, it reverses itself.

Mr. PASSMAN. You have to pay it back. I am talking about government to government. This was something new. These other transactions are between banks and businesses and it is in the private sector, so to speak.

Mr. O'CONNOR. They are essential to keep the economies going.

Mr. PASSMAN. That is part of the everyday operation. This borrowing government to government so as to make something look good when eventually it is going to look bad when he reverses it is not good business. I think it was a mistake. I think that possibly I have consumed my 5 minutes now. I am going to yield 10 minutes to Mr. Galifianakis.

CAMBODIA SUPPORTING ASSISTANCE AND REASON FOR SUPPORTING ASSISTANCE

Mr. GALIFIANAKIS. I want to ask how long we have been giving supporting assistance to Cambodia. The same question as to aid assistance to Cambodia.

Mr. O'CONNOR. We have been giving this present phase of supporting assistance only since December of last year when the Congress voted it. I think the bill was signed in early January.

Mr. GALIFIANAKIS. Was that supporting assistance $500 million?

Mr. O'CONNOR. No, sir—$70 million. The present request is for $110 million. Supporting assistance is different; it is allocated not on purely economic grounds, but primarily on secvurity and political grounds. That is the distinction between the two. That is why the administration is proposing moving it out of the normal development assistance package into an international security assistance package, to make clear that it is really related primarily to political and security reasons and not to economic development reasons; although it may do some economic development, that is not its real purpose. The program that we had in Cambodia—I think perhaps to save you time, sir, I can submit the previous program for the record, the years and amounts spent. It ran from 1955 to 1964.

Mr. PASSMAN. Would the gentleman yield?

Put that in the record.

Mr. O'CONNOR. All right.

Mr. PASSMAN. The actual amount of aid given to Cambodia before they broke off diplomatic relations with the United States was $350.-200,000.

(The information follows:)

U.S. ECONOMIC AND MILITARY AID TO CAMBODIA

Fiscal year	Economic (including Public Law 480)	Military	Total
1955 to 1961	219.4	67.7	287.1
1962	31.2	9.2	40.4
1963	18.6	10.7	29.3
1964	−7.9	3.6	−4.3
1965	−6.1	.3	−5.8
1966 to 1969	−1.2		−1.2
Total through 1969	254.0	91.4	345.4
1970		4.8	4.8
Total through 1970	254.0	96.2	350.2

Note: U.S. aid to Cambodia began in fiscal year 1955 and continued through fiscal year 1965[1] when it terminated. It resumed in fiscal year 1970.

[1] Economic aid ended in fiscal year 1963 and military aid in fiscal year 1965, with several deobligations of funds thereafter.

Mr. GALIFIANAKIS. Is that supporting assistance?

Mr. PASSMAN. All types.

Mr. GALIFIANAKIS. General assistance?

Mr. PASSMAN. You know that you had 11 different types of grant aid and this thing used to be known as defense support.

Mr. GALIFIANAKIS. I recognize the difference between the supporting assistance and the AID assistance but I am not sure that I understand the reasons for it.

Mr. PASSMAN. At one time I believe that you called it defense support, did you not?

Mr. WILSON. Yes, sir.

Mr. PASSMAN. This thing had nine or 10 different names since I have been chairman of this committee. It comes up under different names and when they moved it from defense to supporting assistance that was the last change they made. This was the net amount of aid to Cambodia regardless of what significance is to come out of it, is that correct?

Mr. O'CONNOR. That is correct; $96 million was military assistance.

Mr. PASSMAN. It was still grant aid?

Mr. O'CONNOR. Still grant aid; $254.2 million economic grant aid whatever they called supporting assistance at that time—defense support.

Mr. GALIFIANAKIS. Did you make this forecast? One of the problems that I have experienced is, very often trying to define the word "commitment" to any country. Commitment, very often for purposes here in the Appropriations Committee, reduces itself to mathematical figures. As a matter of policy it is very difficult for me to ascertain what the word "commitment" means. Take Cambodia; do you make long-term estimates of what the commitment of this country is going to be in the next few years, next decade?

DOES ECONOMIC AID MEAN COMMITMENT TO A NATION

Mr. O'CONNOR. Let me comment just on the economic side of that. We make no commitments in the real legal sense of that word to any government about economic assistance until we have the appropriation in hand. Obviously we are not in a position to do that. What we do say is that subject to congressional appropriation and assuming we get a reasonable appropriation, we will be able to fund *x* number of projects. We have this problem of working 6 months ahead of ourselves. As you know, we are usually 6 months in the fiscal year before the cycle—I fully understand why the cycle operates that way—but before the cycle gives us our appropriations, we are always 6 months before we are able to make final commitments to the government.

Mr. GALIFIANAKIS. Does the recipient country have an impression or expectation, once we get involved, of continued support or aid? Do they have a right of expectation once there is a relationship of aid or assistance? That relationship seems to be never ending.

Mr. O'CONNOR. I don't think that that is entirely true. I think it has ended sometimes as originally in Cambodia, because the Cambodians requested that it end. In Korea, at least in the economic side, we are rapidly bringing it to an end. In Taiwan, we did in fact bring our economic program to an end. There are some other examples. The question of ongoing commitment is very important, particularly in the security and military area, when we have had countries to which we have been giving some support and which have been fighting in the cause of the free world. There we do have commitments, moral and in many cases legal, that have continued for some period of time. There is no question about that.

NUMBER OF NATIONS AID HAS BEEN GIVEN TO

Mr. GALIFIANAKIS. What countries not now recipients do you anticipate in the future could very well become recipients of aid?

Mr. O'CONNOR. It would be sheer speculation. I am not certain that I would want to guess at that one. Most of the countries of Southeast Asia that are not recipients of aid at the moment, are not recipients because of their own choosing, such as Burma, or because the degree of their economic development is such that we don't feel that aid would be justified, with the possible exception of technical assistance, where they might pay for it themselves. I would put Malaysia and Singapore in that category.

Mr. PASSMAN. Would the gentleman yield?

You would have a lot of difficulty finding nations to give aid to that have not already received some sort of aid, because this aid program went to 123 nations of the world plus seven territories; did it not?

Mr. O'CONNOR. Yes, sir.

Mr. PASSMAN. You put an umbrella over all the people of the world, 3,200 million, with the exception of 36 million people; isn't that correct, Mr. Controller, if you make it all-inclusive?

Mr. FLINNER. All-inclusive since 1946. Assistance to a lot of them has stopped.

Mr. PASSMAN. Since we started it we have gone in and put an umbrella of aid over 3.2 billion people, minus only 36 million, if you make it all-inclusive. In this year the AID agency is the only branch of our Government disbursing funds in 99 nations and five territories of the world; will they not?

Mr. FLINNER. I think the current-year figure is 97 or 96.

Mr. PASSMAN. I am talking about fiscal 1971.

Mr. FLINNER. Yes, sir. We had, I believe last year it was 97 and six territories. The United Arab Republic was a questionable one.

Mr. PASSMAN. Either 97, 98, or 99. I will rest my case on what you testified to last year. You would have difficulty in getting back into some of these nations that asked you to get out. There have been several nations that asked us to get out. Burma said, "Get out, you are interfering with our business."

Keep the record straight. You are back there in Ceylon with some kind of aid program, are you not?

Mr. O'CONNOR. I believe we are.

Mr. FLINNER. Yes, sir.

Mr. PASSMAN. This won't come out of your time. I want to keep this record straight. You have difficulty getting back in a nation when they say, "Get out, your aid is interfering with our domestic policy."

Mr. O'CONNOR. Mr. Chairman, I was not suggesting we were looking for clients.

Mr. PASSMAN. I wouldn't say you were not.

U.S. POLICY TOWARD JAPAN GIVING AID TO OTHER NATIONS

Mr. GALIFIANAKIS. What is your policy relative to involving countries like Japan to participate in a program?

Mr. O'CONNOR. Our policy is to encourage the Japanese to give more aid and perhaps on better terms. That is very clear. That has been made very clear to our Japanese friends from the Secretary of State's level on down.

Mr. GALIFIANAKIS. Have you had any success?

Mr. O'CONNOR. Yes, I think we have. The Japanese aid program has increased very substantially. Their total flow is $1.8 billion last year and the——

Mr. GALIFIANAKIS. Is that flow in terms of yen or goods and services?

Mr. O'CONNOR. The Chairman made the point that a good portion of it, as a matter of fact three-quarters of it last year was commercial credits. Most of them on rather short terms.

Mr. PASSMAN. High interest rates?

Mr. O'CONNOR. That is correct.

Mr. PASSMAN. High profits?

Mr. O'CONNOR. In individual cases, such as Indonesia, they have moved to a 25-year loan, highly concessional terms. Where they are really deeply interested and feel they have a political stake, their aid has become really quite concessionary. That is still too small a portion, in our judgment at least, of the whole.

Mr. GALIFIANAKIS. Is there any other country within the foreseeable future that can participate in aid to other East Asian countries?

Mr. O'CONNOR. There is a group of donors that meets in the Development Assistance Committee of 16 members, all of whom are aid donors. The largest ones other than the United States are the French, Germans, and the British. The Australians are also doing quite well in Asia. Considering the size of their economy, they are quite generous; their aid is almost entirely grant in Asia. I am not suggesting for a moment this is an enormous amount going particularly into Indochina from other donors—there is not. This is an area that they have regarded as our problem, and we have not had a great deal of success in getting other donors involved in that area.

In other parts of the world and in Indonesia the record is quite good. Another part of it is the multilateral agencies, international agencies; a portion of that comes from ourselves as it does from the other donors. We can get those overall aid figures for the record of the 16 members, what they have given, and we will submit the terms. I think it is extremely important.

Mr. PASSMAN. On each project?

Mr. O'CONNOR. I can submit the average terms. I will try to break it down for you.

(The information follows:)

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Volume and Terms of DAC Flows of Official Development Assistance (ODA), 1969

	Net Disbursements		Grants as % of ODA	Average Loan Terms of 1969 Commitments		
	$ Millions	As % of GNP	Commitments in 1969	Maturity (Yrs.)	Grace Period(Yrs.)	Interest Rate
Australia	175	0.56	100	No loans		
Austria	16	0.12	69	15.2	4.2	4.4
Belgium	116	0.51	92	27.2	8.3	2.6
Canada	245	0.34	60	48.5	9.8	0.3
Denmark	54	0.41	78	25.0	7.0	0.0
France	965	0.69	75	17.0	1.9	3.7
Germany	595	0.39	51	26.0	7.6	3.2
Italy	130	0.16	27	10.9	2.2	5.3
Japan	436	0.26	42	19.5	6.1	3.7
Netherlands	143	0.53	70	28.6	8.1	3.1
Norway	30	0.31	91	36.0	7.9	1.7
Portugal	58	1.04	31	30.1	8.0	2.3
Sweden	121	0.44	85	47.2	10.0	0.9
Switzerland	30	0.16	78	34.9	7.4	2.1
United Kingdom	431	0.39	48	24.1	5.6	1.2
United States	3,163	0.33	70	37.1	8.7	3.0
Total DAC	6,707	0.36	66	28.4	6.7	2.9

Source: DAC Chairman's Report, 1970

Mr. PASSMAN. We want the case well made, not one sided.

Mr. O'CONNOR. I think that the chairman has put his finger on a very important point which is all too often lost. It is the quality of the aid, that is, the terms of aid, which really is in many cases far more important than the size of it. A large aid program and harsh terms can be more damaging to the recipients than a far smaller aid program on concessional terms.

FUTURE AID TO VIETNAM

Mr. GALIFIANAKIS. I would like to ask another question. In future aid to South Vietnam would it be a major factor in determining economic assistance if we maintained a contingency much the same way as we do in South Korea? Is that a factor in the aid consideration or independent of that?

Mr. O'CONNOR. Maintain a contingency? I do not quite understand. We do have a contingency fund.

Mr. GALIFIANAKIS. I don't mean that. I mean armed forces group there. What do you envision in the future as to South Vietnam? Do you envision it as much the same type of setup as South Korea?

Mr. O'CONNOR. I wonder if I can turn that over to Mr. Wilson?

Mr. WILSON. This is the question which, as you know, the President has very much in the forefront of his mind at the present time. He has indicated insofar as the withdrawals from Vietnam are concerned, that he would make further announcements on this, as you know, in October. The exact nature of the residual force at the end of this period, if any, is still to be determined by the President and to be announced. I don't think that we can give you at this point a categorical answer in any sense to that question.

As you are aware, the President, Secretary of State, and Secretary of Defense have indicated, however, their firm intention to continue the program of withdrawal subject only to the two considerations which the President named in his last speech. These two considerations are the release of the prisoners of war and the ability of the Government of South Vietnam to assume the full responsibility for this entire operation.

Mr. GALIFIANAKIS. Getting back to the question. Assuming that we are trying to determine next year's appropriation and assuming that a sizable number of troops are still there, is that a major consideration in determining the amount of aid to South Vietnam?

Mr. O'CONNOR. Let me speak to that. Certainly in principle there is no question that the location——

Mr. GALIFIANAKIS. The reason for my question is, you can never get a picture of total assistance to a particular country because it always goes down different facets and it is so difficult to bring the whole picture of what is the total U.S. assistance to any particular country.

Mr. O'CONNOR. There is interrelationship between economic assistance, military assistance, and maintenance by the local government of large forces. There are budgetary pressures. American military presence puts in a lot of dollars, in terms of spending directly or indirectly, into the local economy. When you start to take troops out of any country, if you are going to maintain the general level of security they have to increase their own military establishment, and that costs them a lot but nowhere near as much as it costs us. Similarly, if you have

this cutback in local spending from American forces, that puts an increased strain on the balance of payments of the country.

Mr. GALIFIANAKIS. The answer to my question is yes?

Mr. O'CONNOR. The answer is yes. One of the reasons that I think the administration is so anxious to move this whole supporting assistance over with the military and take one look at it under one man, coordinator, is to try to balance these things off. This is exactly the point you are making—they do need to be carefully balanced off.

Mr. PASSMAN. Would the gentleman yield?

INTERRELATIONSHIP OF MILITARY AND ECONOMIC AID

I think it would be good to have this in the record: We use AID figures and we get up a recapitulation sheet on June 30 of each year showing every nation of the world that we have given aid to. This is supposed to be an all-inclusive item. You are familiar with that?

Mr. O'CONNOR. Not each detail.

Mr. PASSMAN. You are familiar with it, are you not, Mr. Controller?

Mr. FLINNER. Yes, sir.

Mr. PASSMAN. And we do not include any items carried under the Defense budget other than what the AID people give us. Now your military assistance item that this committee used to handle was around $2 billion a year, and finally dropped down to around $350 million, because you transferred Thailand, Laos, and Vietnam over to the Defense budget and a separate title, where we could look at it, but in our recapitulations we have never included expenditures of the Defense Department, maintaining our forces, is that correct, Mr. Flinner?

Mr. FLINNER. That is right.

Mr. PASSMAN. We want to keep the record straight. If we make it all-inclusive, I am afraid it would be so frightening we would be afraid to call the committee to order. So we include only that part that is considered aid and that part of aid which is military assistance to countries.

Now if the gentleman will yield further, it is not coming out of his time, we want this record kept absolutely correct.

Is it not true that all nations, large or small, rich or poor, maintain some type of military establishment in their country.

Mr. WILSON. Very correct.

Mr. PASSMAN. And they have to, if they are not getting aid, take money out of their own economy to maintain their military; is that correct?

Mr. WILSON. That is correct.

Mr. PASSMAN. So if we go into their country and pick up the tab on military costs, it is no different than you giving them grant aid or economic aid, because when we pick up the check for the military, that releases their own resources to do with whatever they want to, does it not?

Mr. WILSON. Correct.

Mr. PASSMAN. So by any correct analysis, it does not make any difference whether it is economic or militay aid; it totals the same thing in the final analysis, does it not?

Mr. WILSON. This is what we call the principle of fungibility.

Mr. PASSMAN. I do not care what title you give it. It does not make a difference, it adds up to the same thing.

NEED FOR INCREASED ECONOMIC AID FOLLOWING U.S. TROOP WITHDRAWAL IN VIETNAM

Mr. GALIFIANAKIS. I was wondering, however, as it might relate directly to the actual withdrawal of troops, is it a safe assumption to say that economic aid would be increased in some form or fashion as the withdrawal of troops occurs; is that correct?

Mr. O'CONNOR. I think a lot would depend on the conditions in any given country.

Mr. GALIFIANAKIS. South Vietnam?

Mr. O'CONNOR. At least for a period of time that will be the case, particularly because when you take the troops out, the American funds spent for supplies, local personnel, construction, and so on, would not be there any longer.

Mr. GALIFIANAKIS. In the administration, generally, of your aid program, what precautions do you take to avoid dilemmas that we are facing today?

U.S. TEXTILE PROBLEM WITH FOREIGN COMPETITION

I happen to come from a State that is very strong in textiles. You know much of the talk is—much of the foreign textile industry picked its impetus and financial resources from our Government. There foreign industries developed with American taxpayers' dollars are now in direct competition with the industries in my State.

There are about 10,000 people who are unemployed now and the industrialists who are involved in that industry say, we just cannot compete with a country like Japan, a country which we once conquered. What did we really win? I am just wondering how strong a policy you have now or how sophisticated your investigation is that when you encourage AID, that very often it does not need to be the type of aid that is competitive with American products.

Mr. O'CONNOR. Mr. Congressman, we have restrictions on us in the area particularly of textile machinery and textile factory investment that very severely limits what we can put into that sector. I will supply the specifics of that.

Mr. GALIFIANAKIS. I am familiar with that, because I participated in trying to impose those restrictions. Quite contrary to the ideological point of view that you let international trade find its own level, it is not very persuasive when you are talking to your unemployed constituents.

Mr. O'CONNOR. You have a problem. I sympathize with you.

Mr. GALIFIANAKIS. Did you try to take into account other industries which might be adversely affected?

Mr. O'CONNOR. Yes, sir, we are pretty sensitive on this one, as we should be. If we are not, it would be brought quickly to our attention.

Mr. GALIFIANAKIS. Statistics just developed in the last 4 or 5 years?

Mr. O'CONNOR. That is right.

Mr. PASSMAN. Will the gentleman yield further to get something in the record?

Mr. GALIFIANAKIS. Yes.

FRAGMENTATION OF U.S. AID

Mr. PASSMAN. They have so fragmentized this program, until 20 of the greatest experts in Washington could not keep up with it. You can only occasionally put your fingers on it and put a few of the pieces together. I do not know who to blame. I am not blaming any one of you. You get into the World Bank, there is no such thing as a World Bank, that is only a nickname, you understand, for the International Bank for Reconstruction and Development. So when you say World Bank, it has a hifalutin sound, you think they are doing banking. They are only aid people. Under that you break out what is known as the International Finance Corporation.

Mr. O'CONNOR. Right, sir.

Mr. PASSMAN. That is another branch of aid under the so-called World Bank. Now they do a lot of things that you do not know anything about. This committee for the first time started to get into that. They are financing textile mills. I noticed just a few days ago they are doing it in Lebanon. They do it a different way, they buy stock in it.

I noticed where the International Finance Corporation bought stock, I think it was approximately $1 million, to put into a textile mill over in Lebanon. I do not know anything about the merit of it, but this committee cannot examine and get all the facts.

I think it would take 3 years to examine 1 year's requests. You might want to read this. This is just one loan for a new cotton spinning mill, first IFC investment in Lebanon. You might read this. Do not let your textile people get a hold of it.

Mr. GALIFIANAKIS. That is one of the very serious problems that a State like mine and other States are facing. It is almost inexplainable to the constituency.

NEGATIVE EFFECTS OF U.S. AID

I do not mean to sound political about it, but I would like to sound economic about it, because you get to the flesh and blood problem of people's livelihoods. I do not think it has really registered at this level except in general terms.

I think you have to see the level of devastation, economic devastation that can occur by American foreign policy. I do not really know how you dramatize it sufficiently, other than for some of us to strenuously object.

I want to impress the importance of what I see as a tough situation that is going to get tougher as we move along. I just really wanted to get a policy and get some degree of satisfaction that somebody is concerned about what is happening.

Now I know the problem is overly simplified, particularly when you have American industry that says "We like to sell," on the one hand. You look at it from their vantage point. You are exporting goods that in the overall picture may be your justification, but we have to look at it from a bigger picture than you do from your small congressional district. But you know when you start creating in enough congressional districts this problem, it is going to erupt, I

think, and perhaps bring a conclusion to what otherwise I think can be a feasible program.

Mr. WILSON. May I say that we are all very acutely conscious of this problem which you have raised here. It may be worth saying for the record that certainly as far as Government aid programs are concerned, there has been for some years a general policy of trying to encourage these underdeveloped countries whom we are aiding to diversify their exports. That remains the policy as far as I am aware.

Mr. O'CONNOR. That is right.

Mr. GALIFIANKIS. That is all.

Mr. PASSMAN. Now I am going to yield to Mr. McEwen 10 minutes because you were in another committee yesterday when we were examining on supporting assistance.

Mr. MCEWEN. I am sorry I was not here.

Mr. PASSMAN. You cannot be in two places at once. You were rendering significant assistance to another subcommittee.

If I may, I will consume my last 15 seconds, before you start your questioning, out of my 5 minutes.

RESULT OF U.S. BALANCE OF PAYMENT DEFICIT

How foolish do you people feel when you are out in these nations like the United Kingdom, France, for that matter, Japan, and all the other nations trying to prevail upon these people to give their resources away when they have access to the mess we have made of our own country. We have given away $211 billion of our wealth and in doing so we have priced ourselves out of the world market.

We have been so free with it until the very people you are talking to, their country is holding billions of dollars worth of dollars we cannot redeem. Just how do you people feel when you are trying to prevail upon these people to mismanage their business just because we have mismanaged ours?

You will not deny that we have mismanaged it, will you, so far as our balance-of-payments situation, outflow of gold, the surplus that foreign nations hold?

Have I not made a statement of fact?

Mr. O'CONNOR. You certainly made a statement of fact.

Mr. PASSMAN. If I have made a statement of fact, then just how foolish do you people feel when you go out and beg other people to mismanage their business and get in the same mess that AID led us into?

You know you would not have $50 billion floating around that you cannot redeem if we had not been so free with giving our wealth away. So much for that.

I do not want to be discourteous. Do you put on dark shades when you approach these people, to try to persuade them to get themselves in the same mess?

JAPAN

Mr. O'CONNOR. Are you suggesting we should not pressure the Japanese?

Mr. PASSMAN. They laugh at you. They are one of the most successful nations on the face of the earth. You have not prevailed upon the

Japanese to do anything but laugh at you when you leave, because they are capable of running their own business. If you do not think so, you had better look at their foreign markets and see how many of our markets they have taken. Those people have made great progress and in many instances they are outrunning us. If we are not very careful, in 2 years from now they will be producing more steel in Japan than we will produce in the United States.

That is what you do when you lose your markets. We must admit that this astute American businessman, head of his corporation, when you raise taxes at the municipal level, county level, State level, Federal level, he has to put all that in the price of his commodity, so that when he arrives at his board of directors meeting on December 31, he had better have all that placed in his commodities with about a 6 percent dividend to the stockholders or he is fired, is he not?

Mr. O'CONNOR. I think that may well be.

Mr. PASSMAN. Is that not the way it works?

Mr. O'CONNOR. If I remember boards of directors, yes, sir.

Mr. PASSMAN. Thank you.

Mr. McEwen?

Mr. McEWEN. Off the record.

(Discussion off the record.)

MILITARY AND ECONOMIC AID TO LAOS

Mr. McEWEN. In response to questions Mr. Shriver was asking on Laos—and I have been privy to a little information on Laos and what does go on there—can you tell us what is the American operation there or is this all so classified that no one can know?

You have said, for example, that our economic aid follows military aid. What is the military assistance to Laos?

Mr. O'CONNOR. Could I clarify?

I think it was I who said there was an interrelationship between military and economic aid, but one does not necessarily follow the other. We have a great deal of countries where we have no military aid. There is a relationship obviously where we have both, however.

Mr. WILSON. So far as the military assistance given Laos is concerned, as you are aware, this was taken out of the military assistance program and transferred to the Department of Defense budget a few years ago.

The figures for that are included in the Department of Defense presentations for their own budget for the record in classified form, as you recognize, and I would be happy to give those figures to you.

For fiscal year 1972, the estimate which is included in the "Military functions" appropriation for Laos for military assistance is ———. That is a figure, however, which is included in the Department of Defense budget request.

INSURGENCY IN LAOS

Mr. McEWEN. Let me ask you this, if you can respond to this; Is there a multination military force in Laos?

Mr. WILSON. The answer to that, Mr. Congressman, is no; that is not the case.

Mr. McEwen. A mercenary force?

Mr. Wilson. You are well aware of the fact that there are North Vietnamese forces who have been operating in Laos for the past several years.

This is not a multination force, however, in that sense; so far as the forces of the Government of Laos are concerned, specifically those following the neutralist government of Prime Minister Souvanna Phouma is concerned, this is not a multination force.

Mr. McEwen. Is what you are saying then that the only military action against the insurgents and invaders of the country is by the Laotians themselves?

Mr. Wilson. This is correct.

Mr. McEwen. There are no other nationalities in there?

Mr. Wilson. If there are other nationalities there, they are operating under the command of the Royal Laotian Government.

Mr. McEwen. Are there such operating under their command?

Mr. Wilson. There were certain numbers, yes, Mr. Congressman, of nonethnic Lao who are operating—a very few in number.

Mr. McEwen. This of course is classified?

Mr. Wilson. This number is classified, yes, sir.

Mr. McEwen. May I ask to how many would this fact be known in the Department of Defense and Department of State, the fact that there is such a force?

Mr. Wilson. If I could correct your statement just for a moment, there is no force as such.

Mr. McEwen. No force?

Mr. Wilson. The fact that there are nonethnic Lao volunteers in Laos is known to quite a number of people both in Defense, and in-State, and indeed to the Members of this Congress.

Mr. McEwen. Is the number of those nonethnic Lao in the neighborhood of 5,000?

Mr. Wilson. This, Mr. Congressman; is a subject which has been covered, as you probably are aware, in special executive session, with other committees of the Congress. I would prefer, if I may at this time, to leave my statement at that.

Mr. McEwen. Thank you. That is all, Mr. Chairman.

Mr. Passman. Thank you, Mr. McEwen. Mrs. Reid?

PHILIPPINES LAND REFORM

Mrs. Reid. The Philippines Land Reform Statute of 1963 was intended to hasten a shift from tenancy to ownership of the land.

What progress has been made on this program?

Mr. O'Connor. The program is making definite progress, particularly in the past few years. As you indicate, the primary interest of the Land Reform Statute is to hasten a shift from tenancy to land ownership; it provides that this be done in two steps. The first step is to move from tenancy to long-term leasehold. Under the terms of the leasehold, the landlord cannot change or terminate the terms of the lease for the lifetime of the leaseholder. The second step, then, is for the leaseholder to become the landowner. However, it has developed that most of the tenant farmers are satisfied with the leasehold arrangement and are not usually interested in obtaining ownership.

Through 1970, 154 municipalities in which there were 196,000 share tenants had been proclaimed land reform districts. About 29,000 leaseholds had been established, but only 6,600 deeds of sale have been given.

TECHNICAL ASSISTANCE PROJECTS

Mrs. REID. What are our principle technical assistance projects in Indonesia, Korea, and the Philippines?

Mr. O'CONNOR. Our principal technical assistance projects for those countries are:

Indonesia
- Agricultural research.
- Family planning.
- General participant training.
- Basic science education.
- Geological survey assistance.
- Private investment center.

Korea
- Rural policy planning and development.
- Health and family planning.
- Social and economic development institute.
- Development research and administration.
- Education development.
- Science and technology.

Philippines
- Agriculture services.
- Provincial development.
- Rural electrification.
- Malaria eradication.
- Family planning.
- General technical advisory services.

HEALTH PROGRAM

Mrs. REID. What are we doing in regard to health programs in East Asia?

Mr. O'CONNOR. Family planning programs make up the major health activity in the five East Asia countries. All countries provide family planning services through their existing health facilities, so our efforts are concentrated on improving clinic facilities, expanding maternal and child health services, training physicians, nurses, midwives and other health personnel, and providing family planning information to potential acceptors.

In addition to these family planning programs in Laos and Thailand, we are assisting in the provision of an effective network of preventive and curative health services, concentrating on increasing the government's capability to provide long-range health services. This includes emergency services for refugees, improvement of rural health centers, and increases in trained health personnel.

Malaria-eradication programs in Thailand and the Philippines are being phased out by AID and shifted to national governments and the World Health Organization in Thailand during 1970, and in the Philippines by 1973, although research by AID in problems of resistant malaria is continuing in Thailand.

Remaining health problems are numerous, but are being handled by national health operations, with U.S. AID assistance only in serious emergencies, such as cholera in Korea and plague in Indonesia.

Research dedicated to vastly improved prevention and treatment of cholera is being carried out in the SEATO Cholera Research Laboratory in Dacca with multilateral assistance. New vaccine ready for field trials promises a real breakthrough in protection against cholera.

THAI BORDER PATROL POLICE

Mrs. REID. How much assistance is being given Thailand's border patrol police?

Mr. O'CONNOR. The U.S. AID total dollar contribution in fiscal year 1970 to the border patrol police was $2,736,000; this total included $2,204,000 in commodities, $40,000 for participant training, $152,000 for direct-hire employees, and $340,000 for contract services. For fiscal year 1971, the estimated U.S. AID public safety costs for aid to national police is $5 million, of which $1,853,000 is intended for the border patrol police, or 36 percent of the total funds. Of this amount, $1,401,000 is for commodities, $40,000 for participant training, $257,000 for direct-hire employees, and $155,000 for contract employees.

PRIVATE INVESTMENT

Mrs. REID. What encouragement are the countries in East Asia giving to foreign private investments?

Mr. O'CONNOR. Overall, the investment climate in most East Asian countries is favorable. Most such countries have investment incentive programs, including such features as tax incentives, incentives for repatriation of income and capital, and duty-free imports, which are favorable to foreign private investment. Over the past few years Korea, Thailand, Malaysia, Singapore, and Indonesia have invited U.S. trade and investment missions and Korea, Thailand, and Indonesia have recently sent investment missions to the United States. Except for Burma and Cambodia, all the countries of East Asia have investment guarantee bilateral agreements with the United States. In 1970, $229 million in specific risk investment insurance was issued in East Asian countries, covering a total investment by various U.S. companies of $246.7 million.

NEW CHINA POLICY

Mrs. REID. How do the countries of East Asia, particularly the Philippines, feel about Communist China's new attitude toward the non-Communist world and the new policy of the United States in regard to trade with Communist China?

Mr. WILSON. Peking's expanding people's diplomacy—dramatically symbolized by the invitation to the U.S. table tennis team to visit the Peoples Republic of China—has stimulated great interest among the countries of East Asia. U.S. trade and travel initiatives toward the Peoples Republic of China have also been followed closely by those countries. For the nations of East Asia, relations with mainland China have long been a central and very difficult problem. For this reason, most of those countries have tended to welcome Peking's people's dip-

lomacy, as well as the trade and travel initiatives taken by the United States toward Peking, since these developments are seen as possibly leading to a reduction of longstanding tensions in East Asia. The reactions of individual countries have varied according to their individual circumstances.

Trade missions from the Philippines and Malaysia have visited the Peoples Republic of China and both the Philippines and Malaysia have accepted relief grants from the Chinese Red Cross in the wake of natural disasters. Within the past year Burma exchanged ambassadors with Peking after 4 years without such diplomatic representation. In Japan a so-called China mood has stimulated intense public interest in seeking improved relations with Peking, and the Japanese continue to expand their trade with the Peoples Republic of China. The Singapore Chamber of Commerce has organized a private trade mission to attend this autumn's Canton trade fair, and Malaysia recently received a Chinese song and dance troupe for a tour of the country.

While most of the countries of East Asia are interested in using recent developments on the diplomatic front in an effort to improve their own relations with Peking, they can be expected to proceed with caution and with due regard for their individual national interests. Leaders in Thailand, the Philippines, and Indonesia have indicated their approval of the prospective thaw symbolized by the ping pong episode and the U.S. relaxation of trade restrictions; the leaders of these countries see these factors as possible contributions to a general relaxation of tensions in the region. However, these countries have indicated that there will not be an immediate change in their policies toward the Peoples Republic of China.

JAPAN'S ROLE IN ASIA

Mrs. Reid. How do the countries of East Asia feel about the possibility of Japan assuming some of the gap left militarily and politically by the progressive diminution of the American role in the Pacific?

Mr. Wilson. Although Japan's image still suffers in some countries from memories of World War II, East Asian countries are more and more looking to Japan for help in their economic and social development. They recognize the prominent role in economic and social affairs which Japan is already playing in such regional organizations as the Asian and Pacific Council and the Asian Development Bank. Japan conducts an important economic aid program for its Asian neighbors, although we feel it would be more effective if it included more grants and concessional loans. Japan's activities in the political field have been more limited, but nonetheless important. It did, for example, play a key role in the Djakarta conference of 11 nations, convened in May 1970 to find ways to insure the continued independence of Cambodia. The nations of East Asia welcome constructive participation by Japan in area issues. They do not, however, want to be overly dependent on any one nation and would resist what they would regard as an overly active role by Japan, particularly in political and military affairs.

REGIONAL PROGRAMING

Mrs. REID. What are the present views of officials in regard to support of regional programs as opposed to aid to a specific country?

It is my understanding that some officials believe that the United States get more for its money by supporting regional projects on a modest basis than by putting more extensive sums into a specific country.

Mr. WILSON. We believe there is a definite need for both the regional and the bilateral programs. In some cases, such as the Mekong River Basin, a regional approach is required, since development there often affects all four of the riparian countries. A Mekong activity specifically aimed at a given country might conflict with the interests of the other riparian countries if it were not worked out through the Mekong committee. On the other hand, many projects, such as those involving the basic economy or social structure of a particular country, can only be carried out effectively on a bilateral basis.

COMMUNIST MEMBERSHIP IN ASEAN

Mrs. REID. Several months ago there was a news report that Indonesia and Thailand had expressed a desire to permit Communist membership in the five-nation ASEAN (Association of Southeast Asian Nations). Has there been anything further on this matter?

Mr. WILSON. At ASEAN's fourth ministerial meeting in Manila in March 1971, Indonesia appealed to all countries in the region, irrespective of ideological or economic systems, to join the organization. Thailand indicated it would welcome the attendance of any nation in Indochina which showed a genuine desire to promote peace in that area. The Communist countries have always been hostile to ASEAN, however, and they rejected these overtures. Hanoi saw in the Manila meeting a "dark scheme of the U.S. imperialists." Prince Sihanouk's National United Front also denounced ASEAN.

STOPPING THE NARCOTICS TRAFFIC

Mrs. REID. What is being done by the Thieu-Ky government in Vietnam to stop the traffic in narcotics?

Mr. WILSON. The Vietnamese Government has moved quickly in recent weeks to stop the narcotics traffic. There is a special campaign going on right now in Vietnam against narcotics. Customs control has been greatly strengthened at Tan Son Nhut Airport, the main port of entry. There has been an extensive shakeup of Vietnamese customs and police personnel, including the dismissal of the director general of customs. Successful police raids have been conducted throughout the country and numerous arrests have been made, including that of a member of the national assembly, a Thieu supporter. The key officials of the Vietnamese Government, from the President down to the Province level, have become aware of the seriousness of this problem and are participating in the current antinarcotics campaign.

RURAL DEVELOPMENT PROGRAMS IN THAILAND

Mrs. REID. Could you describe what rural development programs would be financed in Thailand. Does this have a postwar flavor that would lead to economic development in Thailand?

Mr. O'CONNOR. Within the context of rural development—a major focus of our program—we are financing projects which: (1) support the Thai accelerated rural development project—a Provincial public works program concentrating initially on rural roads; (2) expand agricultural development in the northeast; (3) improve the utilization by farmers of water resources, such as the use of water in reservoirs for irrigation; (4) improve health and education services for the people in rural areas; (5) develop methods to increase local revenues; and (6) strengthen the Thai Government's Rural Community Development Department. All of these programs should enhance the economic development of Thailand, both now and in the postwar period. Unlike Laos, Cambodia, and Vietnam, Thailand is not directly in a war situation, so there should be no sharp adjustments in the economy or changes in AID's rural development programs.

NON-U.S. SUPPORT TO CAMBODIA

Mrs. REID. What other countries besides the United States are making contributions in the nature of supporting assistance to Cambodia and Laos, and what is the magnitude of it?

Mr. O'CONNOR. Contributions to the Foreign Exchange Operations Fund (FEOF) for Laos can be considered in the nature of supporting assistance. Countries other than the United States contributing to FEOF are Japan, United Kingdom, France, and Australia. Contributions from these countries since 1964, when FEOF was established, are given in this table that I am presenting for the record.

[Dollars in thousands]

	Calendar year 1964 through Calendar year 1970	Calendar year 1971 (estimated)	Total
United Kingdom	$11.892	$1.700	$13.592
France	11.500	1.700	13.200
Japan[1]	9.700	2.300	12.000
Australia	4.440	.720	5.160

[1] Japan began its contributions in 1965.

The following countries, in addition to the United States, are giving aid in the nature of supporting assistance to Cambodia: Australia—about $2.4 million in 1970; New Zealand—$50,000; and Great Britain—about $365,000. In addition several large loans to Cambodia have been made in the last year or two for which specific implementations remains to be worked out. These loans were made by France—$22.5 million for Kompong Som port development and other purposs; Belgium—$7 million for a sugar plant; and Denmark—$4 million for agriculture, power, transportation, and tourism projects.

The above excludes a variety of other aid given for humanitarian purposes, including a recent $4 million grant from Japan.

BUDGET SUPPORT TO CAMBODIA, LAOS, AND THAILAND

Mrs. REID. What percentage of the budget of Cambodia, Laos, and Thailand is the United States contributing?

Mr. O'Connor. In Thailand the United States does not contribute budget support. Our fiscal year 1972 program totals $40 million, which is about 3 percent of the size of the Thai budget.

In Laos the United States not give direct budget support to the Royal Lao Government (RLG). However, the RLG, the International Monetary Fund, the United States, and other foreign assistance donors collaborate in a stabilization program that helps to counteract the inflationary effects of the RLG budgetary deficits. In fiscal year 1970 the total RLG budget was $36 million (converted at the free market rate of exchange); during fiscal year 1970 the direct U.S. contribution to the stabilization program was $16.1 million for the Foreign Exchange Operations Fund (FEOF), and $1.5 million for the commodity import program.

In Cambodia, under the arrangements for the commodity import program and the Public Law 480 program, portions of the generated local currency will be utilized for budget support for specific line items as jointly agreed, primarily for military pay and allowances. At this point in time it is not possible to estimate what portion of the total budget will be thus supported. The Cambodian budget for 1971, for example, the Cambodians fiscal year which is identical to the calendar year is approximately $337 million—of which 62 percent is for national defense items. We have $70 million authorized under the CIP and $8.5 million for Public Law 480, but because all of the goods will not have been delivered during the calendar year, all the local currency potentially generated under these programs will not be available for release of the GKR budget.

AREA OF CAMBODIA UNDER GOVERNMENT CONTROL

Mrs. Reid. How much of the area in Cambodia does the Government consider pacified, or under their control?

Mr. Wilson. The Khmer government considers roughly one-half of the territory of Cambodia, which contains about two-thirds of the population, under its control.

COMMUNIST CHINA SUPPORT TO INSURGENTS

Mrs. Reid. Could you tell us how much support Communist China has given to the insurgent forces in Laos, Cambodia and Thailand in the past year?

Mr. Wilson. Communist Chinese aid to North Vietnamese and Lao Communist forces in Laos has, so far as we can tell, been limited to the road construction in north Laos and facilitating transport to Laos of limited quantities of material for the North Vietnamese and Lao Communist forces in northwestern Laos. It is impossible to give an estimate of the value of this assistance or to determine whether this is earmarked as aid to the Lao Communists or to North Viet Nam.

We have no estimate of the support given by Communist China to the insurgent forces in Cambodia. As you know, the vast majority of those fighting against the government forces are North Vietnamese Army (NVA) or Vietcong (VC), who have been supplied by either Communist China or the Soviet Union and a few other eastern bloc nations. As for indigenous insurgents, the so-called Khmer Rouge, or Khmer liberation forces who are under NVA/VC tutelage and gen-

erally aligned with Prince Sihanouk's Front Unifie National Khmer (FUNK), outside estimates of their numbers run to 10,000.

On August 17, 1970, the Chinese Communists signed a military grant assistance agreement with Prince Sihanouk's FUNK, and at the same time announced the hitherto unknown fact that they had granted a loan to Sihanouk's exile government the previous May. The details of these agreements, including the magnitudes, have not become known. However, William Attwood of Newsday reported recently that Sihanouk told him during an interview in Peking that the Chinese communists are sending arms and equipment for 50,000 men down the Ho Chi Minh Trail to Cambodia; from that putative statistic, Sihanouk alleged that he had 50,000 ethnic Khmer fighting for him in Cambodia. We don't think there are that many. Perhaps there are about one-fifth of the aforementioned figure, but it does seem clear that the Chinese Communist logistics input into Cambodia through North Vietnam is substantial.

With respect to Communist Chinese support given to insurgent forces in Thailand, we have very little specific information relating to the past year. The clandestine Communist propaganda broadcasting station, the Voice of the People of Thailand, is believed to be located in China. There have also been numerous reports in the past year of increasing use of the Chinese combat weapon, the AK–47, by insurgents in Thailand. In addition, we assume that the Peoples Republic of China is continuing to provide insurgency and ideological training for a limited number of Thai Communist Party cadres. However, we are unable to supply an estimate of the cost of such support.

OECD IN PARIS

Mr. PASSMAN. I would not purposely offend any of you wonderful people, if you could get me reelected without opposition next year, but some of your actions are not good. You say to these countries, "just because I have myself fouled up, I want to foul you up, so you would be down in the gutter with me."

I just cannot conceive of this great country of ours having teams of people doing this. And you ought to see this beautiful place they have over in Paris, big brick building, offices in there, with a full-time man and assistant lecturing other people on how they should give their wealth away, because we give ours away.

What is the name of that outfit over there?

Mr. O'CONNOR. OECD.

Mr. PASSMAN. That is their purpose, to talk other people into giving their wealth away, is that not part of the game?

Mr. O'CONNOR. I think most of them have been doing it without a great deal of persuasion from us.

Mr. PASSMAN. Then why do you not close the door and bring them home and save money? Why do you want to keep that office there?

Off the record.

(Discussion off the record.)

Mr. PASSMAN. I have never thought it was our place to be going all over the world to try to get other nations in the same mess we are in, with these entanglements. I want to correct one thing for the record before I proceed now on some questioning.

NUMBER OF NATIONS RECEIVING U.S. AID

I believe that if you will refer to the hearings last year that we finally agreed that we were disbursing funds in 99 nations and four territories; is that not the final agreement we reached?

I believe if you disburse funds in a territory of a country, that is in effect giving aid to that country, is it not? Just the same as Kansas or North Carolina or Louisiana is a part of the United States, is it not?

Mr. FLINNER. I think our question last year, Mr. Chairman, was that we were giving, for instance, some Public Law 480 assistance to Hong Kong and the question arose as to whether this was going to be considered assistance to the United Kingdom.

Mr. PASSMAN. Is not Hong Kong actually a territory of the United Kingdom?

Mr. FLINNER. Yes.

Mr. PASSMAN. Let's read it in the record. There is one thing I do remember, I remember these figures and I remember these answers.

(The information follows:)

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. PASSMAN. We finally concluded that there were 99 nations and four territories, because if you wanted to completely eliminate the foreign aid programs, just give it to the territories and let them transfer it over to the mother country and you would not have any aid program, but you have to pick up the check, nevertheless.

Mr. FLINNER. You are right, but we also said we should just say 99 countries.

NUMBER OF COUNTRIES AND TERRITORIES WHERE THE UNITED STATES GIVES AID

Mr. PASSMAN. We cut the territories down before, because you went into different territories. I am perfectly willing to say 99 nations and eliminate the four territories. I am willing to accept it.

Do you know to how many nations you are going to be distributing aid in fiscal 1972?

Mr. FLINNER. Counting the total aid that we have included in the past, I think we have added two more countries.

Mr. PASSMAN. It would be up to 101?

Mr. FLINNER. No, sir; I am talking about adding two countries to the total number of countries that have received assistance since 1946.

Mr. PASSMAN. Using the same context that we followed last year, 99 nations and no territories, you have added two new nations?

Mr. FLINNER. No, sir.

Under that context of where aid will be disbursed in fiscal year 1972 we have dropped one country, Norway has dropped out. I thought you were talking about the total nations which have received assistance since 1946.

Mr. PASSMAN. That is what I want this year. That will be the question. I will ask it at this time.

To how many nations will we be distributing some type of aid in fiscal 1972?

Mr. FLINNER. In fiscal 1972, the figure comparing to the 99 last year, we will have dropped the one, to 98.

Mr. PASSMAN. Ninety-eight?

Mr. FLINNER. Yes, sir; we dropped Norway.

Mr. PASSMAN. Should you be congratulated?

Mr. FLINNER. No; I think this is military assistance which has terminated there. Final disbursements have been made.

Mr. PASSMAN. We will take a little recess to answer the bells.

(Short recess.)

FUNDS IMPOUNDED BY THE ADMINISTRATION

Mr. PASSMAN. The committee will come to order.

Mr. O'Connor, Mr. Secretary, and Mr. Comptroller, we were discussing the total amount of funds that the administration impounded last year. I think I used the figure of $12 billion. We now have a sheet

that shows the impoundment total amounts to $12.160 billion. Is that in the figures that your furnished to the committee?

Mr. FLINNER. Yes, sir; this is a statement I got from the Office of Management and Budget.

Mr. PASSMAN. All right. I would assume then that this is the correct figure.

Mr. FLINNER. Yes; this figure they told me changes from day to day.

Mr. PASSMAN. I would have to think so, just like aid is changing from day to day. The one we are talking about now is the latest date, is it not, May 25?

Mr. FLINNER. Yes, sir.

Mr. PASSMAN. Now in going through this sheet, I find that all of the items are projects in the United States.

Mr. FLINNER. No, sir; they still have on the first page, under the funds appropriated to the President, some funds included there under economic assistance.

Mr. PASSMAN. Now let's be sure that we do not leave people under the wrong impression.

PROTOTYPE DESALTING PLANT FOR ISRAEL

This prototype desalting plant, that has to do with Israel, does it not?

Mr. FLINNER. Yes, sir.

Mr. PASSMAN. This is money we appropriated several years ago and it has just been withheld, has it not?

Mr. FLINNER. No, sir.

Let me, if I may, speak to that.

This list, as I understand it, from the Office of Management and Budget, identifies moneys for which agencies have not yet received an apportionment of their funds. In many cases the agency has not requested an apportionment of their funds, which is the case of the prototype desalting plant.

Mr. PASSMAN. All right. In other words, this is just funds where this amount has not been impounded? It is just a question that AID did not look with favor upon this project and therefore they have decided not to proceed with the disbursement; is that right?

Mr. FLINNER. I am not sure I can say they did not look with favor on it. The project has not moved to the stage yet where we are ready to obligate it.

Mr. PASSMAN. It has not moved at all, has it?

Mr. FLINNER. Correct.

Mr. PASSMAN. We are going to clear it up.

This project, the funds were not requested by AID to start with; is that not correct?

Mr. FLINNER. That is correct.

I must admit I do not really know the details of the prototype desalting plant.

Mr. PASSMAN. Get me somebody that knows the details then. The AID Agency does not approve of this desalting plant as such. For that reason there has been no progress made toward developing a program or seriously obligating the funds.

Mr. FLINNER. The project has not moved; that is correct.

Mr. PASSMAN. But it has not gone into this status simply because of the ceiling placed upon expenditures last year in the President's determination to impound funds?

Mr. FLINNER. Yes, sir; that is right.

Mr. PASSMAN. Then why should it be placed in this category?

IMPOUNDING OF DOMESTIC FUNDS VERSUS FOREIGN AID FUNDS

Now, yesterday we had a statement from you, we had one from General Warren, and we had it verified, that there has been no foreign aid funds impounded. Is that still good?

Mr. FLINNER. Yes, sir; that is still correct.

Mr. PASSMAN. But we have had funds impounded for U.S. projects?

Mr. FLINNER. I assume that there has.

Mr. PASSMAN. Wait a minute.

What do you mean, you assume? You are not familiar with the fact that we have impounded funds?

Mr. FLINNER. Yes.

Mr. PASSMAN. I am addressing this to you politely, to any of you who can give me an answer. The President has impounded funds for projects in every State in the Union applicable to 1971, has he not?

Mr. FLINNER. Yes, I am sure that is true, but——

Mr. PASSMAN. Is that your understanding?

Mr. WILSON. I do not know the answer to that.

Mr. PASSMAN. I want somebody to call the Bureau of the Budget and find out how much money has been impounded by the President.

Mr. FLINNER. Mr. Chairman, this is the table that they gave us, but they also said the statement is that these funds are not all necessarily impounded.

Mr. PASSMAN. I am trying to ascertain the amount of funds that was impounded which would not have been impounded if it were not for the budget or the fact that Congress maybe put these projects in. The fact that the agency has not requested that these things be implemented does not mean that the funds have been impounded?

Mr. FLINNER. No, sir.

Mr. PASSMAN. We have had in the neighborhood of $12 billion impounded by the administration of appropriated funds. Now I want you to have another reading on it tonight or tomorrow morning and bring this committee an accurate report on the amount of funds impounded.

Do not mix up in this possibly $20 or $30 million of aid funds that has not been impounded. You know it has not been impounded. It is just a question of having a meeting of the minds between the Israelis, the AID Agency, and the committee that appropriated the money.

Is that not your understanding, Mr. Secretary, or do you understand this desalting item?

Mr. WILSON. It is out of my area, Mr. Chairman.

Mr. PASSMAN. You may try and confuse some of your intellectuals, but you are not going to confuse this country boy. There is a difference in impounding funds and not disbursing funds to a project that the AID Agency or any other agency does not look upon with favor at this time. They may change their mind tomorrow.

Mr. FLINNER. If I could, Mr. Chairman.

Mr. PASSMAN. Please go ahead.

Mr. FLINNER. This listing which the Office of Management and Budget gave me is a listing of amounts which have not yet been apportioned to the particular agency. Before the agency can use the funds, they must be apportioned.

Now, this list, or a similar type of list was given back in April or earlier than that, in February, I think, by Mr. Shultz to one of the committees. Their position is that these were not funds that were impounded although some people have been calling them impounded funds.

Mr. PASSMAN. You say they were not funds that were impounded?

Mr. FLINNER. Not all of these funds were impounded, that is right.

Mr. PASSMAN. Okay. They have this prototype desalting plant, what calendar year did the Congress approve this?

Mr. FLINNER. I believe that was in 1968 or 1969, I am not sure.

Mr. PASSMAN. It was in 1969 and it has been dormant ever since?

Mr. FLINNER. Yes, sir.

Mr. PASSMAN. Now let's go off the record.

(Discussion off the record.)

Mr. PASSMAN. Back on the record.

We could discuss the amount of impounded funds for domestic programs the rest of the day and it would not alter the fact that whatever the figure may be, $12.160 billion or some lesser figure or greater figure, it follows that there has been no foreign aid funds impounded; is that correct?

Mr. FLINNER. That is right, sir.

Mr. PASSMAN. That is all that is necessary.

COUNTRIES AND TERRITORIES GIVEN AID

Concerning the 99 nations and four territories will the clerk turn to the page last year and find out where the six territories are and be sure that we do not double count? We can make the record quick.

You had British Honduras, that is one; Surinam, that would be the Netherlands, is that correct?

Mr. FLINNER. Yes, sir.

Mr. PASSMAN. The West Indies?

Mr. FLINNER. The United Kingdom.

Mr. PASSMAN. The British? All right. The British Crown Colony, Hong Kong, British.

Mr. FLINNER. Yes, sir.

Mr. PASSMAN. That does not count.

Now the islands in the Pacific under Great Britain?

Mr. FLINNER. Yes, sir, British Oceania.

Mr. PASSMAN. So in reality—and I am always willing to correct the record—the proper caption should have been 99 nations, period, is that not right?

Mr. FLINNER. Yes, sir.

Mr. PASSMAN. That is what it will be this year. So we do not want to undercount and we do not want to overcount.

This is terribly disappointing to me, to have an AID project of some type going in 99 nations of the world and we have 4,416 projects, Not a darned one of them, gentlemen, lost a nickel; full steam ahead. Yet they closed down projects in my State in 1968, busted one or two contractors, because he lost all of his personnel; the rains came, washed away part of his incomplete levee. Then to repeat it: I think in fiscal 1970 and 1971 there has never been an AID project that has suffered any loss. I am awfully afraid that if any of my constituents read these hearings, they would say we just did not know how to get on top of it.

EAST ASIA PROJECTS TO BE TERMINATED IN FISCAL YEAR 1972

Would you furnish for the record a table, by country, showing what projects will be terminated in fiscal 1972 in your area, Mr. O'Connor?

Mr. O'CONNOR. Yes, sir.

(The information follows.)

PROJECTS TO BE TERMINATED IN FISCAL YEAR 1972—TA AND SA FUNDED

[In thousands of dollars]

	Estimated fiscal year 1971 Obs	Proposed fiscal year 1972	Estimated total cos
Korea: Rural policy planning and development	616	862	10,844
Thailand	1,925	11,140	27,869
Rural electrification planning		225	225
Private enterprise-Private sector	800	50	3,043
Labor department administration	75	75	473
Development of vocational education	730	620	4,051
Community development	285	140	4,056
Mobile development unit planning, engineering, and construction	35	30	6,021
Multisector development assistance		10,000	10,000
Regional development: Mekong River ports and cargo handling	216	400	827
Total	2,757	12,402	39,540

Note: Number of projects, 9.

AVERAGE COST OF PARTICIPANT IN EAST ASIA

Mr. PASSMAN. Would you provide a table showing the number and average cost per participant in your area for the last 5 years by year?

Mr. O'CONNOR. Yes, sir, Mr. Chairman.

(The information follows:)

NUMBER AND AVERAGE COST PER PARTICIPANT FOR THE LAST 4 YEARS BY YEARS FOR EAST ASIA

Fiscal year	Funds committed (thousands)	Man months of training	Average cost per man-month	Participants in training	Average number man-months per trainee	Average cost per participant
1968	$7,134	9,993	714	3,311	3.0	$2,142
1969	8,424	14,745	572	2,832	5.2	2,959
1970	8,448	14,225	594	2,708	5.3	3,148
1971 (estimate)	8,559	12,998	659	2,449	5.3	3,493

NUMBER OF PARTICIPANTS IN EAST ASIA IN FISCAL YEAR 1972

Mr. PASSMAN. How many participants are programed for your area in fiscal 1972, and how many of these are going to a third country?

Mr. O'CONNOR. We will furnish that for the record, sir.

Mr. PASSMAN. All right, sir.

(The information follows:)

NUMBER OF PARTICIPANTS PROGRAMED FOR EAST ASIA IN 1972 AND HOW MANY ARE THIRD COUNTRY

According to our projections these are programed approximately 1,083 East Asian participants with fiscal year 1972 funds for training in the United States, and 1,563 for training in third countries.

TOTAL U.S. AID TO EAST ASIA

Mr. PASSMAN. Will you also place in the record the total net aid given to your area since the inception of the program, by the country?

Mr. O'CONNOR. We can do that, sir, yes.

Mr. PASSMAN. I want it all-inclusive.

Mr. O'CONNOR. All right.

Mr. PASSMAN. I am talking about all spigots.

Mr. O'CONNOR. We will do that, sir.

(The information follows:)

U.S. Overseas Loans and Grants, Cumulative
July 1, 1945 - June 30, 1970

Total Obligations and Loan Authorizations, Economic and Military, Less Repayments and Interest
(Millions of Dollars)

	TOTAL	ECONOMIC	MILITARY
EAST ASIA - TOTAL	24,716.8	14,995.3	9,721.5
Japan	3,419.9	2,389.8	1,030.1
Less Developed Countries	21,296.9	12,605.5	8,691.4
Brunei	14.0	14.0	-
Burma	80.8	80.8	-
Cambodia	350.2	254.2	96.0
China, Rep. of	5,056.5	2,179.5	2,877.0
Hong Kong	44.2	44.2	-
Indochina, Undist.	1,535.2	825.6	709.6
Indonesia	1,107.4	1,025.7	81.7
Korea	8,138.6	5,052.2	3,086.4
Laos	693.9[a]	693.9	[b]
Malaysia	68.9	59.3	9.6
Philippines	1,845.8	1,278.1	567.7
Ryuku Islands	403.3	403.3	-
Singapore	31.2	17.5	13.7
Thailand	1,149.9	556.5	593.4
Western Samoa	2.0	2.0	-
East Asia Regional	774.7	118.3	656.4

[a] Economic only, military data classified.

[b] Classified, data included in Regional.

Mr. PASSMAN. The International Bank for Reconstruction and Development, often called the World Bank and under the World Bank you have the International Finance Corporation, I believe.

Mr. O'CONNOR. That is right, sir.

Mr. PASSMAN. Do any of you present know what the percentage of the contribution of the total capital that we make is?

Mr. O'CONNOR. That goes to the IFC?

Mr. PASSMAN. Yes.

Mr. BREECHER. About 40 percent for IDA.

Mr. O'CONNOR. Not IFC. This is sort of the private capital development part of it. We may have it here, but we can submit it for the record.

Mr. PASSMAN. I am talking about the record as to what percentage of the total capital that we contributed.

Mr. O'CONNOR. Yes, sir.

Mr. PASSMAN. I will at this time ask Mr. Flinner to get us the total on the unexpended funds of the World Bank as well as the International Finance Corporation, and whether or not the World Bank and the undisbursed funds include the International Finance Corporation. I don't know whether, once they transfer it out, they have a different operation or not. Do you know, Mr. Controller?

Mr. FLINNER. No, sir, I do not. I will see what I can find out about it.

(The information follows:)

UNEXPENDED FUNDS OF THE IBRD AND IFC: CASH AND SHORT-TERM INVESTMENTS AS OF JUNE 30, 1970

[In thousands of U.S. dollars]

	IBRD	IFC
Due from banks and other depositories	116,830	508
Investments	1,780,971	10,052
Total	1,897,801	10,560

Mr. PASSMAN. If we could ascertain the amount of undisbursed funds to the credit of the World Bank and the International Finance Corporation, to be accurate we would only list 40 percent of those funds as being undisbursed, because if we did not remove 60 percent from the total, it would be an inaccurate total, would it not?

Mr. O'CONNOR. Yes, sir; but let me make clear that the 40 percent that Mr. Breecher mentioned goes to one portion of the Bank, and that is not the percentage of our capital contributions.

Mr. PASSMAN. I know how to handle the others. The International Development Association, we know what that is. They come in with a new request every year but here we have not picked up the other two agencies. If we are going to get the total pipeline of undisbursed funds for all spigots of aid, we have got to include that, because it is purely for aid projects in underdeveloped countries, is it not?

Mr. O'CONNOR. That is right, sir.

DEVELOPMENT LOAN PROGRAM REQUEST

Mr. PASSMAN. If I am not mistaken, I believe you proposed the development loan program of $150 million for fiscal year 1972?

Mr. O'CONNOR. That is correct, Mr. Chairman.

Mr. PASSMAN. Heretofore, they have had a scale, a low figure and a high figure. Are you familiar with that? I know the controller may be.

Mr. O'CONNOR. I am not sure that I am.

Mr. PASSMAN. The proposed spending level, it would give a range, would it not?

Mr. FLINNER. Yes; sometime ago we showed a range of funds for development loans.

Mr. PASSMAN. A range?

Mr. FLINNER Yes, sir.

Mr. PASSMAN. $100 million to $150 million?

Mr. FLINNER. Yes, sir.

Mr. PASSMAN. Are you still dealing with that type of request?

Mr. FLINNER. I think we have specific loans in mind here, don't we?

Mr. O'CONNOR. Yes, we do.

Mr FLINNER This is not a range. This is for specific proposals.

LOANS GIVEN TO EAST ASIA IN FISCAL YEAR 1971 AND FISCAL YEAR 1972

Mr. PASSMAN. Mr. O'Connor, please furnish for the record a list of loans authorized by country for fiscal year 1971.

(The information follows:)

EAST ASIA: Development Loan Authorizations for FY 1971

Country	Loan Title	(Millions U.S. $)
Indonesia	Basic Import and Production Loan*	30.0 ***
"	Kettenger Transmission & Distribution Rehabilitation	21.0
"	Semarang Steam Station*	19.7
		70.7
Korea	Agricultural Credit Loan*	14.0
"	Rice Loan*	35.0
"	Korean Advanced Institute of Science (KAIS)	6.0
		55.0
Philippines	Misamis Oriental Rural Electric Service Cooperative**	.130
	Victorias Electric Service Cooperative**	.230
		.360
	GRAND TOTAL	126.060

* Authorized

** Amendments to FY 1968 Loan

*** Possibility of $15 million Amendment to $30 million Indonesia Program Loan yearly if funds become available.

Mr. PASSMAN. Also provide for the record a table by country showing the program loans authorized for fiscal 1971 and an estimate of these types of loans by country for fiscal 1972. That would be a separate table.

(The information follows:)

THE PROGRAM LOANS BY COUNTRY FOR FISCAL YEAR 1971 AND THOSE PROPOSED FOR FISCAL YEAR 1972

Country	Fiscal year 1971	Fiscal year 1972
Indonesia	$30,000,000	[1] $30,000,000

[1] Possibility of $15,000,000 amendment to $30,000,000 Indonesia program loan if funds become available.

LOANS REFINANCED IN THE PHILIPPINES

Mr. PASSMAN. This is phraseology that is confusing. I guess this originated in the Export-Import Bank. That is "rolling over" loans. That simply means the country is delinquent. They can't pay or won't, and so to keep from carrying them in a delinquent status you bring it up to date with some type of an agreement, isn't that really what it is?

Mr. O'CONNOR. That is right.

Mr. PASSMAN. With the record made and the question answered in the affirmative, have you rolled over or refinanced any loans in your area during the current fiscal year?

Mr. O'CONNOR. We have one in the Philippines, sir—Bataan Paper & Pulp, the total amount $5.4 million.

Mr. PASSMAN. A private company or a country loan?

Mr. O'CONNOR. It was from the Development Loan Fund. Let me supply that for the record. I have a lot of other details here.

Mr. PASSMAN. Put it in the record.

(The information follows:)

PHILIPPINES—BATAAN PAPER & PULP—LOAN NO. 492-A-006

In 1959 the Development Loan Fund approved a $5.4 million loan for the establishment of a 50-55 ton per day integrated pulp and paper mill at Bataan, Philippines. The plant, which became operational in 1962, has been subject to unprofitable operations since its inception and was the subject of two major refinancings, one in 1963 and one in 1966. As part of the 1966 financial reorganization, AID made a Cooley loan of P$4 million ($1.03 million) to the company.

While the 1966 financial reorganization solved a number of the company's operating problems, the company continued to experience operating difficulties and in the spring of 1971 the company and AID entered into a third refinancing agreement, which provided for conversion of AID's Cooley loan and 50 percent of the dollar loan into preferred shares. In addition, approximately $950,000 worth of accrued interest was condoned by AID.

As a result of the current financial reorganization, the company will qualify for a package of investment incentives which will improve the company's profitability and provide increased prospects for repayment of AID's loan. In addition, a cash payment of approximately $225,000 was made to AID as part of the 1971 financial reorganization.

It is hoped that with the financial incentives now available to the company and the improved capital structure resulting from the financial reorganization, that the company will be able to assume the status of profitable operations and repay AID's loan in full. The current interest rate of 8¾ percent provides an additional interest charge to this loan over and above the original 5¾ percent interest rate in order to recapture interest that was condoned during the 1966 reorganization and the 1971 reorganization.

FAMILY PLANNING PROGRAMS IN EAST ASIA

Mr. PASSMAN. How many of the three countries now have family planning programs?

Mr. O'CONNOR. All three of them, sir.

Mr. PASSMAN. Please place a list in the record as to the amount that each country is to receive from this program as proposed in your fiscal 1972 budget.

Mr. O'CONNOR. As requested, yes, sir.

(The information follows:)

East Asia development assistance countries family planning programs—fiscal year 1972

	Thousands
Indonesia	$1,825
Korea	800
Philippines	5,400
East Asia regional development	2,300
Total	10,325

ADVANTAGES OF VOLUNTARY AGENCIES

Mr. PASSMAN. What are the advantages, if any, of family planning programs funded through voluntary agencies?

Mrs. O'CONNOR. Do you want that for the record or a comment?

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

Mr. O'CONNOR. I think they do make a substantial contribution, and they do bring in other funding sources.

Mr. PASSMAN. What do you mean they bring other funding sources?

Mr. O'CONNOR. I mean it is money that isn't coming directly from Uncle Sam.

Mr. PASSMAN. Wouldn't they get that without you having to funnel yours through it? Do you mean that this AID agency is so scared that other people won't put up the money to the voluntary agencies unless we put up some?

Mr. O'CONNOR. I think it helps a great deal to do some matching. For example, the Swedish and British groups. I think it is helpful that we do some work through them. Also I think in dealing with voluntary groups which deal with the local citizens in the country and do not come directly from their government is often helpful. We never would have gotten it off the ground in the Philippines if we hadn't had volunteer groups.

Mr. PASSMAN. Maybe not, but the voluntary groups could operate within their resources without AID funding, couldn't they?

Mr. O'CONNOR. Yes, they could.

Mr. PASSMAN. That is all I wanted you to say. I thought I had the answer, but we just want to sweeten the pot.

Mr. O'CONNOR. No, sir, we want to get on with the job more quickly and hopefully more effectively.

Mr. PASSMAN. We hope for a lot of things, but we get to dabbling in everything, don't we?

The first functional area to be examined is technical assistance, for which the fiscal 1972 estimate is $33,825,000. This is an increase of $491,000 over fiscal 1971, is that correct?

Mr. O'CONNOR. That is correct.

TECHNICAL ASSISTANCE PROGRAM BY COUNTRY FOR EAST ASIA IN FISCAL YEAR 1972

Mr. PASSMAN. Would you provide for the record a breakdown by country of your fiscal year 1972 technical assistance program?

Mr. O'CONNOR. Yes, sir.

(The information follows:)

East Asia technical assistance programs—fiscal year 1972

	Thousands
Indonesia	$7,325
Korea	4,100
Philippines	9,100
East Asia Regional Development	13,300
Total	33,825

PROBLEM OF ECONOMIC PROSPERITY REACHING THE FARMER

Mr. PASSMAN. On page 1 you make the statement: "Despite lower costs of production, the benefits have not accrued to the farmers." Would you please explain what you mean by this statement, Mr. O'Connor?

Mr. O'CONNOR. Do you want that for the record? We have the information here.

Mr. PASSMAN. Give us the answer. I could elaborate and make the question longer. Does it mean that the wholesaler or retailer is making a larger profit?

Mr. O'CONNOR. I think that is what it means, and I think the problem here is that it is basically in the marketing system, sir.

KOREA ADVANCES

Mr. PASSMAN. Also on page 1 you indicate there is a scarcity of skilled manpower in Indonesia and Korea, which has really hurt the pace of economic and social development in these countries. I was in Korea, and I was very much impressed with the progress that they were making. It had been such that we were able to discontinue grant aid, isn't that true?

Mr. O'CONNOR. That is true, sir, except for a small amount of technical assistance. I agree with you that the progress is impressive, but nevertheless the number of skilled people required by a very rapidly flowing and rather technologically oriented economy, is far greater than they have available. So that I think training and upgrading of some of their technicians, many of whom are excellent is important, and it is also essential to increase the number of skilled technicians, since they simply don't have enough for a burgeoning economy.

Mr. PASSMAN. I thought they had made unusual progress. I thought it was something you people were pointing to with pride, that on account of these $8 billion we had given to Korea, they had now advanced to where they could take hold themselves, and maybe improve upon some of the things we are doing in this country.

Mr. O'CONNOR. That is true, sir. Their economy has burgeoned and expanded tremendously, but the very growth of it has created the need for skilled labor.

Mr. PASSMAN. That is none of our business. If we are cutting off grant aid and they are making such progress on their own, and they are now manufacturing certain commodities that they can undersell us on, why do you concern yourselves with making statements about the skilled labor there? It is not our responsibility to provide it, is it?

TECHNICAL ASSISTANCE AID PROPOSED FOR KOREA

Mr. O'CONNOR. Our own view of the matter is that we are moving in the area of technical assistance, the establishment of a number of institutions and training capacities so that they can maintain the kind of technology they need to keep that society and economy——

Mr. PASSMAN. We just can't give up. Regardless of how prosperous they have become we just have to keep our snout in the trough. It is the most heartbreaking thing in the world for you people to give up a Nation that has become self-sufficient and no doubt would get along better without us. You just can't actually fold up and come home. How much technical aid are you requesting for Korea in fiscal 1972?

Mr. O'CONNOR. $3.3 million, sir, other than family planning.

Mr. PASSMAN. In technical aid?

Mr. O'CONNOR. Technical assistance, that is right, sir.

Mr. PASSMAN. Technical assistance. Would you place in the record the breakdown of the $3.3 million?

Mr. O'CONNOR. Yes, sir.

(The information follows:)

Fiscal year 1972 technical assistance program for Korea

	Thousands
Rural policy planning and development	$862
Advanced management training	237
Korean Development Institute	516
Social development research and administration	401
Education development	189
Private enterprise development	148
Science and technology	170
Technical support	777
Total	3,300

Mr. PASSMAN. Briefly tell us something about it.

Mr. O'CONNOR. A large portion of it is going into this very kind of training, both participant and support of these institutions.

Mr. PASSMAN. What institutions are you talking about?

Mr. O'CONNOR. There are really two that are operable at the moment. One is the Korean Institute for Science and Technology which is really a research operation. It is becoming increasingly, I think, self-supporting. They are doing some very interesting projects there. One of the main purposes of that project was to absorb back into their economy a number of very able scientists who simply didn't have any place to work or facilities with which to work in Korea.

Mr. PASSMAN. Most of those countries got along very well for centuries, did they not, even before America came into being?

Mr. O'CONNOR. I think so did all countries in the world, sir.

DANGERS OF U.S. AID OVERSEAS

Mr. PASSMAN. That is right, but this is really giving away our resources. That is a new concept in foreign policy. It is in very recent

years, is it not? I want to be fair about this thing. We used to have very firm foreign and trade policies. We have substituted appeasement and aid, it would appear, but most of these countries in that part of the world have had advance civilizations. They have had different forms of government. They have had democratic forms of government, have they not? I am going back 2,000 years.

Mr. O'CONNOR. Yes, sir, but as you know very well——

Mr. PASSMAN. I am asking you a question. Isn't that true, that you had civilizations in that part of the world, such as Thailand, prosperous and advanced civilizations even 2,000 years ago, did we not?

Mr. O'CONNOR. Yes, you did have some very advance civilizations.

Mr. PASSMAN. That is all I want to know, but giving away our wealth actually is a new concept in foreign policy. It came into being subsequent to World War II, did it not? Is that correct, Mr. Secretary, as you understand it?

Mr. O'CONNOR. The first aid bill was in 1948.

Mr. WILSON. That is correct, sir.

Mr. PASSMAN. And I have a lot of my very dear friends who believe in foreign aid. I am not against the Export-Import Bank making sound loans, but as far as giving away our wealth, as far as I am concerned, it is time to stop it. We are getting into these entanglements. If we would start trying to get out today, I don't think you would break loose from all of them in 25 years. We are just too involved in too many places, and we are losing our markets.

It frightens me when I realize that in just a matter of a few years, Japan may be producing more steel than we are producing here in the United States, and most of their markets were previously U.S. markets; isn't that true? And agricultural commodities to meet world prices on an average, we have to subsidize them about 16 percent. There is a limit to how far we can go. I am very pro-Korea. I would never be in favor of withdrawing troops without updating their military forces. The fact of the business is I am a strong advocate of adequate military support until these people can modernize their forces, but when we look at technical aid, we are looking at a form of economic aid; aren't we?

Mr. O'CONNOR. Yes, sir; we are.

TYPES OF FOREIGN AID GIVEN TO KOREA

Mr. PASSMAN. And then to say that we have ceased giving economic aid to Korea is an inaccurate statement. We can only say we have reduced it.

Mr. O'CONNOR. We haven't said we have ceased it, sir. We said we have stopped grant aid to Korea, that is, supporting assistance.

Mr. PASSMAN. Are you going to get this $3.3 million repaid?

Mr. O'CONNOR. I am sorry, supporting assistance is what we have stopped.

TECHNICAL ASSISTANCE CONTINUES

Mr. PASSMAN. That is grant aid; isn't it?

Mr. O'CONNOR. Technical assistance is also grant.

Mr. PASSMAN. Certainly it is. It just has a different name. Supporting assistance used to be known as defense support; didn't it?

PROBLEMS RELATING TO URBANIZATION

Again on page 1 you make the following statement:

This rapid economic growth has also been accompanied by increasing urgent social-economic problems such as inadequate housing, medical services, and other imbalances, due to overrapid urbanization.

Does't this just go to show that the more money we provide these countries and the more developed they become, the more urgent their need for additional capital, and more problems that are created?

Mr. O'CONNOR. I think that is true of all nations in the world today.

Mr. PASSMAN. That is a good answer. Thank you. I don't think we should be putting up the money, because we are having to deprive our own people of the same things that we are financing there.

DECREASE IN DIRECT-HIRE AID PERSONNEL

I note on page 4 that the number of technicians in participating agencies will increase from 44 in fiscal 1971, to 78 in fiscal 1972, while the AID employed technicians will decrease over the same period. Does this mean that you are decreasing the AID presence overseas?

Mr. O'CONNOR. We are decreasing the number of direct U.S. employees, that is true, sir.

Mr. PASSMAN. By direct you mean those that are employed and paid by AID?

Mr. O'CONNOR. Yes, sir.

Mr. PASSMAN. You are moving it over into contract firms, is that correct, Mr. Secretary?

Mr. WILSON. That is correct.

Mr. O'CONNOR. We are moving some of it to contract firms.

Mr. PASSMAN. The part I am talking about. In reality the total number is increasing but you are transferring more out of direct hire into contract hire. Isn't that the way it adds up?

Mr. O'CONNOR. I would have to add up the numbers, but there certainly is a transfer. There is no question about that.

AMOUNT OF TECHNICAL ASSISTANCE REQUEST

Mr. PASSMAN. Let's look at the dollars and cents. You are asking for an increase in technical aid, aren't you?

Mr. O'CONNOR. No, sir, a decrease.

Mr. PASSMAN. The overall?

Mr. O'CONNOR. For Korea.

Mr. PASSMAN. I am talking about around the world when I ask direct questions.

Mr. O'CONNOR. Around the world, I am sorry.

Mr. PASSMAN. In your area there is an increase.

Mr. O'CONNOR. Excuse me, sir, it is on the first page. No, sir; we got $37.4 million in 1971, and we are asking for $23.5 million for fiscal year 1972, both excluding family planning.

Mr. PASSMAN. Get the pluses in please.

Mr.O'CONNOR. It still comes out as a decrease, sir. It is $48.1 million in family planning and TA combined in fiscal year 1971.

Mr. PASSMAN. Take out 1971. Let's look at the other.

Mr. O'CONNOR. $34.4 million in 1971 and $23.5 million in 1972.

Mr. PASSMAN. $23.4 million?

Mr. O'CONNOR. $23.5 million, sir, except for family planning.

Mr. PASSMAN. Versus what?

Mr. O'CONNOR. $37.4 million.

Mr. BREECHER. The figures are correct.

Mr. PASSMAN. They are not correct. They become too complicated to explain, is that it?

Mr. BREECHER. That is right.

Mr. PASSMAN. Don't try.

Mr. BREECHER. Because we were putting in technical assistance in Thailand and Laos. We used to fund part of the program in technical assistance. In 1972 all is going to be funded by supporting assistance, so one cannot compare——

Mr. PASSMAN. The facts are if we look at the worldwide program, in 1971 the estimate was $269,546,000, in fiscal 1972 it is $401,475,000, is that correct?

Mr. O'CONNOR. I will have to ask Mr. Flinner to cope with that one. We have got some of the same problems you had with the figures, Mr. Chairman. They are in different places.

Mr. PASSMAN. I am trying to be understanding.

Mr. O'CONNOR. We will have to submit that.

(Discussion off the record.)

Mr. FLINNER. Technical cooperation last year was $269,546,000 and this year's request is $401,475,000, but family planning is included in the latter figure and not in the former figure.

Mr. PASSMAN. This is only the asking price, is that correct?

Mr. O'CONNOR. That is correct.

Mr. PASSMAN. The taking price will be arrived at later. Is that a fair statement?

Mr. O'CONNOR. That is a fair statement.

CONTRACT EMPLOYEES

Mr. PASSMAN. Also on page 4 I note the number of contract participants will increase from 57 in fiscal 1971 to 100 in fiscal 1972.

Mr. O'CONNOR. That is correct.

Mr. PASSMAN. Would you tell us what accounts for this large increase in contract participants?

Mr. O'CONNOR. Without being able to get into individual country specifics, which we can supply for the record, I assume the major portion of it is the decrease in our direct employment that you referred to earlier.

Mr. PASSMAN. Isn't it also true where you have direct hire under the AID agency that it is easier to sever the connections in the event you decide to cut back than it is if you enter into a contract with a college or university?

Mr. O'CONNOR. I don't think so, if we had to arrive at it by a RIF.

Mr. PASSMAN. If you have a 2-year contract in a given amount you, in many cases, fund for 2 years?

Mr. O'CONNOR. Yes.

Mr. PASSMAN. Even if it is a bad project and you have a contract you have to live up to it, do you not?

Mr. O'CONNOR. I believe that if we don't get funded, of course, in the second year, it is subject to cancellation.

Mr. PASSMAN. I am talking about if you get funded.

Mr. O'CONNOR. If you get funded that is right.

Mr. PASSMAN. If you enter into a contract and it is a bad project you are obligated to go through with it because you have signed a contract?

Mr. O'CONNOR. That is right, but subject to appropriation funds.

Mr. PASSMAN. If it is under direct hire, you can just say, "We will give you so much notice, and under our agreement with you that is it."

Mr. O'CONNOR. I think what you have said is by and large true, but there are two problems that arise. In many of our contracts we have a notice requirement so that we can give notice to contractees, and I would like to supply for the record how many.

(The information follows:)

NOTICE REQUIREMENT TO CONTRACTORS AND AID DIRECT-HIRE EMPLOYEES

Every contract, whether it is a profit or nonprofit institutional, commercial, or personal services contract, has included in it a "Termination" clause. This clause permits us to terminate performance of work under the contract, in whole or in part, and to specify the date such termination becomes effective. Of course, this clause is seldom invoked because our contracts are entered into in good faith and are terminated only for what are considered good and sufficient reasons.

On the other hand, direct hire foreign service employees who become surplus to the needs of the Agency can and have been separated. Those serving in time-limited appointments can be terminated at anytime upon due notification. The separation of those serving unlimited appointments are subject to RIF procedures similar to those for classified civil service personnel.

CONTRACTS WITH UNIVERSITIES

Mr. PASSMAN. Has it been testified to heretofore that in a great many instances you enter into these agreements with these colleges and universities for a certain number of technicians?

Mr. O'CONNOR. Yes.

Mr. PASSMAN. And you usually get the people that they can easily do without, and maybe in many instances they want to get rid of to start with?

Mr. O'CONNOR. I don't believe that is the average situation, sir. That is a matter of opinion.

Mr. PASSMAN. You are just as familiar with this deal as I am, that it is the easiest way in the world for the universities, let's say, to separate people that they can easily dispense with their services.

(Discussion off the record.)

Mr. PASSMAN. In many instances this is a tremendous windfall for these universities and colleges, is it not?

Mr. O'CONNOR. Sir, it may be a windfall, but I don't know where we would get some of these specialized people.

Mr. PASSMAN. Have you ever known of any of them who wanted to cancel a contract once they started?

Mr. O'CONNOR. Not in my 2 years' experience.

Mr. PASSMAN. Don't you imagine if you have 6 more years you wouldn't either. I go to Monroe, La., and the telephone starts ringing. People from these universities and colleges want to fly to Monroe to

discuss with me certain programs, such as family planning. I actually get lobbied more by the universities and colleges when I am down in Louisiana than I do up here. They just drool like a baby when you people start drafting these luscious contracts, but you answered the question. You never heard of a college wanting to cancel one of them.

Mr. O'CONNOR. Not in the 2 years that I have been around.

Mr. PASSMAN. Don't get up any enthusiasm that there will be a cancellation because there won't. Furthermore, it becomes more involved when you get into these contracts with the universities and colleges, doesn't it?

DIFFICULTY IN SEPARATING DIRECT-HIRE EMPLOYEES

Mr. O'CONNOR. It does. Mr. Chairman, I would like to make one point that I know you are very familiar with. That is, if you think you can fire our own people on the payroll who have civil service, it isn't easy.

Mr. PASSMAN. I didn't say fire them, but separate them under whatever provisions you have.

Mr. O'CONNOR. That is a pretty tough wrestling match, sir.

Mr. PASSMAN. You mean to tell me you get them on the payroll and you can't get them off?

Mr. O'CONNOR. You get into riffing.

Mr. PASSMAN. You work them or not rather than take them off, is that the way it works?

Mr. O'CONNOR. That is the federal system. I didn't——

Mr. PASSMAN. Is that right? How many do you keep in a category that you don't need?

Mr. O'CONNOR. It is the whole subject of seniority and the whole bit. You fire at one fellow and you hit another.

Mr. ROONEY. You must have a loose pack in this outfit. Those are the people they don't know what to do with.

Mr. PASSMAN. How many do you have you don't know what to do with?

Mr. O'CONNOR. I didn't say that, sir.

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

Mr. O'CONNOR. It is not to easy to fire the person——

Mr. PASSMAN. Your payroll is loaded with those you didn't need and couldn't get rid of. Is the loose pack the same category we are discussing?

Mr. O'CONNOR. I never heard that expression before. It may be appropriate.

Mr. ROONEY. I assure you that I didn't dream that one up. That was testified to before my committee. Did anybody ever hear of loose pack?

Mr. BEECHER. Yes; the man overseas you tell him to loose pack the affairs.

Mr. PASSMAN. Put them in the Peace Corps. They use all of theirs as recruiters. At one time in Louisiana they had seven times as many as in the Army recruiting system.

Mr. ROONEY. This is easier than the Peace Corps. All you have to do is go to embassy cocktail parties.

AGRICULTURAL PROGRAMS IN EAST ASIA

Mr. PASSMAN. Under the "Agriculture and rural development function for fiscal 1972, the estimate is $6,935,000, is that correct?

Mr. O'CONNOR. I missed the first part of the question.

Mr. PASSMAN. The estimate is $6,935,000.

Mr. O'CONNOR. Yes, sir.

Mr. PASSMAN. On page 8 you indicate that the improvement of agricultural production in several countries has not been particularly successful. Mr. O'Connor, I was under the impression that we have had great breakthroughs in new strains of rice and various other agricultural methods.

Mr. O'CONNOR. Sir, I think rice——

Mr. PASSMAN. Would you please explain the performance in these countries?

RICE IN EAST ASIA

Mr. O'CONNOR. I think the rice, Mr. Chairman, is one of the great exceptions. As you know, it is one of a historic research breakthrough.

Mr. PASSMAN. Isn't that one of the major agricultural products in these countries?

Mr. O'CONNOR. One of the difficulties—I think you are more familiar with it than I—is the amount of rice that can be exported to these countries because the normal market in others has gone down substantially. So diversification is an area we are all trying to push so there will be less rice grown there and more Kenaf, corn, or whatever it may be. I think this is the area where we are having particular difficulty in increasing production in any rapid way.

Mr. PASSMAN. I thought this new strain of rice was getting a tremendous increase from the acreage?

Mr. O'CONNOR. They are. For example, sir, the Philippines are very close to self-sufficiency. Indochina hopefully in another 2 or 3 years.

Mr. PASSMAN. This is hoped for in all of the countries, is it not?

Mr. O'CONNOR. Yes.

Mr. PASSMAN. That is their main diet, is it not, rice?

Mr. O'CONNOR. Sir, it is. Actually, in Korea, for example, they are importing a great deal of wheat, particularly in the urban areas. They move to wheat as their appetites and ability to pay goes up as you know. They also get more into meat and husbandry. They are buying a great deal of rice, and a lot of good rice from your State, I know.

Mr. PASSMAN. Not only my State. Let's keep the record straight, as I believe you want it, that there are many States in this Union that produce rice.

Mr. O'CONNOR. That is right, sir.

Mr. PASSMAN. I think the purchases of rice from other States far exceed the amount of rice they purchase from Louisiana, does it not?

Mr. O'CONNOR. I don't have those figures.

Mr. PASSMAN. I might say this. You believe in competition, do you not?

Mr. O'CONNOR. I do indeed.

Mr. PASSMAN. Don't you believe that the United States could, whenever possible, successfully compete for the sale of our surplus agricultural commodities in foreign countries?

Mr. O'CONNOR. I sure do.

Mr. PASSMAN. This committee, I might say, after arriving in Korea, I had a paper handed to me, where the former Prime Minister of Japan had just arrived there, and had had a meeting with President Park, and in principle they agreed to purchase 400,000 tons of rice from Japan. Are you familiar with that?

Mr. O'CONNOR. I have heard about that one, sir.

Mr. PASSMAN. And a member of the committee, in consultation with the President, pointed out that we were allies, and this member said categorically, "I will be a responsible Member of Congress, but any job would be easier, since this is a purchase to be repaid in dollars, that you have a look at the surplus rice in the United States."

Before the meeting with the President concluded, he said, "We will purchase the 400,000 tons of rice from the United States."

This Member brought this message back to the President in this country, and in a matter of hours there had been an agreement reached. Public Law 480 would finance 200,000 tons, and that the DLF would finance 200,000 tons repayable in dollars.

This committee can take credit for this one agreement that disposed of all of our surplus rice and headed off a 10-percent acreage cut. That is about the way, is that correct?

Mr. WILSON. That is correct.

Mr. PASSMAN. This member got a beautiful plaque this morning from the Rice Growers Association from one of the States—not my State. This committee did some work you people should have been doing; you don't quarrel with that?

Mr. O'CONNOR. I don't quarrel with that at all.

Mr. PASSMAN. That is a statement of fact?

Mr. WILSON. Yes, sir.

Mr. PASSMAN. It had to be worked out at the very highest level.

Mr. O'CONNOR. Right.

Mr. ROONEY. One of the best combinations of words that you can use from that side of the table is "I have heard that said," Mr. Chairman.

Mr. O'CONNOR. I appreciate that from you, Mr. Rooney.

Mr. ROONEY. That reminds me, that is exactly what a certain monsignor said to His Holiness Pope Giovanni XXIII. You remember there was an Irish monsignor, now a bishop in Ireland, teaching Pope John the English language. You recall that some years ago?

Mr. O'CONNOR. I have heard that said, Mr. Congressman.

Mr. ROONEY. Very good. You are catching on.

Mr. O'CONNOR. You taught me everything I know.

Mr. ROONEY. The monsignor was teaching English over a period of 6 or 8 months when His Holiness asked the monsignor certain questions. He started this particular morning by saying, "Monsignor Ryan, tell me, is it true that some people call the Irish 'donkeys'?"

The Monsignor noncommittedly said, "I have heard that said, Your Holiness."

His Holiness then said, "Tell me, Monsignor Ryan, what is a donkey worth in Ireland?"

As fast as you could blink, the monsignor said "6 guineas, Your Holiness."

Now I have taken up enough of your time.

ASSISTANCE TO INDONESIA IN LEGISLATING SEED CERTIFICATION

Mr. PASSMAN. Mr. O'Connor, on page 9 you make the following statement: "Short-term assistance is also being provided in the preparation of legislation concerning seed certification and criteria."

Would you comment?

Mr. O'CONNOR. What paragraph?

Mr. PASSMAN. Page 9.

Mr. O'CONNOR. Your question is to comment on that?

Mr. PASSMAN. Yes. You make the following statement:

"Short-term assistance is also being provided in preparation of legislation concerning seed certification and criteria." Would you please explain what sort of legislation you are preparing?

Mr. O'CONNOR. I would have to get back to the record, sir. This is in Indonesia. They do have a problem with the kind of seed quality that they are growing there. I think they do need technical assistance to provide appropriate kinds of regulations and controls.

Mr. PASSMAN. I would assume you are asking for specific legislation concerning seed certification and criteria. I guess that you mean——

Mr. O'CONNOR. The Indonesian Government is asking for assistance to help them with their seed certification problems.

Mr. PASSMAN. You are proposing special legislation, are you not?

Mr. O'CONNOR. Not U.S. legislation, sir. No. They have asked us for advice because they want to have legislation of their own that will do this job.

Mr. PASSMAN. Are we having to draft their legislation so as to establish what type of seed they may use?

Mr. O'CONNOR. Sir, I don't think we are going to draft it. I think what we are giving them is technical advice from people that know something about this pretty complicated area. I am not a farmer and don't myself know that much about what is involved. I know, for example, that in the question of mining, we have given them legal assistance to try to come up with the right kinds of mining laws. The same thing in timber and so on.

Mr. PASSMAN. Unless you are making a case for a subsequent increase in this, I wouldn't know why you would have this in the book. This is, if I ever knew of language, just as routine as anything that I have ever dealt with. I thought that was what you people were doing all the time, giving them technical assistance?

Mr. O'CONNOR. That is right.

Mr. PASSMAN. Is it in there because you are trying to make a case for an increased appropriation where you say short term assistance? I wouldn't know why you have that type of language in there. It is in there and that is why I wanted to ask the question.

AGRICULTURAL SERVICES PROJECT

On page 14, in connection with the agricultural services project, I notice the fiscal year 1971 program is $155,000 above what was justified last year before the committee. Why do you need an increase?

Mr. O'CONNOR. The basic increase there is because we shifted our emphasis in that project to increased emphasis on agricultural and rural development, and the increase itself appears——

Mr. PASSMAN. Would we apply the Hannah formula throughout the justifications, that there is an asking price and a taking price and this figure is merely the asking price?

Mr. O'CONNOR. That is right.

Mr. PASSMAN. Thank you very much.

In connection with this same project, you indicate that seven direct-hire technicians will be needed in fiscal year 1972 at a cost of $295,000. This seems to be quite expensive per technicians; is it not?

Mr. O'CONNOR. The total would be four agricultural advisers, one agricultural economist that comes pretty high, two livestock advisers—I am surprised they come that high—$70,000. Short-term advisers is $60,000, but I don't have the length of the terms. I will have to supply the terms for the record.

Mr. PASSMAN. You wouldn't expect this committee to recommend these funds without more justification, would you?

Mr. O'CONNOR. No. I say that I have to supply that. This gives the breakdown of the cost, but I have to supply you more clearly what they are expected to do and qualifications.

Mr. PASSMAN. What you are paying them and the fringe benefits and whether or not this includes living quarters and transportation.

Mr. O'CONNOR. Yes, sir.

(The information follows:)

Technician Costs of the Agriculture Services

Project in the Philippines

Position	Basic Salary	Post Differential	Fringe Benefits 2/	Other Costs 1/	Total
Ag. Economist	27,360	2736	2326	7500	39,922
Ag. Advisor	25,840	2584	2196	7500	38,120
Ag. Advisor	24,319	4864	2067	-0-	31,250
Ag. Advisor	21,952	4390	1866	5650	33,858
Ag. Advisor	18,904	3781	1607	2850	27,142
Livestock Adv.	21,952	2195	1866	5650	31,663
Livestock Adv.	21,952	2195	1866	7032	33,045
Short-Term Advs.	40,000	960	3400	15,640	60,000
(8 @ 2 mons. each)	202,279	23,705	17,194	51,822	295,000

1/ Includes international travel and per diem of technicians and dependents, educational allowances when appropriate, and transportation of private automobiles and household effects. Does not include in-country travel or housing costs which are provided by the Government of the Philippines.

2/ 8.5% of basic salary to cover the U.S. Government's contributions to retirement, medical benefits, and group life insurance plans.

PHILIPPINE SCHOOL-BUILDING PROGRAM

Mr. PASSMAN. I notice on page 15 in connection with the provincial development project that you increased the total cost of the project by $1,353,000 over what was estimated last year. You indicate that the fiscal year 1971 program will be $1,455,000 more than was justified last year. Isn't this just a simple case of your guessing as to what you needed last year?

Mr. O'CONNOR. No, sir; as a matter of fact, it is not. The reason for this is that they had a series of typhoons that hit the western shore of Luzon and wrecked a lot of their schools. Out of the contingency fund we agreed on a million and a half to build them 500 new schools.

Mr. PASSMAN. What would happen without an aid program?

Mr. O'CONNOR. The children wouldn't have had any school.

Mr. PASSMAN. You don't know that. They built the schools that were destroyed out of their own economy?

Mr. O'CONNOR. They did.

Mr. PASSMAN. What makes you think they wouldn't do it again?

Mr. O'CONNOR. I think their budget is extremely tight.

Mr. PASSMAN. Ours is not tight.

People are very generous with moving in and funding these programs without any justification before this committee.

Mr. WILSON. As you know, Mr. Chairman, part of the funds for the Philippine school-building program actually came from the special fund for education which was voted by this Congress some years ago. Therefore, the initial cost of some of these schools which were destroyed in the typhoon indeed did come, in some measure, from the United States to begin with, which adds to the problem of the Government of the Philippines.

Mr. O'CONNOR. I should also add that the Philippines are supplying all the labor and we are supplying only the money for the materials.

TRANSPORT PROJECT

Mr. PASSMAN. On page 17 in connection with transportation/communications feasibility studies and transport survey project, I notice that you have extended this project for 4 years to 1975, and believe it or not, you have increased the total cost of the project by $2,001,000. Is that correct?

Mr. O'CONNOR. That is correct.

Mr. PASSMAN. Give us some reason for that.

Mr. O'CONNOR. Yes, sir.

I am sorry, sir—Mr. Breecher?

Mr. PASSMAN. Have you found something?

Mr. O'CONNOR. I am digging.

I think we have the information, or we can supply it for the record, whichever you prefer. As you know, this book business has thrown us off as well as you. We have to go to the source to get at some of these things.

Mr. PASSMAN. Supply something for the record.

(The information follows:)

JUSTIFICATION FOR INCREASE OF $2,100,000 IN THE TRANSPORTATION/COMMUNICATIONS PROJECT

Since the preparation of the fiscal year 1971 congressional presentation, the preliminary drafts of the Asian Development Bank administered regional transportation survey of Southeast Asia have become available. This preliminary information indicates that the survey will identify a number of regional transportation projects which might lead to effective development projects, to be funded by the governments of the region or by the multilateral development banks if the proper kinds of feasibility studies were carried out. A number of feasibility studies already completed under the project are now being implemented or incorporated into development plans of the countries concerned and are being funded by host governments or the IBRD. For example, the IBRD is financing a $16.1 million loan for development of the East Malaysian ports of Kota Kinabalu and Sandkan, and a $18.7 million loan for installation of a telecommunications system, including Sarawak, Sabah, and Brunei. Both loans, in whole or in part, are based on AID-funded feasibility studies.

In light of these developments, it was decided that U.S. support of the program should be continued for 3 more years at an estimated cost of $2,100,000. Continued support is also expected from the Japanese, the United Kingdom, UNDP, and the Asian Development Bank. In fiscal year 1972, AID is proposing to allocate $556,000 for selected feasibility study needs identified by the regional transportation survey.

ASIAN DEVELOPMENT BANK

Mr. PASSMAN. This is the project where the United States contributed $1 million toward a transportation survey that was conducted by the Asian Development Bank; is that true?

Mr. O'CONNOR. Yes, sir.

Mr. PASSMAN. The Asian Development Bank has money running out of its ears; they are having difficulty finding some way to absorb the tremendous amount of funding that we give them. Is that a statement of fact?

Mr. O'CONNOR. I have heard that said, sir.

Mr. PASSMAN. Why should AID provide $1 million when these people are able to give that much every day for 30 days and hardly miss it?

Mr. O'CONNOR. That was a matching project, as you know.

Mr. PASSMAN. You people, Mr. O'Connor, if you go back 2 years ago, will see that you made a direct complementary contribution to the Asian Development Bank after we funded it.

Mr. O'CONNOR. We made a technical assistance contribution right off of $250,000.

Mr. PASSMAN. I say we gave something; that is about the way it is?

Mr. O'CONNOR. That was before my time. I don't know about that.

Mr. PASSMAN. You are familiar with it?

Mr. O'CONNOR. Yes.

Mr. PASSMAN. Let's say we got our fingers in the pot. They had hundreds of millions of dollars, I believe, in capital. We made them a contribution and then turned around and borrowed it back from them. You gave them $250,000 to convince them that you liked them. With all the money that they have in capital and surplus and earned from interest, you people have to get in there on their own survey for $1 million. You think it was justified?

Mr. O'CONNOR. Yes, sir; we did.

Mr. PASSMAN. I know that you did it, but do you think that you could justify it with these people with this tremendous surplus that they have? You know what they did; they took their capital account

and made loans to governments, and from that they accrued a large surplus.

Mr. O'CONNOR. There is no question that they were accumulating more money in the beginning than they were putting out. That is beginning to shift. It has a long way to go.

Mr. PASSMAN. You had to get in with $1 million on their survey. They had ample funds to do it themselves?

Mr. O'CONNOR. I don't know that.

Mr. PASSMAN. Have a look and put something in the record.

Mr. O'CONNOR. I will.

(The information follows:)

AID'S CONTRIBUTION TO THE ASIAN DEVELOPMENT BANK'S TRANSPORTATION SURVEY

A comprehensive regional transportation survey was proposed by eight Southeast Asian countries at Kuala Lumpur in September 1967, at the first meeting of the Conference of Southeast Asian Officials on Transportation and Communications. The United States agreed to contribute to the costs of the survey if other donors would also be willing to provide financial and technical assistance.

The ADB agreed to grant funds to cover one-third of the cost ($1,000,000) of the project and to provide technical supervision of the contract. The UNDP also agreed to contribute $1 million toward the survey. The United States and UNDP made their contributions through the ADB as administrator for this multilateral project.

Mr. PASSMAN. Why do we find it necessary to provide additional funds for the Asian Development Bank when we already are assessed a contribution and have provided a contribution for the last several years?

Mr. O'CONNOR. In terms of the sharing formula, as you know, and the Special Funds, we are behind. Obviously the commitment was made subject to congressional action. But we feel that in all these institutions some sharing formula is a worthwhile and useful way to get the other contributors up. But for the ADB we have not been able to meet our share on Special Funds.

Mr. PASSMAN. Isn't it because they have a tremendous unused balance and they actually have difficulty finding borrowers?

Mr. O'CONNOR. They do have substantial capital funds and they have now sold some bonds, but any of these development institutions that deal with projects do have to have substantial funds on hand.

Mr. PASSMAN. I think if you talked to Mr. Peterson—you know who he is?

Mr. O'CONNOR. Yes, sir.

Mr. PASSMAN. I think that he will tell you that these people are finding it difficult to utilize these hundreds of millions of dollars they built up.

Mr. O'CONNOR. During 1970 they had committed $212 million; the year before they committed only $76 million, and the year before that, $41 million.

Mr. PASSMAN. Out of a total capitalization of what?

Mr. O'CONNOR. Out of a total capitalization of $500 million paid in.

Mr. PASSMAN. With callable capital how much?

Mr. O'CONNOR. With the callable there is another about $500 million for a total of slightly over $1 billion.

Mr. PASSMAN. They have, loose and free, over $600 million they can utilize, can they not?

Mr. O'CONNOR. That is true.

Mr. PASSMAN. I just wondered why you people have to get into one of their surveys with a million dollars. What is their surplus in their profit account? Put that in the record.

(The information follows:)

INCOME OF ASIAN DEVELOPMENT BANK

According to the ADB annual report (April 1971) total gross income of the Bank from beginning of operations to December 31, 1970, was $20,565,454. This income was derived primarily from investments and loan operations. Total gross expenses of the Bank during that period were $9,265,299, leaving a net income of $11,300,155. We need to note in this context that the paid-in capital, which was $489.1 million as of December 31, 1970, is the only basis on which the Bank can make regular loans, whereas the callable portion ($502 million) of the capitalization is the basis on which the Bank borrows in capital markets. The callable portion is therefore not available for lending activities.

ASIAN VEGETABLE DEVELOPMENT AND RESEARCH CENTER PROJECT

Mr. PASSMAN. On page 18, in connection with the Asian Vegetable Development and Research Center project, again I notice that you have extended the project by 1 year and increased the fiscal year 1971 program by $475,000 over what was justified last year. Why?

Mr. O'CONNOR. I think this is a project that you are personally more familiar with than I am. The reason for the extension is that the project, as you know, has been delayed substantially in arriving at agreement.

Mr. PASSMAN. I am very familiar with the project. I think that I had something to do with creating the formula to save our country substantial funds.

Mr. O'CONNOR. I know that.

Mr. PASSMAN. It had to do with what we had already agreed upon. Now you have increased it by $475,000. You can justify the extension but I want to know how you can justify increasing the amount of money.

Mr. O'CONNOR. The increase really is only in this year's funding. The total cost of the project and our contribution to it is going to remain the same as it was before. We did not get started——

Mr. PASSMAN. Those people don't have time to set up their books. They just agreed on this a few months ago?

Mr. O'CONNOR. That is right .

Mr. PASSMAN. You have not started disbursing money from the previous allocation, have you?

Mr. O'CONNOR. No, sir; because there was not any agreement against which to disburse.

Mr. PASSMAN. You had made an allocation to it?

Mr. O'CONNOR. We have made one allocation.

Mr. PASSMAN. Yes, you made an allocation to the project.

Mr. BREECHER. Only one in fiscal year 1971. We just made it.

Mr. PASSMAN. That is correct.

Mr. BREECHER. We made no previous allocation. This is the first contribution.

Mr. PASSMAN. There were no expenditures made out of it?

Mr. BREECHER. That is right.

Mr. PASSMAN. Why are you increasing it when you have not made any expenditures out of the previous allocation? I cannot understand that.

Mr. BREECHER. We had to start with some amount. We are allocating roughly the same amount each year. I don't follow that this is an increase.

Mr. PASSMAN. Go to page 18. You justified $200,000 for the 1971 program, did you not?

Mr. O'CONNOR. Yes, sir.

Mr. PASSMAN. What do you anticipate that you are going to need for 1972?

Mr. BREECHER. 1972?

Mr. PASSMAN. Yes.

Mr. O'CONNOR. We are estimating the additional $525,000.

Mr. PASSMAN. Isn't it just this way: Last year you asked for $200,000 and these people are just now getting into business. But you are increasing the request that you made last year from $200,000 to $675,000? Is that correct?

Mr. BREECHER. For fiscal year 1971, that is correct.

Mr. O'CONNOR. Originally we thought the project was going to start in 1970 and would take 3 years to move to completion. We had planned to spread out the spending. I can give you a breakdown of what we are going to spend the money for in 1972.

Mr. PASSMAN. Are you following the formula I worked out with those people that cut down our contribution and increased the contribution of others?

Mr. O'CONNOR. Yes, sir.

Mr. PASSMAN. Under that formula you estimated your needs at $200,000?

Mr. O'CONNOR. Yes, sir.

Mr. PASSMAN. For fiscal year 1971?

Mr. O'CONNOR. For 1971.

Mr. PASSMAN. We are in fiscal 1971 now.

Mr. O'CONNOR. Right.

Mr. PASSMAN. The funds that we have paid in you have allocated and the other matching partners, that money has not yet been disbursed, has it?

Mr. BREECHER. That is correct.

Mr. PASSMAN. If that is right then why wouldn't you ask for the $475,000 additional money applicable to 1972 rather than making it retroactive to a previous fiscal year?

Mr. BREECHER. We have to establish a sufficient line——

Mr. PASSMAN. Why didn't you tell us last year that you needed $675,000?

Mr. BREECHER. Last year, to keep the record straight, we anticipated that the project might start in fiscal year 1970, and we estimated $100,000 in fiscal year 1970. That is quite true; there is an increase in the amount in fiscal year 1971.

Mr. PASSMAN. The fact is that you are just putting additional money in the pipeline?

Mr. BREECHER. Additional money in——

Mr. PASSMAN. The project could have survived had you applied this to fiscal 1972?

Mr. BREECHER. It would mean that we would have put in more money in fiscal year 1972, that is correct.

Mr. PASSMAN. How much are you putting in in 1972 over and above this $675,000?

Mr. BREECHER. We are reducing our request to $525,000.

Mr. PASSMAN. Which brings it up to $1 million. You rounded it out, is that the way you do it?

Mr. BREECHER. This brings it up to $1.2 million for 2 years, which is an average of $600,000 per year and for 5 years for our planned project total $3 million; so it is bringing it up to what we think is a reasonable level.

Mr. PASSMAN. Gentleman, this is a pretty tough job and you go through hundreds of projects and you change completely from one year to the next year. Then you make it applicable to the same fiscal year and triple the amount that you said that you need. I cannot do anything about it but ask questions and wonder what kind of a system you operate, because I happen to know that the $200,000 is still on your books undisbursed. Isn't it, the main part?

Mr. O'CONNOR. That is right. We have disbursed no funds. The total of this project remains the same. What happened is that the timing of it shifted.

Mr. PASSMAN. Why give them money they cannot spend? They don't need it, and you only have left, if you please, sir, 15 days in fiscal year 1971.

Mr. O'CONNOR. Yes, sir.

Mr. PASSMAN. You still have the $200,000 in the till undisbursed. Then you add to that $475,000 that you cannot under any circumstances intelligently obligate in the last 15 days.

Mr. O'CONNOR. Well, sir, you made a good point and I will review the project and see——

Mr. PASSMAN. Making these good points doesn't seem to get this committee anywhere. You still come in with the same requests the following year. I think that we made the case there.

MEKONG BASIN DEVELOPMENT PLANNING PROJECT

On page 19, in connection with the Mekong Basin Development Planning project, the final date of obligation and the estimated total cost is not listed and is stated as being undetermined.

Mr. O'CONNOR. That is correct.

Mr. PASSMAN. Have you obligated any funds so far?

Mr. O'CONNOR. We expect to have obligated through June 30, 1971, about $2 million.

Mr. PASSMAN. Why is it undetermined as to what the project will cost and when you will complete it?

Mr. O'CONNOR. Sir, we are working here with a good many other groups and with the Mekong Committee, as you know.

Mr. PASSMAN. Who are the other members of the committee?

Mr. O'CONNOR. The Mekong Committee consists of the representatives of four riparian powers; that is, the Cambodians, Thais, Laotians, and the South Vietnamese.

Mr. PASSMAN. Are we going to get the big britches put on us?

Mr. O'CONNOR. What we have been doing, as I think you know, is providing specialists for geological surveys and feasibility studies of that entire river basin. Quite frankly, I think that the matter is going to need further study for another decade.

Mr. PASSMAN. We are talking about the many millions of dollars in this project. What have you spent $1,828,000 for? All on paper?

Mr. O'CONNOR. The bulk of the money has gone for various U.S. technicians.

Mr. PASSMAN. It has been payrolls and paperwork? No dirt moved or anything?

Mr. O'CONNOR. Basically, the bulk of this work has been technicians, that is correct.

Mr. PASSMAN. You sure rapidly dissipated the $2,395,000. I think that you have disbursed $1,828,000 on technicians and paperwork and not moved a barrel on the project.

Mr. O'CONNOR. No, sir; that is not the purpose of these studies. There is no point in trying to start construction until you have put all this data together. There have been mistakes made in other river systems.

Mr. PASSMAN. This is an awful lot of money to keep a few books and maps, and even now you cannot tell us what it is going to cost you to finish your planning.

Mr. O'CONNOR. This is not a question of maps and books.

Mr. PASSMAN. What is it? Technicians and paperwork?

Mr. O'CONNOR. Yes; it is.

Mr. PASSMAN. Then where are we going to stop and when are we going to find out whether or not this is a feasible project and what the project itself will cost?

Mr. O'CONNOR. Sir, these are a series of individual projects that include taking sections of the river and studying the geological and hydrological data—of taking soil samples and studying them. This is a series of mosaics, if you will, that have to come together before you have a basic plan.

Mr. PASSMAN. Don't they understand this better than we do? They have been using this Mekong Valley and River for centuries, haven't they?

Mr. O'CONNOR. Yes, sir; but——

Mr. PASSMAN. After you finally dissipate several million dollars as our part of the planning, will construction or improvements on the channel start later?

Mr. O'CONNOR. I think it is a question in the long run of irrigation, dams, and electric power.

Mr. PASSMAN. That comes later. We are still in the planning and technical stage. Who is going to finance this capital investment?

Mr. O'CONNOR. I am hopeful that by the time the major money is involved, we can rely to a substantial extent on the international agencies, particularly the World Bank, which has gotten involved.

Mr. PASSMAN. You are talking about our money when you are talking about that outfit.

Mr. O'CONNOR. Talking about some of our money.

Mr. PASSMAN. Forty percent.

Mr. O'CONNOR. On IDA.

Mr. PASSMAN. On the World Bank it is very substantial.

Mr. O'CONNOR. I can submit our share for the record.

Mr. PASSMAN. Twenty-seven percent. You used the figure 40 before, not me. I was just picking up your figure.

I want the record correct. The very fact that you are financing out of one of these international organizations does not mean we are not contributing.

Mr. O'CONNOR. I did not say we are not.

Mr. PASSMAN. I did not say you did. I just want to refresh your memory. Some of the other contributors are recipients likewise?

Mr. O'CONNOR. Right.

Mr. PASSMAN. When are you going to be able to determine what the planning phase of this project is going to cost?

Mr. O'CONNOR. I think we will certainly be involved in planning for another 5 or 6 years.

Mr. PASSMAN. What are you going to do if this aid program is voted down? This is money down the drain?

Mr. O'CONNOR. There will be a lot of things going down the drain, sir, if it is voted down.

Mr. PASSMAN. Some of them may be coming up the other side and may be a little fresher too. My apologies.

I want to repeat for fear you did not get the point that you people, I am talking about some 59,000 people on the Aid payrolls, are getting us into a lot of entanglements.

You may be dedicated. I have never questioned that fact.

Mr. O'CONNOR. I appreciate that fact.

Mr. PASSMAN. But it does not alter the fact that we are in so many entanglements, 4,416 projects in 99 nations of the world. We started examining it and we do not see the end.

(Off the record.)

Mr. PASSMAN. Back on the record.

INCREASES IN COST OF AID PROJECTS

Concerning the same project, you indicate that the fiscal 1971 program will be $625,000 above what was justified last year; is that correct?

Mr. O'CONNOR. Yes.

Mr. PASSMAN. Off the record.

(Discussion off the record.)

Mr. PASSMAN. That is correct; is it not?

Mr. O'CONNOR. That is right.

Mr. PASSMAN. It appears that the $85,000 listed for commodities was not justified at all last year; is that correct?

Mr. O'CONNOR. Let me just see what the lists are. That is correct sir. We did not request it for commodities.

Mr. PASSMAN. On page 20, in connection with the international rice research institute project, I noticed you increased the total cost of the project by $1,350,000; is that correct?

Mr. O'CONNOR. That is correct.

Mr. PASSMAN. Thank you, sir.

POPULATION AND HEALTH PROJECTS

The next subfunction under the technical assistance title is "Population and health," for which the fiscal 1972 estimate was $11.3 million; is that correct?

Mr. O'CONNOR. That is correct.

Mr. PASSMAN. That is an increase of $1,936,000 above the 1971 program, is that correct?

Mr. O'CONNOR. That is correct.

Mr. PASSMAN. Please provide a country breakdown of the fiscal 1970 program for this function.

(The information follows:)

EAST ASIA TECHNICAL ASSISTANCE POPULATION AND HEALTH PROJECTS, FISCAL YEAR 1970

	Thousands
Indonesia: Family planning	$430
Korea: Health and family planning	888
Philippines:	
Malaria eradication	500
Family planning	4,948
East Asia Regional Development	
SEATO cholera research	673
Regional family planning	623
Total	8,062

FAMILY PLANNING PROGRAM IN EAST ASIA

Mr. PASSMAN. Has the family planning program been accepted in the countries in East Asia to the extent we had hoped for?

Mr. O'CONNOR. I think in terms of these three countries perhaps somewhat better than we had expected. We had not expected the Philippine Government to be quite as forthcoming as they were this year, particularly because of the Catholic hierarchy. But they have come very firmly out on record and are putting through legislation, I hope in the next month, perhaps in a special session, which would set up on a statutory basis the population commission.

As you know the Koreans have been for some time strongly supportive of population efforts.

PHILIPPINES POPULATION GROWTH

Mr. PASSMAN. What accounts for the very large population growth increase in the Philippines?

Mr. O'CONNOR. A number of factors can be cited. Among the most important are: (1) The cultural practice of having large families, which may be influenced by the predominance of the Catholic religion (85 percent) in the country; (2) the tendency to have many children to compensate for high infant mortality; (3) lack of information on contraception on the part of those who would wish to limit the size of their families; and (4) inaccessibility to rural people of clinics and health services.

FAMILY PLANNING

Mr. PASSMAN. Is the family planning program conducted by AID coordinated with the U.N. population program?

Mr. O'CONNOR. The U.N. population program only now is getting started, but to the extent that U.N. programs are carried out in the Philippines, they will be fully coordinated with our own.

FAMILY PLANNING

Mr. PASSMAN. In connection with the family planning project on page 25, I notice the final date of obligation is undetermined and also the estimated total cost is listed in the same way. Would you please explain why no estimates are listed?

Mr. O'CONNOR. During the past year the Indonesian Government has developed the basic framework for a comprehensive national family planning effort. With assistance from the U.N. and other donors, the Indonesians are now in the process of defining the programs and identifying the amount and duration of assistance from various donors that will be required to achieve these long-term family planning targets. Because of the magnitude of the effort involved in reducing Indonesia's growth rate to an acceptable level, the completion date of our assistance and its total cost cannot yet be defined with any accuracy. This should become possible with some degree of realism when the current detailed planning and coordination effort has been completed.

Mr. PASSMAN. Concerning the same project, I note that the fiscal year 1971 program is $350,000 above what was justified last year and the $100,000 listed under U.S. technicians direct aid was not justified at all. Would you please comment?

Mr. O'CONNOR. Under recently revised targets, the number of clinics offering family planning services is being rapidly increased. $350,000 in additional commodities, consisting primarily of contraceptives, medical supplies and vehicles, was required to insure that these new clinics will be adequately equipped. The $100,000 for direct-hire technicians was included under technical support in last year's presentation; these technicians are now being funded more appropriately under the family planning project. No additional technicians are involved.

REGIONAL FAMILY PLANNING

Mr. PASSMAN. On page 30, in connection with the Regional Family Planning project, I again note that the scheduled final obligation date and the estimated total cost are listed as undetermined. Would you please explain why these estimates are not listed?

Mr. O'CONNOR. This project incorporates several different activities, such as our support to the East-West Center population programs, the Population Council, an adviser to the Colombo plan, a new regional program initiated by the Malaysians, and miscellaneous seminars and conferences. While some of the individual subactivities under these programs have planned terminal dates and costs, we cannot set a single final obligation date for the whole project.

EDUCATION AND MANPOWER TRAINING

Mr. PASSMAN. The next subfunction under the Technical Assistance title is Education and Manpower Training, for which the fiscal year 1972 estimate is $9,393,000, an increase of $798,000 above the current fiscal year 1971 program. Would you please provide for the record a country breakdown of the fiscal year 1972 program for this function?

Mr. O'CONNOR. The country breakdown is as follows:

Indonesia	$2,767,000
Korea	1,343,000
Philippines	175,000
East Asia regional development	5,108,000
Total	9,393,000

AID TO KOREA

Mr. PASSMAN. You indicate on page 32 that Korea has experienced a rapid economic development. Has she progressed to the point where we are increasing our loans to Korea and decreasing pure grant aid?

Mr. O'CONNOR. We have decreased grant aid over the past few years from $43.1 million in fiscal year 1968 to $4.1 million proposed for fiscal year 1972. The major reduction was due to the phaseout of grant-supporting assistance in fiscal year 1970. We expect that limited grant technical assistance will continue through the 1970's.

Development loans to Korea were about $20 million in fiscal year 1969 and fiscal year 1970. In fiscal year 1971 we made $55 million available, of which $35 million was for a hitherto unforeseen rice requirement.

We propose to return to the $20 million level in fiscal year 1972.

REGIONAL EDUCATION PROGRAMS

Mr. PASSMAN. Concerning the East Asia regional education programs, are the countries that are due to benefit greatly from these programs making contributions?

Mr. O'CONNOR. Yes; the countries that benefit from these programs contribute substantially to the support of the program. The member countries and the Southeast Asia Ministers of Education Secretariat contribute half of the 5-year operational costs, scholarships, and construction costs.

ADVANCED MANAGEMENT TRAINING

Mr. PASSMAN. On page 34, in connection with the advanced management training project in Korea, I note that you are increasing the estimated total cost of this project by $189,000 over what was estimated last year. Would you please comment on this increase?

Mr. O'CONNOR. The increased cost reflects higher training costs and the transfer of a full-time direct-hire training officer to this project. The training officer was formerly charged to the technical support project, but will now be spending the majority of his time on this participant training project.

GENERAL PARTICIPANT TRAINING

Mr. PASSMAN. Haven't you greatly expanded the general participant training project, this is on page 36, from what was estimated for the total cost and the estimated time of completion in fiscal year 1970?

Mr. O'CONNOR. From fiscal year 1967, when the AID program was resumed in Indonesia, through our fiscal year 1970 presentation, we showed an estimated completion date of fiscal year 1971 for the General

Participant Training project. However, by the time of our fiscal year 1971 presentation, it was clear that Indonesia's need for trained manpower still greatly exceeded the supply; that the shortage of qualified personnel was one of the major bottlenecks for Indonesia's development; and that Indonesia's own educational institutions were not yet able to meet all of the country's needs, particularly in a number of key areas of specialization. Experience has also shown the benefits of participant training to be very impressive. Therefore, we considered it both necessary and desirable to continue this project beyond the originally estimated completion date, with particular emphasis on training in applied administration and management, agriculture, and education for personnel with major planning and implementing responsibilities for Indonesian development.

HIGHER AGRICULTURAL EDUCATION

Mr. PASSMAN. On page 37, in connection with the higher agricultural education project, I note you plan to increase the fiscal year 1971 program by $105,000 above what was justified last year. Would you please comment?

Mr. O'CONNOR. During fiscal year 1971, the higher agricultural education project was the subject of a comprehensive joint review by AID, the Indonesians and the contractor. The purpose of the review was to refine the timetable of the specific long-term project requirements in light of the first year's experience. The $105,000 increase in fiscal year 1971 funding over our earlier estimate of $900,000 reflects the results of this review. However, the total estimated cost of the project remains unchanged at $5.7 million, so it is a change in the timing of the disposition of funds, but not in total cost to the United States.

SOCIAL AND ECONOMIC DEVELOPMENT INSTITUTE

Mr. PASSMAN. On page 39, in connection with the Social and Economic Development Institute project, I note you make the following statement, "The Cabinet and legislative committees have approved draft legislation which AID assisted in preparing and the legislation was enacted by the National Assembly, December 31, 1970." I assume this legislation was drafted to create this Institute. Why does AID have to get into the business of providing legislation to foreign countries?

Mr. O'CONNOR. The Korean Government asked for help from AID advisers to create the Institute. AID responded to this request by assisting in planning the Institute and in preparing the draft legislation. In other words, we simply provided the assistance which was requested by the Korean Government.

ASIA FREE LABOR UNION DEVELOPMENT

Mr. PASSMAN. Why are you not able to determine the final date of completion and the estimated total cost of the Asia Free Labor Union development project listed on page 43?

Mr. O'CONNOR. That project is 2 years old, and in many ways it is still in a formative stage. Although the Institute has carried out many training programs, seminars, and development activities, it has established only one full-scale country program, the one in the Philippines,

along with a very active regional office in Manila. In fiscal year 1972, at the request of Asian unions, it will carry out surveys to determine if other country programs will be worthwhile. Until the results of those surveys are known, we will not be able to set a realistic final date or total cost figure.

LABOR UNIONS

Mr. PASSMAN. I note the purpose of this project is to strengthen Asian labor unions. Do you anticipate that you will have the same trouble as you have in the United States concerning wage settlement negotiations if these unions become too strong?

Mr. O'CONNOR. Most of the Asian labor unions are not very strong or well organized at the present time, and I think it is too early for me to speculate on just what kinds of problems will come up as they grow. The purpose of this program is to help the Asian countries develop free, democratic, and effective trade unions which can play a positive role in the development of their countries. While there will undoubtably be some problems along the way, we think that effective trade unions will be a requirement for democratic development in the long run.

REGIONAL EDUCATION DEVELOPMENT PROJECT

Mr. PASSMAN. I note on page 45, in connection with the regional education development project, that you plan to extend that project by 1 year. Would you please explain the necessity for this extension?

Mr. O'CONNOR. We have extended this project by 1 year because we had to delay starting the 5-year operational period for the Educational Innovation and Technology Center, partly due to delays in establishing the center in its permanent location. At the present time, it is temporarily located in Singapore. Present plans call for the transfer of this project to Saigon as soon as conditions permit and adequate preparations have been made.

Mr. PASSMAN. Concerning this same project, what was your original estimate as to final date of completion and the estimated total cost?

Mr. O'CONNOR. We originally estimated in fiscal year 1967 that the total cost of the project would be $6,885,000 through a final completion date in fiscal year 1971.

SEADAG

Mr. PASSMAN. Did you justify the $225,000 for direct AID other cost in connection with the Southeast Asia Development Advisory Group project last year?

Mr. O'CONNOR. Yes; we did justify the $225,000 as part of the $355,000 for research grants mentioned on page 142 of the fiscal year 1971 Program and Project Data Book. After the fiscal year 1971 congressional presentation had been submitted, AID and the Asia Society agreed that part of the research grants—$225,000—should be administered directly by AID to meet priority East Asia mission research needs and part should remain under the SEADAG contract to finance research closely related to SEADAG seminars. The fiscal year 1972 project data sheet reflects this administrative decision.

Industrial and Urban Development

Mr. Passman. The next subfunction under the technical assistance title is industrial and urban development, for which the fiscal year 1972 estimate is $931,000, an increase of $40,000 above the current fiscal year 1971 program. Would you please provide for the record a country breakdown of this function for fiscal year 1972.

Mr. O'Connor. The breakdown is as follows:

Indonesia	$393,000
Korea	318,000
East Asia regional development	220,000
Total	931,000

NUMBER OF TECHNICIANS

Mr. Passman. I note on page 51 that you plan to increase the number of technicians from three in fiscal year 1971 to 12 in fiscal year 1972. Would you please explain the need for this increase?

Mr. O'Connor. The table on page 51 is incorrect. The participating agency technicans for fiscal year 1971 should number seven. So the fiscal year 1971 total number of technicians should be 10. The additional two contract technicians for fiscal year 1972 are attributable to two new projects—the Private Investment Center in Indonesia, the Science and Technology Project in Korea.

PRIVATE ENTERPRISE DEVELOPMENT

Mr. Passman. I note on page 51, in connection with the Private Enterprise Development Project in Korea, that you plan to increase the total cost of the project by $51,000 above what was estimated last year. Would you please comment on that increase?

Mr. O'Connor. At the request of the Korean Government, additional stress will be placed on the development of Korea's money and capital markets. This has required some additional contractor services, increasing the total cost of the Private Enterprise Development project by $51,000 to $541,000.

GEOLOGICAL SURVEY

Mr. Passman. In connection with the Geological Survey Assistance project on page 52, I note you plan to increase the estimated total cost of the project by $126,000 and also increase the fiscal year 1971 program level by $80,000 over what was justified last year. Would you please comment on these increases?

Mr. O'Connor. The $126,000 increase in estimated total project cost from $1,315,000 to $1,441,000 is related primarily to revised commodity requirements. It includes a fiscal year 1971 increase of $80,000 over earlier projections. The reason for the increase in commodity costs is that during the first year of this project (fiscal year 1970), the U.S. Geological Survey Advisory Team completed an on-site assessment which identified additional equipment and supplies that would be needed. The major portion of these commodities were programed in fiscal year 1971 because of the substantial lead time required for delivery and to make certain that the equipment would be available during the life of the project. Beyond these revised commodity re-

quirements, the $46,000 balance of the increase over the life of the project is attributable primarily to statutory pay increases of U.S. project personnel.

PRIVATE INVESTMENT CENTER

Mr. PASSMAN. On page 53, in connection with the Private Investment Center project, I note that you plan to extend this project by 1 year over what was estimated last year. Would you please comment on this extension.

Mr. O'CONNOR. As we indicated in last year's presentation, the Private Investment Center project was originally expected to begin in fiscal year 1971 and end in fiscal year 1973. Because the Indonesian Government has not yet completed the necessary legislative action to formally establish the center, the starting date of the project has been defered to fiscal year 1972 and the terminal date similarly has been deferred for 1 year to fiscal year 1974. The anticipated duration of the project has not changed and is still 3 years.

EXISTENCE OF FOREIGN AID IN 1980

Mr. PASSMAN. I notice going through the justifications that many projects are scheduled for final obligation in 1977 and a few in 1980. I assume this means that you anticipate the foreign aid program will be still in existence to these countries through that period of time. Is that correct?

Mr. O'CONNOR. That is correct. We currently envisage that a number of our program to East Asian countries will be in existence through that period.

PROGRAM DEVELOPMENT AND SUPPORT

Mr. PASSMAN. The last subfunction in this area under technical assistance is program development and support, for which the fiscal year 1972 estimate is $5,266,000, a decrease of $1,117,000 below the current fiscal year 1971 program. Would you please provide for the record a country breakdown of the fiscal year 1972 amounts for this function.

Mr. O'CONNOR. That breakdown is as follows:

Indonesia	$1,850,000
Korea	777,000
Philippines	975,000
East Asian regional development	1,664,000
Total	5,266,000

TECHNICAL SUPPORT

Mr. PASSMAN. Why was it necessary to increase your fiscal year 1971 program by $297,000 above your last year's estimate for the technical support project on page 59?

Mr. O'CONNOR. In reviewing actual expenditures related to direct-hire personnel, we found that our initial cost estimate in last year's presentation was too low. It did not, for example, sufficiently take into account the increase in salaries and related benefits, transportation, and other such elements associated with rising cost levels over the

past year. In addition, consistent with an effort to hold down the size of our mission's permanent staff, we have utilized the services of more short-term personnel than originally projected. These factors and higher than estimated contract costs associated with the feasibility studies mentioned in last year's presentation account for the increase in actual fiscal year 1971 expenditures over last year's estimate of $2,050,000.

REGIONAL TECHNICAL ADVISORY SERVICES PROJECT

Mr. PASSMAN. On page 62, in connection with the regional technical advisory services project, I note you plan to increase the estimated fiscal year 1971 program by $360,000 above what was justified last year. Would you please comemnt on the increase?

Mr. O'CONNOR. The increase shown in the fiscal year 1971 estimated figure for this project was due to the inclusion of funds for carrying out studies of regional environmental problems in Southeast Asia and for several other small regional activities. However, since the fiscal year 1972 congressional presentation was prepared, we have reduced the anticipated fiscal year 1971 obligation figure even below the original program figure of $1,710,000 for fiscal year 1971. This reduction results from the deferral of several activities including the environmental studies and a reduction in the costs of other planned activities.

ASIAN DEVELOPMENT BANK STAFF

Mr. PASSMAN. I note under this same project that funds are requested to pay two U.S. staff people who are part of the Asian Development Bank. Why is it necessary for AID to pay for staff people that are employed by the Asian Development Bank? I am sure the Asian Development Bank has enough money lying around to pay for their own staff.

Mr. O'CONNOR. AID does not pay for any members of the Asian Development Bank staff. We do, however, along with Treasury and the Department of State, fund staff members of the U.S. Director to the Asian Development Bank. AID provides funding for two persons, Treasury funds the U.S. Director, and the State Department funds the Alternate U.S. Director.

DEVELOPMENT LENDING

Mr. PASSMAN. The next major title we are to consider is the development lending program for which the fiscal year 1972 estimate is $140 million, which is an increase of $28,650,000 above the fiscal year 1971 program. Would you please provide a list for the record breaking down the fiscal year 1972 lending program by country for your area?

Mr. O'CONNOR. The fiscal year 1972 development lending program in East Asia is as follows:

Indonesia	$100,000,000
Korea	20,000,000
Philippines	20,000,000

U.S. CONTRIBUTION TO MULTILATERAL ORGANIZATIONS

Mr. PASSMAN. On page 64 I note that you estimate that the total aid given to Indonesia, Korea, and the Philippines for calendar year 1970 totaled $1,160.1 million, broken down as follows:

	Millions
U.S. aid	$472.7
Multilateral aid	262.8
Other bilateral aid	424.6

To be completely accurate, I would think we would have to break down the $262.8 million in multilateral aid into major contributors because, if I am not mistaken, the United States is the major contributor to all these multilateral organizations. Is that not true?

Mr. O'CONNOR. Yes. The United States has been a major source of initial financing for multilateral aid-giving institutions. The U.S. contributions to those multilateral agencies operating in East Asia have ranged from 26 percent to 41 percent of the total untied or unrestricted resources made available by governments to these agencies as shown below. In the case of the International Bank for Reconstruction and Development (IBRD), bond issues, repayments on past loans, the sale of loan participations, and interest income have, however, come to play a far more important part in financing the Bank's activities than official capital subscriptions. In 1970, capital subscription payments met only 2 percent of the Bank's funding needs. As the Asian Development Bank (ADB) enters institutional maturity, gaining respect in international financial markets, it hopes to emulate the IBRD's financing pattern, funding an increased level of activity with reduced recourse to capital subscriptions.

(A table follows:)

U.S. CONTRIBUTIONS TO MULTILATERAL AGENCIES

[Dollars in millions]

	A	B	C
	Multilateral assistance commitments to Indonesia, Korea, and the Philippines, calendar year 1970	U.S. contribution of percent of total usable and unrestricted resources made available by Government to multilateral agencies	Portion of multilateral aid commitment representing U.S. resources (A X B)
Asian Development Bank	$84.2	24.0	$20.2
International Financial Corporation	7.2	32.9	2.4
International Development Association	119.9	40.8	48.9
International Bank for Reconstruction and Development	40.0	33.7	13.5
United Nations	11.5	[1] 33.0	3.8
Total	262.8		88.8

[1] Represents share of United States in total contributions to United Nations development program in 1969.

Sources: Financial statements of Asian Development Bank, International Financial Corporation, and IBRD/IDA. 18th Report to the Congress on United States Contributions to International Organizations.

INDONESIA

Mr. PASSMAN. The first country to be considered in the Development Lending Program is Indonesia for which the fiscal year 1972 estimate is $100 million, an increase of $43,650,000 above the fiscal year 1971 program. Could you tell us what has been the total aid to Indonesia since the foreign aid program has been in existence?

Mr. O'CONNOR. Since the beginning of our aid to Indonesia in 1946, as of mid-May this year we have provided $1,244.1 million in Economic Assistance and $99.7 million in Military Aid, for a total of $1,323.8 million.

TOTAL FISCAL YEAR 1972 AID PROPOSED FOR INDONESIA

Mr. PASSMAN. Along that same line, could you provide for the record a list showing the total U.S. foreign aid proposed for Indonesia in fiscal year 1972 from all sources?

Mr. O'CONNOR. In economic assistance for Indonesia in fiscal year 1972 we proposed a total of $239.1 million consisting of $107.3 million in AID loans and grants and about $131.8 million in Food for Peace. This together with approximately $25.0 million in the Military Assistance Program will make a grand total of $264.1 million.

FOREIGN DEBT BURDEN OF INDONESIA

Mr. PASSMAN. I notice in the justifications you mention the rescheduling of the heavy foreign debt burden of Indonesia. Has this rescheduling been completed and do you believe that Indonesia will be able to keep up with the payments as now scheduled?

Mr. O'CONNOR. The basic terms for rescheduling the Sukarno debt have been established and bilateral agreements based on these general understandings are now being negotiated. The United States, the Netherlands, Germany, France, the U.S.S.R., East Germany, Czechoslovakia, and Poland have already signed agreements with Indonesia and the few remaining creditor countries are expected to do so in the very near future. We, believe, as do the IMF, IBRD and the Indonesians' other creditors, that Indonesia will be able to keep up with the payments as now scheduled.

Mr. PASSMAN. It is amazing to me how Indonesia could recover so quickly from the heavy foreign debt burden where the United States could now program $100 million in development loans to the same country. Is the United States assured that Indonesia can repay these loans?

Mr. O'CONNOR. Without a major long term debt rescheduling, Indonesia could not have embarked on a full scale development program and regained creditworthiness as well. The massive Sukarno debt burden has now been stretched out over a 30-year period to allow Indonesia time to make the investments necessary to a sustained development program. We believe that the repayment prospects for the fiscal year 1972 $100 million in development loans appear reasonable, an assessment shared by the Intergovernmental Group on Indonesia (IGGI) donors who are continuing their own lending programs.

DEVELOPMENT LOANS—INDONESIA

Mr. PASSMAN. Could you tell the committee how much in development loans has been authorized to Indonesia over the years and of this amount how much has actually been disbursed?

Mr. O'CONNOR. Since 1966 (the post-Sukarno era), loans in the amount of $150.5 million have been authorized as of May 31, 1971. Disbursements as of the end of the same period were $69.8 million. Prior to 1966, loans amounting to $11 million were authorized; these loans are fully disbursed.

FUNDING OF POPULATION CONTROL FROM DEVELOPMENT LOANS

Mr. PASSMAN. Last year we discovered that family planning grants were being made out of development loan fund. Is that the case this year or is family planning being programed out of technical assistance?

Mr. O'CONNOR. Due to a shortage of technical assistance funds, in fiscal year 1971 the family planning program is being financed from development loan funds. However, for fiscal year 1972 we are requesting a technical assistance appropriatior which will fully cover our family planning activities.

STATUS OF THE PUSRI FERTILIZER PLANT IN INDONESIA

Mr. PASSMAN. Last year, we discussed briefly the Pusri project in Indonesia in connection with a report submitted by the Committee on Government Operations. The report made last year indicated that the expansion of the state-owned Pusri fertilizer plant, should be withdrawn from consideration until steps were taken to attract private investments and improve Indonesia marketing, distribution, and credit systems in providing fertilizers to farmers. You indicated last year that this project was in the process of negotiation at the time you appeared before the committee. Could you tell us at this time what has been done on this project?

Mr. O'CONNOR. This multinational financed ammonia/urea plant which includes a $20 million AID loan, in addition to loans from IDA ($30 million), ADB ($10 million), and Japan ($8 million), was authorized by AID on May 26, 1970, after all lenders satisfied themselves with respect to the points mentioned in your question.

This project has moved extremely well. Pusri has requested and received bids from four prequalified U.S. general contractors who will have responsibility for the design, procurement and erection of the fertilizer facilities. We anticipate the contract will be awarded in October 1971, and the general contractor's work commence immediately thereafter. Pusri has already entered into contracts for technical advisory services and for marketing services in connection with the preparation of a national fertilizer study and specific assistance to Pusri's distribution department. On the gas conservation and transmission portion of the contract, contracts have been entered into between Pertamina and consulting firms to provide assistance in the areas of gas conservation and gas transmission.

RATE OF INFLATION FOR INDONESIA

Mr. PASSMAN. You indicate on page 67 that the rate of inflation for Indonesia has decreased from over 600 percent in 1966 to 10 percent in 1970. Could you give the committee an estimate of the present rate of inflation in Indonesia?

Mr. O'CONNOR. During the first 5 months of 1971 the inflation rate has been held to about 2 percent.

TERMS OF FISCAL YEAR 1972 PROPOSED LOANS FOR INDONESIA

Mr. PASSMAN. I assume the six new loans contemplated to be made to Indonesia for fiscal year 1972 will have the same standard terms of the past development loans, and these loans are 40-year loans with a 10-year grace period, 2 percent interest during the grace period and 3 percent on the balance. Is that correct?

Mr. O'CONNOR. Yes, Mr. Chairman, that is correct.

EXPANSION OF DJAKARTA INTERNATIONAL AIRPORT

Mr. PASSMAN. I notice on page 68 that one of the loans planned for Indonesia in fiscal year 1972 is a $20 million loan to expand the Djakarata International Airport. How in the world do you consider the expansion of an airport to be developmental to the country?

Mr. O'CONNOR. In Indonesia, as in most other developing countries, the development of an adequate transportation and communications infrastructure is an essential prerequisite for economic growth. Since Indonesia is a nation of islands, dispersed over an extremely large geographic area, air transport facilities are particularly vital for both internal and external communications. Djakarta's existing airport, which both domestic and international needs, is the country's principal and busiest facility. It is outmoded and clearly inadequate to accommodate projected increases in air traffic in the near future. Expansion of these facilities is directly tied to Indonesia's accelerating pace of growth in the fields of commerce, industry and tourism. A lack of adequate airport facilities would serve as a serious developmental constraint.

TIME LAG BETWEEN LOAN AUTHORIZATIONS AND DISBURSEMENTS

Mr. PASSMAN. On page 70, I notice that the Gresik Cement Manufacturing Plant expansion development loan was authorized in June 1969, and the loan agreement was signed in July of 1969, for a total loan $6,300,000, but as of this date only $47,000 has been disbursed. Why do we authorize these loans if there is such a long time before the actual money is needed?

Mr. O'CONNOR. AID funds the entirety of a project, or the entirety of an integral part of a project for several reasons. First, the procedure provides maximum assurance that adequate financing will be available when needed, thereby avoiding the possibility of a partially completed project and/or the huge expenses involved in stopping and restarting a project. Second, the procedure is almost universally followed in international financing of a capital project. Third, in many cases

a complete financial plan is required to interest engineers and contractors. Fourth, as the U.S. Government collects taxes or borrows funds to meet disbursements, not commitments, the tax burden or the interest costs to the U.S. are the same as if financing were made available on a periodic basis. Fifth, administrative cost to the U.S. is less than if financing for each project were provided on a periodic basis.

Korea

Mr. Passman. The next country under the development lending title is Korea, for which the fiscal year 1972 estimate is $20 million, a decrease of $35 million below last year.

It seems that if Korea's economy is improving as well as you mention, then the United States would be increasing the loan area and decreasing the grant assistance, but this does not seem to be the case. Would you comment?

Mr. O'Connor. We have decreased the grant assistance over the last few years from $43 million in fiscal year 1968 to $4.1 million proposed for fiscal year 1972. The fiscal year 1971 development loan level was $35 million over the prior year because of previously unforeseen rice requirements. We plan to return to the fiscal year 1970 level of $20 million in fiscal year 1972.

Estimate of termination of economic aid for Korea

Mr. Passman. Is there any estimate on when the U.S. economic aid will be terminated in Korea?

Mr. O'Connor. Supporting assistance grants for budget support ended in fiscal year 1970. We expect development loans to end in the early 1970's, subject to review on a case by case basis. With the termination of supporting assistance and phasing down of development loans, the major portions of assistance will be over. We have not yet set a terminal date for technical assistance, which we expect to continue limited aid through the 1970's. Moreover, in view of the heavy military burdens which will continue for a decade, additional Public Law 480 assistance in substantial amounts will be required for some time.

Total U.S. assistance to Korea

Mr. Passman. What has been the total U.S. assistance to Korea since the inception of the program?

Mr. O'Connor. The total of U.S. assistance (military and economic) to Korea from the inception of the program through fiscal year 1970 has been $8,138,000,000. Through fiscal year 1971 it will be $8,607 million.

Fiscal year 1972 proposed aid to Korea

Mr. Passman. Please provide for the record a table showing the total proposed U.S. aid to Korea in fiscal year 1972 from all spigots.

Mr. O'Connor. I will be pleased to do so.

(The table follows:)

PROPOSED U.S. AID TO KOREA—FISCAL YEAR 1972

	Millions
AID:	
Technical assistance	$3.3
Family planning	0.8
Development loans	20.0
	24.1
Public Law 480:	
Title I	[1] 58.1
Title II	16.3
Private trade entity agreements	7.0
	81.4
Total economic assistance	104.5
Military assistance:	
Grants	239.4
Loans	15.0
Total military assistance	254.4
Total economic and military assistance	358.4

[1] Plus amounts sold to generate local currency for U.S. Government uses.

U.S. MILITARY FORCES SPENDING IN KOREA

Mr. PASSMAN. Last year we had a discussion on the amount of funds spent in Korea by our military forces and you inserted a table in the record on page 909 of last year's hearings. Would you please update that table?

Mr. O'CONNOR. I am happy to submit the following updated table. (The table follows:)

U.S. DEFENSE EXPENDITURES ENTERING THE INTERNATIONAL BALANCE OF PAYMENTS IN KOREA

Calendar year:	Millions
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	247
1968	313
1969	367
1970	327
Total	2,453
Average (rounded)	136

Mr. PASSMAN. Are these funds above and beyond what the United States has provided to Korea on a formal assistance basis?

Mr. O'CONNOR. These expenditures include some procurement in Korea under the military assistance program. They also include purchases by U.S. military and civilian personnel and their dependents, expenditures of nonappropriated fund activities (such as PX's) and outlays from the U.S. budget, Department of Defense for foreign nationals, materiel, supplies, and construction.

TWO-STEP DEVELOPMENT LOANS

Mr. PASSMAN. Again last year we mentioned that several development loans were what we call two-step loans. Would you please explain the operation of these two-step loans?

Is it not true that when the money is reloaned in the country and paid back before the U.S. loan becomes due, that this money can be reused and therefore becomes available for additional economic development projects?

Mr. O'CONNOR. In a two-step loan, AID lends to the host country government (the first step) who, in turn, relends to a government corporation or agency, or to private industry or an intermediate credit institution (the second step). In the case of intermediate credit institutions, of course, a further relending is made to the end user.

The loan terms between AID and the host country government are the standard terms permitted by the legislation; that is, 40-year repayment including a 10-year grace period, with interest at 2 percent during grace and 3 percent thereafter. The terms between the host country government and the local borrower have considerably shorter maturities (e.g., 10–20 years) and higher interest rates (e.g., 6–12 percent, with maintenance of value) which reflect the ability of the project to service local currency debt on harder terms. Interest rates to local end users reflect the prevailing costs of money for different types of projects in host countries. The local borrower repays the loan to the host government in local currency before the longer term dollar loan repayment is made to AID. As a provision of the AID loan, these local currency proceeds are used during the interim by the host government for economic development projects.

LAG IN RURAL SECTOR DEVELOPMENT IN KOREA

Mr. PASSMAN. You indicated on page 71 that growth in Korea has not been uniform and the rural sector has lagged in development. Would you please explain the reasons for this lag?

Mr. O'CONNOR. With massive investment, Korean industrial output has increased at rates between 20 and 30 percent a year. It has not been possible to increase agricultural output by such rates, partly because there has been inadequate investment in the sector; partly because Korea's limited land resources are already being intensively cultivated; and partly because of such factors as the small size of Korean farms, increasing production costs and inefficient marketing systems.

DISBURSEMENT FROM THE KOREA CHONG GYE SEWAGE PLANT

Mr. PASSMAN. On page 73, I notice that the Chong Gye Chun sewage treatment plant development loan was agreed to on July 13, 1966, for

a total amount of $3,500,000, but as of this budget submission only $305,000 has been disbursed. Would you please explain the delay of disbursements?

Mr. O'CONNOR. The delay in disbursements is attributable primarily to shortages of Korean Government local currencies necessary for the requirements of the project. Since the evidence of local currency availability was a condition precedent to initial dollar disbursements, such disbursements were, as a matter of prudent management, delayed until the Korean Government was able to provide firm evidence that the local currency was available.

Over the past year the project has been progressing satisfactorily. Construction of the treatment plant is proceeding and local currencies are being made available on a timely basis.

POSSIBLE AGRICULTURAL BOTTLENECK IN KOREA

Mr. PASSMAN. How serious is the possible agricultural bottleneck to further rapid economic growth in Korea mentioned on page 72?

Mr. O'CONNOR. We believe the problem could become quite serious because Korean food and fiber imports contribute heavily to the large balance of trade gap. Also because rural incomes are significantly lower than those of urban workers, rural-urban migration continues to cause social problems in the cities and labor shortages on the farms, both of which could retard economic growth.

DELAY IN LOAN DISBURSEMENTS

Mr. PASSMAN. Also on the same page, the power transmission and distribution development loan was agreed to on June 17, 1967, in a total amount of $12,700,000 and only $2,102,000 has been disbursed. Why is there such a delay in the disbursement of these loans?

Mr. O'CONNOR. This loan is financing the procurement of U.S. electrical equipment and commodities, such as transformers, underground cable, switching equipment, and controls for load dispatching. Much of this equipment requires a long lead time between order and delivery. In the case of such loans, actual disbursements are not made until shipment takes place. In this particular loan, approximately $9.7 million in orders have been placed and the equipment is in various stages of manufacture. Bids for most of the remaining $3 million were received earlier this year, but a rebidding—scheduled for the coming weeks—has been necessary because of supplier protests and official inquiries concerning the proposed awards. Incidentally, since the presentation material was printed, additional disbursements have occurred, and as of May 31, 1971, the total is $3,577,000.

PHILIPPINES

Mr. PASSMAN. The next country under the development lending title is the Philippines, for which the fiscal year 1972 estimate is $20 million. There was no loan program for fiscal year 1971.

Are we now trying to reduce the grant aid to the Philippines and provide loan funds?

Mr. O'CONNOR. No; the development loan program is apart from continuing technical assistance grants. The proposed $20 million loan is specifically designed to fund the foreign exchange costs of some 24

rural electrification cooperatives. Each of these cooperatives is intended to be a financially viable operation and capable of handling a certain amount of debt associated with the initial construction and operation of the enterprise. For these reasons a loan is considered to be the most appropriate funding vehicle.

TOTAL U.S. ASSISTANCE TO PHILIPPINES

Mr. PASSMAN. Would you provide a table showing the total amount of U.S. assistance to the Philippines since the beginning of the program, from all sources?

Mr. O'CONNOR. Yes, sir.

(The table follows:)

Total U.S. assistance to the Philippines 1946–71 (preliminary)

Source	*Amount (in millions)*
AID and predecessor agencies	$320.0
Food for Peace (Public Law 480)	183.7
Peace Corps	33.7
Export-Import bank loans	287.1
Other [1]	850.2
Military assistance	452.8
Total	2,127.5

[1] Includes Philippines rehabilitation grants, $634.6 million; RFC loan, $60.0 million; debt funding, $37.5 million; civilian supplies, $28.3 million; surplus property credits, $9.2 million; UNRRA, $7.7 million; and Philippine war damage claims, $73.0 million.

Mr. PASSMAN. Please also provide a table showing the total proposed U.S. aid to the Philippines for fiscal year 1972 from all spigots.

Mr. O'CONNOR. Yes, sir.

(The table follows:)

PROPOSED U.S. ASSISTANCE TO PHILIPPINES, FISCAL YEAR 1972

Source	*Amount (in millions)*
AID	
Grants	$9.9
Loans	20.0
Public Law 480	20.0
Peace Corps	2.2
Military assistance	17.0
Total	69.1

PROPOSED LOAN TO PHILIPPINES FOR RURAL ELECTRIFICATION

Mr. PASSMAN. This seems like quite a large sum to provide to the Philippines in loans when you consider we have had no loan program to that country for several years. Would you comment?

Mr. O'CONNOR. The proposed $20 million loan for rural electrification is a follow-on project deriving from the two pilot rural electrification projects funded by AID in 1968. The loan begins to meet the demand for electric power in the rural areas where 70 percent of the population live and 90 percent of these have no electricity. In addition, the loan is conditioned on the successful development by the Philippine Government of an integrated national power plan, developed in

the context of the new Philippine Consultative Group, approved by and funded by multilateral donors. This program was satisfactorily developed and presented to the April 1971 meeting of the Consultative Group and is expected to generate foreign exchange loans of over $100 million from the World Bank, the Asian Development Bank, and Japanese reparations in the next few years. The $20 million proposed loan by AID is essential to fill requirements for electric distribution systems that are integral to this plan. Because of the Philippines' continuing balance-of-payments problems and the heavy commitment by other donors to the power sector, AID has agreed to meet the remaining foreign exchange gap with the $20 million loan.

BALANCE OF PAYMENTS—PHILIPPINES

Mr. PASSMAN. You mention on page 75 that the Philippines had a critical balance-of-payments problem in 1970 and this was created partially by the country's own actions. Would you explain what these actions were?

Mr. O'CONNOR. There were a number of factors leading up to the Philippine balance-of-payments difficulties; some were, as I indicated, attributable to Philippine Government action and others, beyond its control. The first of these was a doubling of investment levels for infrastructure (roads, schools, irrigation, and so forth) during the 1966–69 period. While these projects were in line with the priority needs of the country, failure to provide matching increases in government revenue levels resulted in inflationary pressure. This budget deficity and a general relaxation of monetary and fiscal discipline, particularly in the 1969 election period, led to a large increase in money supply and a net decrease in exchange reserves. Moreover, the dynamic Philippine private sector, which accounts for 90 percent of Philippine investment, borrowed heavily abroad on a short-term basis to finance investments during this period. These factors, combined with stagnating export levels due to lower sugar, cocoanut, and abaca exports and speculation against the currency, led to the current balance-of-payment difficulties.

A very stringent stabilization program launched in early 1970 with support of the IMF and subsequently the new Consultative Group for the Philippines, led to a devaluation of the currency, restoration of the trade balance, and elimination of the past budget deficits.

Philippine performance in this program is excellent; but the heavy short-term debt service requirements will require continued reliance on concessionary financing and stabilization efforts for a number of years to come.

BALANCE OF PAYMENTS

Mr. PASSMAN. The United States has had a continuing balance-of-payments problem but we don't seem to get too upset. Why don't we try to get our own country in order first?

Mr. O'CONNOR. There is no question but that our balance-of-payments difficulty is a serious problem. It is therefore, a major consideration of many agencies of this administration, including AID.

At the same time, we cannot be oblivious to the plight of lesser developed countries, whose economic situation and standard of living is far worse than in the United States. We cannot ignore their situation while we attempt to improve our own. To the extent we can, we must address both simultaneously.

PHILIPPINE DEBT

Mr. PASSMAN. You also indicate that for the next 2 or 3 years the Philippines will have a heavy debt burden. Who does she owe all this money to and in what amounts?

Mr. O'CONNOR. I will provide for the record a breakdown of the debt structure as it stood as of December 31, 1970.

(The table follows:)

EXTERNAL PUBLIC DEBT OUTSTANDING AS OF DECEMBER 31, 1971[1]

DEBT REPAYABLE IN FOREIGN CURRENCY

[In thousands of U.S. dollars]

	Amount
Total external public debt[2]	621,506
Privately held debt	313,479
Publicly issued bonds	10,813
Suppliers	52,274
Australia	869
Belgium	833
Canada	2,498
France	1,362
Germany (Federal Republic of)	676
Japan	16,722
United States	29,315
Financial institutions	250,392
Germany (Federal Republic of)	5,481
Italy	1,000
Netherlands	1,600
Sweden	546
Switzerland	9,283
United Kingdom	13,000
United States	217,563
Loans from international organizations	122,859
ADB	2,500
IBRD	120,359
Loans from governments	185,168
Canada	7,135
Germany (Federal Republic of)	10,929
Japan	16,765
United States	150,338

[1] Debt with an original or extended maturity of over 1 year.
[2] Does not include private debts guaranteed by the Development Bank of the Philippines and the Philippine National Bank amounting to approximately $600 million.

NON-U.S. ASSISTANCE

Mr. PASSMAN. What are other countries doing to help the Philippines?

Mr. O'CONNOR. Except for a substantial amount of assistance from Japan in the form of reparations payments, the Philippines has received little direct assistance from other developed countries. However, with the recent formation of the Philippines Consultative Group, formally inaugurated in April 1971, we anticipate that assistance from other countries will be forthcoming. Already in recent weeks two countries, Germany and Belgium, have extended loans to the Philippines. In addition, the IBRD and the UNDP are giving substantial assistance to the Philippines.

FEASIBILITY STUDIES LOAN

Mr. PASSMAN. On page 77, in connection with the feasibility studies loan, I note the loan agreement was signed September 14, 1967, for a total amount of $2 million, and only $398,000 has been disbursed. What is the reason for this delay?

Mr. O'CONNOR. Up to the past few months the Government of the Philippines was extremely slow in selecting from among its many needs those items for which feasibility studies were desired. It was a matter of reviewing, determining priorities, and making final selections. This process is now complete and studies calling for some $1.8 million of the original loan are now in various stages of being carried out.

LOAN DISBURSEMENT—REPUBLIC OF CHINA

Mr. PASSMAN. I note on page 78 that you still have several loans that have not yet been fully disbursed to the Republic of China and these loan agreements were signed in 1964.

I also note on both loans you have received both principal and interest payments. If they are able to start repaying the loan, it would make little sense to make the additional small disbursements remaining.

When will the balance of these loans be disbursed?

Mr. O'CONNOR. With respect to the loan for the lower Tachien hydroelectric plant (loan No. 484–A–044), the balance will be disbursed by December 31, 1971; this undisbursed balance represents the final payment to the U.S. consulting engineering firm (Harza) under its contract with the borrower (Taipower). As for the Linkou thermal powerplant (loan No. 484–A–045), the project has been completed and the remaining balance was deobligated as of June 18, 1971.

The terms of these two loans provided for repayment in local currency. The disbursements were for foreign exchange costs of equipment, materials and services. It is not unusual under some of the previous Development Loan Fund loans such as these, where repayment was made in local currency and geared to the project payout, that repayment should start before disbursements are completed.

Mr. PASSMAN. That concludes our hearings on the region and we will adjourn until tomorrow at 1 o'clock.

WEDNESDAY, JUNE 16, 1971.

VIETNAM

WITNESSES

ROBERT H. NOOTER, ASSISTANT ADMINISTRATOR, BUREAU FOR VIETNAM, AGENCY FOR INTERNATIONAL DEVELOPMENT
WILLIAM H. SULLIVAN, DEPUTY ASSISTANT SECRETARY, BUREAU FOR EAST ASIAN AND PACIFIC AFFAIRS, DEPARTMENT OF STATE
ANDREW WESTWOOD, DEPUTY DIRECTOR, OFFICE OF PROGRAMS, BUREAU FOR VIETNAM, AGENCY FOR INTERNATIONAL DEVELOPMENT
THOMAS W. CONSTANT, DEPUTY DIRECTOR, VIETNAM TASK FORCE, OFFICE OF ASSISTANT SECRETARY OF DEFENSE (ISA)
LT. COL. GEORGE W. PATRICK III, USA, ASSISTANT FOR VIETNAM TASK FORCE, OFFICE OF ASSISTANT SECRETARY OF DEFENSE (ISA)
CHARLES F. FLINNER, CONTROLLER, OFFICE OF THE CONTROLLER, AGENCY FOR INTERNATIONAL DEVELOPMENT
ALLAN R. FURMAN, DEPUTY DIRECTOR, OFFICE OF LEGISLATIVE AFFAIRS, AGENCY FOR INTERNATIONAL DEVELOPMENT

Mr. PASSMAN. The committee will come to order.

We shall continue the examination on the budget request for supporting assistance. Today we shall examine on Vietnam. We have as witnesses the Honorable Robert H. Nooter, Assistant Administrator for Vietnam, and the Honorable William H. Sullivan, Deputy Assistant Secretary, Bureau of East Asian and Pacific Affairs. 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 this opportunity to appear before this committee today to present the fiscal year 1972 economic supporting assistance program for Vietnam, of $565 million.

OBJECTIVES

The principal objective of this program is to provide economic support so that the Government of Vietnam can take over the military burden of the war in that country. In addition, economic assistance will be used to maintain price stability; to assist the Government of Vietnam in caring for refugees, civilian war casualties, and other war victims; to provide support for the pacification program; and to move the South Vietnamese economy toward longer-term economic development and eventual self-sufficiency.

Some of our programs support more than one of these objectives. For example, commercial imports help to provide the commodities

necessary to make up for the loss of production resulting from the mobilization of Vietnam's 1.1 million man military force. At the same time, these imports help to maintain price stability, and play an important role in providng the raw materials necessary for domestic production and the capital goods needed to expand productive output.

As security is restored, the problem of caring for refugees and war victims has been eased somewhat, and restored security in the countryside has facilitated pacification and rural development. As these trends continue, we will place greater emphasis on longer range economic development goals during fiscal year 1972.

PROGRESS IN 1970

There was substantial progress across the board in the AID-supported programs in Vietnam during the past year.

Stabilization.—First, after a period of rapid inflation from mid-1969 to mid-1970 when prices rose about 50 percent, the Government of Vietnam instituted a series of economic reforms which created a parallel exchange market for personal conversions and certain other transactions, increased various import taxes, raised interest rates on savings and loans, and required heavy advance deposits on imports. These measures were successful in restoring price stability, and the Saigon retail price index is now only 5 percent higher than it was in July 1970. There is no guarantee that this degree of stability will continue, since the inflationary pressures caused by an expanded military budget and substantial future costs for land reform and veterans' benefits remain. However, the reforms which the Government undertook last year demonstrated its ability to take the difficult measures which are necessary to contain prices, and we are encouraged to believe that they will continue to do so.

Land reform.—Also, the Government passed into law and proceeded to implement the Land-to-the-Tiller land reform program. Over 500,000 acres of land have been distributed to more than 150,000 farm families during the first year of the program, a pace which exceeded our expectations for this highly complicated and difficult program. Another two years will be required to complete the implementation, and much work remains to be done, particularly with regard to payments to former landowners which are proceeding slowly. However, on the whole, the Vietnamese Government has made an excellent record during the first year of this very important program.

Rice production.—Vietnam is now producing enough rice to meet its internal needs. This has been brought about by increased security in the countryside, the introduction of high yielding rice varieties, and substantial increase in fertilizer usage. We cannot be certain that future crops will be as good as the present one, but we expect that the trend will continue upward, barring some unforeseen setback. Also, production of poultry and swine continues to increase at the rate of 10 to 15 percent per year, and some progress was made in the introduction of sorghum and corn, which are not traditional Vietnamese crops but which hold great promise for the future.

Capital investment.—As a result of both improved security and the recent price stability, there have been encouraging signs of interest

in new investment by both domestic and foreign entrepreneurs. An existing plywood plant is being modernized and a second plant is in the planning stage. Fishing boats are being motorized and much larger and more modern trawlers have been ordered. A number of U.S. firms have expressed interest in direct investments—mostly on a joint venture basis—in such fields as glass, fertilizer, cigarettes, and petroleum. Several Japanese entrepreneurs are constructing manufacturing facilities in Vietnam, and others are actively seeking new opportunities for investment.

Pacification.—There has been progress in political development resulting in increasing participation on the part of the people in the political process. Building a sense of national unity and cohesion requires, in part, the relaxation of power at the center and the transfer of responsibility to lower echelons of government. This process was started in 1967 with local elections for village and hamlet representatives. It was extended in 1970 to include province and municipal councils. A second round of elections of local officials was held last year in over 1,000 villages and nearly 4,000 hamlets, with a very high level of voter turnout and a full slate of competing candidates for virtually all vacancies. At the province level the elections for province councils saw 2,000 candidates vie for 554 seats. Hamlets and villages representing about 98 percent of the population now have elected officials.

Government control over the rural population has continued to expand during the past year. The Government now claims to have effective control over 94 percent of all of the people in Vietnam, and is continuing to extend its control to the remote areas which are still considered to be under Communist domination.

War victims.—The Government of Vietnam has assumed the major burden of assisting war victims, and on the whole it has performed well. The ministry of social welfare handled virtually the entire reception and care for 210,000 ethnic Vietnamese from Cambodia with great competence. Over 155,000 of these are already integrated into Vietnamese society and are no longer considered in refugee status. At the same time, problems still continue with regard to the care and provisioning of the Montagnard population in central Vietnam, where there have been instances of inadequate handling. The Vietnamese Government has responded to the needs of those who have suffered from the war by passing legislation providing for pensions and other benefits for discharged veterans and widows, children and parents of soldiers killed in action. Approximately 500,000 people are already receiving benefits under this law, which was passed in July 1970.

Medical care.—The plan for joint utilization of military hospitals for the treatment of civilian war casualties has been extremely effective in providing better health care to the Vietnamese population. This plan added over 2,000 trained medical personnel to the hospital staff of the ministry of health, and made it possible to continue the gradual reduction of U.S. doctors and nurses. Also, AID-assisted medical training schools graduated over 200 Vietnamese doctors and 700 nurses during the past year.

FISCAL YEAR 1972 PROGRAM

[In millions of dollars]

Economic supporting assistance	Fiscal year 1970, actual	Fiscal year 1971, estimated	Fiscal year 1972, proposed
Commercial import program	238	270	300
Economic support fund			150
Land reform		15	15
Project program	116	101	90
Administrative costs	5	4	4
Program support costs	7	6	6
Total	366	396	565

The principles of Vietnamization are being applied to the economic assistance program as well as to our military assistance. That is, we are turning over responsibility for jointly funded projects to the Vietnamese as rapidly as possible. The substantial inputs made over the years to create Vietnamese institutions and to train Vietnamese are now paying off as they take over more and more operational responsibility for these projects. Funding for the project program will decline from a high of $285 million in fiscal year 1967 to $90 million in fiscal year 1972. Direct hire U.S. employees in the economic assistance program in Vietnam will decline from 2,381 in 1968 to about 1,360 by the end of fiscal year 1972. Our funding request for the project program represents the minimum level which we believe is necessary to carry on these programs during fiscal year 1972. However, we will continue to phase down the level of U.S. support as rapidly as possible in future years.

At the same time, our request for funds to finance general imports to sustain the economy is substantially increased, principally because of the reduction in U.S. military expenditures in Vietnam. Over the years the Defense Department has purchased piasters from the Government of Vietnam in order to pay the local costs of operating military bases and for the purchase of goods and services in support of our military forces there. The dollars used to purchase these piasters were in turn used by the Government of Vietnam to finance the import of goods necessary to support the economy and the war effort, and were additional to the goods imported under the economic assistance program. Defense Department incountry expenditures are expected to continue to decline in fiscal year 1972, and additional economic assistance funds will be needed to provide the support which had been accruing indirectly from this source.

The increased economic assistance will be used for two principal purposes:

(1) To permit the Vietnamese to bear an increasing military responsibility while maintaining a reasonable degree of price stability.

(2) To support Vietnamese economic policies aimed at moving the country toward economic reconstruction and longer-term development.

The increase which we are requesting for these purposes in fiscal year 1972 is approximately the same as the estimated decline in Defense Department piaster purchases, so that, while the Government of Vietnam will be receiving these funds from a different source, it will not really be receiving more in terms of total economic assistance.

It is essential that the total amount of U.S. foreign exchange support provided the Vietnamese not be reduced despite the sharp reduc-

tions now taking place in Defense Department piaster purchases. Vietnam is a small, relatively underdeveloped country and simply does not have the economic resources required to assume a greatly expanded share of the war without a continuation of at least the present total level of U.S. foreign exchange support.

There are a number of advantages in shifting this support from the military to the economic category. In the past, the purchase of piasters at the official exchange rate has had an inhibiting and undesirable effect on exchange rate adjustments. Under the new arrangement, these inhibitions will be greatly reduced. Second, it will permit economic aid to be more closely related to Vietnamese economic policies, so that those policies can be directed toward the development goals which must be attained if Vietnam is eventually to achieve economic self-sufficiency.

In order to meet this increased requirement, we propose to increase the commercial import program (CIP), from $270 million in fiscal year 1971 to $300 million in fiscal year 1972, which is the maximum level possible given the limitations on the kinds and sources of commodities which can be financed under this program. The CIP, as in prior years, will be used to finance essential imports such as fertilizer, industrial raw materials, and capital equipment from the United States and from certain less-developed countries. The CIP will continue to play an important role in meeting Vietnam's resource requirements and in holding inflation in check.

We also propose to use Public Law 480 title I resources to the maximum extent possible considering Vietnamese requirements for agricultural commodities available under this program. However, these requirements will decline in absolute terms from fiscal year 1971 levels (from $115 million in fiscal year 1971 to $70 million in fiscal year 1972) since Public Law 480 rice should no longer be required.

CIP and Public Law 480 alone will not provide sufficient U.S. support for the economy and the war in view of the rapid decline estimated for Defense Department expenditures in fiscal year 1972. Therefore, we propose to establish an economic support fund designed to provide a level of foreign exchange adequate to meet Vietnam's resource requirements. We are requesting $150 million for this fund for fiscal year 1972, which is approxmately equivalent to the estimated decline in Defense Department piaster purchases during that period.

Releases from the economic support fund will be determined by the level of resources which the Government of Vietnam must devote to maintain its security, the rate of decline in Defense Department piaster purchases, and the level of foreign exchange needed to assure progress in implementing Vietnam's economic reform and stabilization program. Periodic reviews will be made of Vietnamese economic policies, since U.S. assistance can only be effective if these policies are sound. The funds will be made available in monthly or quarterly tranches to meet Government of Vietnam foreign exchange needs. These funds will replace Defense Department dollars received by the Government of Vietnam through the sale of piasters.

We expect Defense Department piaster purchases to be reduced again in fiscal year 1973, and, therefore, U.S. economic support requirements will probably increase further. However, as the Vietnamese economy is restored to normal and as economic development accelerates, we can anticipate a gradual reduction in U.S. assistance, with the rate

dependent upon the rate of Vietnamese economic growth and the level of assistance forthcoming from other nations and institutions.

FISCAL YEAR 1972 PROJECT PROGRAM

In the project program, we will continue to put emphasis on increased agricultural production by continuing our programs in animal and crops production, credit and cooperatives. We will help the Government of Vietnam to develop policies and programs to encourage industrial development, with particular emphasis on the encouragement of private enterprise. In the field of education, emphasis will be placed on higher education now that the elementary school system is able to accommodate about 85 percent of the elementary school population. We will continue to provide technical assistance for the land reform program in addition to a $15 million request for funds to be utilized to finance imports needed to absorb the inflationary impact of piaster compensation payments to former landowners. We will continue our assistance in public administration in support of local government, fiscal administration, statistical services, economic development planning, and inservice training for civil servants.

We will continue all fiscal year 1971 activities in the field of public health, but at somewhat reduced levels. In logistics, fiscal year 1972 will see the completion of our assistance to the operation of the ports, as well as major reductions in our support to warehousing and internal distribution of commodities. In the field of public works, we will continue to provide help in developing water supplies, improving provincial roads, telecommunications, electric power, and for construction in provincial and village self-help programs. AID will continue to contribute personnel and commodities to the civil operations and rural development support (CORDS) program, at a somewhat reduced level. Support under the public safety program will be continued to the national police and the Vietnamese correctional system. AID support for the refugee program will decline slightly in view of the decrease in the refugee population, as will the level of technical support which provides personnel and common use commodities for all U.S. AID and CORDS personnel.

PROGRAM MANAGEMENT

During the rapid buildup of the Vietnam program in 1965 and 1966, it was difficult to control the sudden influx of commodities, which exceeded the Port of Saigon's ability to handle and process them. Also, the turmoil caused by the instability of the political and security situation made sound program management very difficult. Over the last several years most of these problems have been overcome as procedures have been established and facilities have been constructed. During the last several years losses under the commercial import program have been estimated to be less than one-half of 1 percent. Normal auditing procedures have been reestablished, which is helping to provide the inspection and control which is necessary in any program. We will continue to emphasize sound management and close control over the program, and will, where necessary, pull back our assistance if improvements cannot be achieved.

During the past year we became aware that some portions of the Public Law 480 title II grant program were not being adequately managed. This program, which provides surplus agricultural commodities on a grant basis to refugees and other needy people throughout Vietnam, grew to a large size in response to the real needs of the recipients. However, it was also extremely difficult to monitor in view of the large geographic area and sizable numbers of people involved. When the mission management became aware of the shortcomings of the program, it insisted on tighter controls, halting distribution of foodstuffs in certain areas and finally limiting virtually all distribution of these commodities to institutions, rather than to individuals. As a result, the title II program will be reduced from $27 million in fiscal year 1971 to $15 million in fiscal year 1972.

PROJECT TERMINATION DATES

In the past years it has been difficult to establish project termination dates for the AID-supported projects in Vietnam because of the uncertainty of the security situation. Last year we were able to forecast, for the first time, termination dates for a few projects. This year, we have forecast project termination dates for 36 projects out of a total of 49, which reflects the more comprehensive forward planning which is now possible.

We will continue to work toward the establishment of project termination dates for the remainder of the projects as soon as we can do so with any reasonable degree of accuracy. While termination dates are perforce estimates and sometimes must be revised, nevertheless they provide a useful target for both the U.S. technicians and their Vietnamese counterparts.

ASSISTANCE FROM OTHER NATIONS

The Vietnamese have been seeking assistance from other donor nations and multilateral institutions, and we have been encouraging them to do so. Some additional financing is now beginning to come forward. The Japanese have recently agreed to finance power generating equipment, a 1,500-bed hospital, and the reconstruction of hydroelectric plant damaged by the war. The Asian Development Bank has agreed to provide the first multilateral loan ever made to Vietnam—$2.5 million for expansion of the fishing industry. Germany is financing a slaughterhouse, cold storage and fish meal facilities. In addition, a number of nations continue to make humanitarian contributions in the form of medical personnel, supplies and equipment. Total non-U.S. assistance is estimated to be about $35 million in 1971.

All of this is modest compared to the size of the U.S. support provided to Vietnam. However, it does represent an increase from prior years, and is a trend which we hope will continue as security is restored. Substantial contributions for economic development from other sources will be necessary in future years, and we will do our best to bring about the condition which will make these contributions possible.

SUPPORTING ASSISTANCE REQUEST

Mr. PASSMAN. Thank you for your statement. We will have some questions to ask on the statement.

We would like for the record to show that supporting assistance is broken into several parts, but to keep it in the record—the total program for supporting assistance for fiscal 1972 is $825 million.

Is that correct?

Mr. NOOTER. Yes, sir.

Mr. PASSMAN. Compared to $601,653,000 for fiscal 1971, the present year?

Mr. NOOTER. That is correct.

Mr. PASSMAN. Now I believe that great Director, Dr. Hannah, said the following the first time he appeared before this committee "Mr. Chairman, please remember there is an asking price and a taking price."

So I would assume as it would apply to this $825 million, we are considering the asking price at this stage.

Mr. NOOTER. Mr. Chairman——

Mr. PASSMAN. I am only quoting Dr. Hannah. He said without exception there is an asking price and a taking price. So this is your high figure, the figure that is in the budget, we would have to assume that this is your asking price.

Mr. NOOTER. We consider that a serious request.

Mr. PASSMAN. I know you consider all those things. I am trying to get an answer, if this is your asking price.

Mr. NOOTER. That is what we are requesting.

Mr. PASSMAN. I am not going to try to put words in your mouth. I will quote Dr. Hannah again, "There is an asking price and a taking price" and all witnesses who preceded you agreed that this is the asking price, and the taking price will be agreed upon later. I hope you are not fooling yourselves to believe that you will get all the money you request. You have never gotten all you requested for 17 years. The first 16 years the aggregate cut has been 20 percent, or $12 billion, and we still left these programs overfunded without exception.

So do not let your enthusiasm run away with you. We don't think the program is any different this year than prior years. You put in trading money and somewhere along the way we will have to take out that money. I will work head to head with Dr. Hannah to work this thing down to the taking price.

U.S. TREASURY DEFICIT

We are conducting the examination on that basis. I would like to call to your attention, gentlemen, and let me preface my statement by saying that we have a Democratic-controlled Congress, the administration cannot spend money that is not appropriated by the Congress. Even after impounding some $12 billion in funds, I read in the last issue of the Treasury statement, that has been handed to me by my staff, that during the first 11 months and 9 days of fiscal 1971, the total withdrawal from the Treasury was $216,308,561,826, and the deficit for the first 11 months and 9 days, for this 1 year alone amounted to $29,629,776,487.

Never has there been anything like it in the recorded history of this great country of yours and mine. We thought under the Eisenhower administration, when we had a $13 billion deficit, that that would establish the all-time high for excess spending, but it looks like now that we are going to set a new record.

I am wondering if you gentlemen have been afforded the opportunity to look at these daily Treasury statements.

Mr. NOOTER. We do not get that in our regular course of work.

Mr. PASSMAN. May I suggest to you gentlemen that you subscribe to this "Daily Statement of the United States Treasury." If AID has no account from which the subscription can be paid, I would be glad to provide them to 25 of your men in the AID agency and have them bill me. You have a look at this every morning when you get to your desk and you will know why I take my work as seriously as I do.

You are spending money we do not have, for things we do not need, trying to be everything to everybody everywhere on borrowed money and at the expense of unborn generatons. It is causing me great, great concern.

There is nothing personal about it, but I feel that I am representing you as well as the other 206 million Americans when we do our very, very best to cut down on this foreign aid spending.

We are familiar with the situation that you are confronted with. We are going to be very understanding, but we must take into account that this year's aggregate of foreign aid and assistance, 27 spigots, is $1.4 billion more than the same administration's request for fiscal 1971.

So many people are under the impression that there has been a reduction. There has not. It has just been more fragmentized, put into more pieces. When we finally put them all together, we come up with a new figure and for whatever it may be worth, here is a copy of it.

Mr. Secretary, I believe you would like to have a copy of it. We are not criticizing you. We are just trying to put the total together.

Now I yield the constitutionally required 5 minutes to the distinguished gentleman from Kansas. After we go around the table under the 5 minute rule, we will come back to you and you may consume all the time that you need.

Mr. SHRIVER. Thank you, Mr. Chairman.

PROPOSED INCREASE IN VIETNAM ECONOMIC ASSISTANCE

What is the increase in supporting assistance to Vietnam?

Mr. NOOTER. We anticipate that we will obligate $396 million in fiscal 1971 in economic assistance. Our request for 1972 is $565 million.

Mr. SHRIVER. You said economic assistance?

Mr. NOOTER. Yes, sir.

Mr. SHRIVER. Is that supporting assistance?

Mr. NOOTER. Yes, sir. This is all supporting assistance.

Mr. SHRIVER. In increasing the supporting assistance to Vietnam, are you in danger of doing too much for that country instead of requiring them to undertake further strong measures to curb their own economic excesses?

Mr. NOOTER. We do not think so, for these reasons: The major portion of the increase, practically the entire increase that we are requesting this year, is to make up for the loss of foreign exchange earnings

which had been coming to the Vietnamese indirectly through our Defense Department presence in their country.

The Defense Department spends funds to carry out their operations in Vietnam. As U.S. military operations decline and the Vietnamese take on more of the military burden, as they should, there will be a decline in that DOD spending in Vietnam.

Our request for an increase in AID funding is really to make up for this decline in Defense Department spending.

Therefore, the U.S. economic resources which are going to Vietnam will really be no larger, they will be just the same in 1972 as in 1971, even though the Vietnamese military burden will be going up. The increase on the AID side is roughly equal to the decline on the DOD side.

VIETNAMESE IMPORTS

Mr. SHRIVER. Are you taking any actions to cut back the importation of consumer goods, such as television sets, motorbikes and channeling more of our import support for long-range items such as transportation and utility projects?

Mr. NOOTER. Yes; the Vietnamese do not import as much in the way of what would be called luxury goods as one would gather from reading in the press.

At the moment they do prohibit the importation of liquors, fresh fruits, motorbikes, and so on.

Mr. SHRIVER. They prohibit it?

Mr. NOOTER. At this particular time they do. Our economists think that the wisdom of such prohibition is limited because it does lead to some smuggling of liquors and so on.

Nevertheless, the Vietnamese are trying to restrict such luxury goods.

They also charge very high tariffs and duties on things that would tend to be purchased by the wealthier part of the population. In this way they attempt to dampen the demand for luxury goods. The total amount is really not in a very large order of magnitude.

Mr. SHRIVER. Just a ball park guess, how much?

Mr. NOOTER. Well, it is difficult to give you an exact number, because even something like a Honda——

Mr. SHRIVER. I did not ask for anything exact.

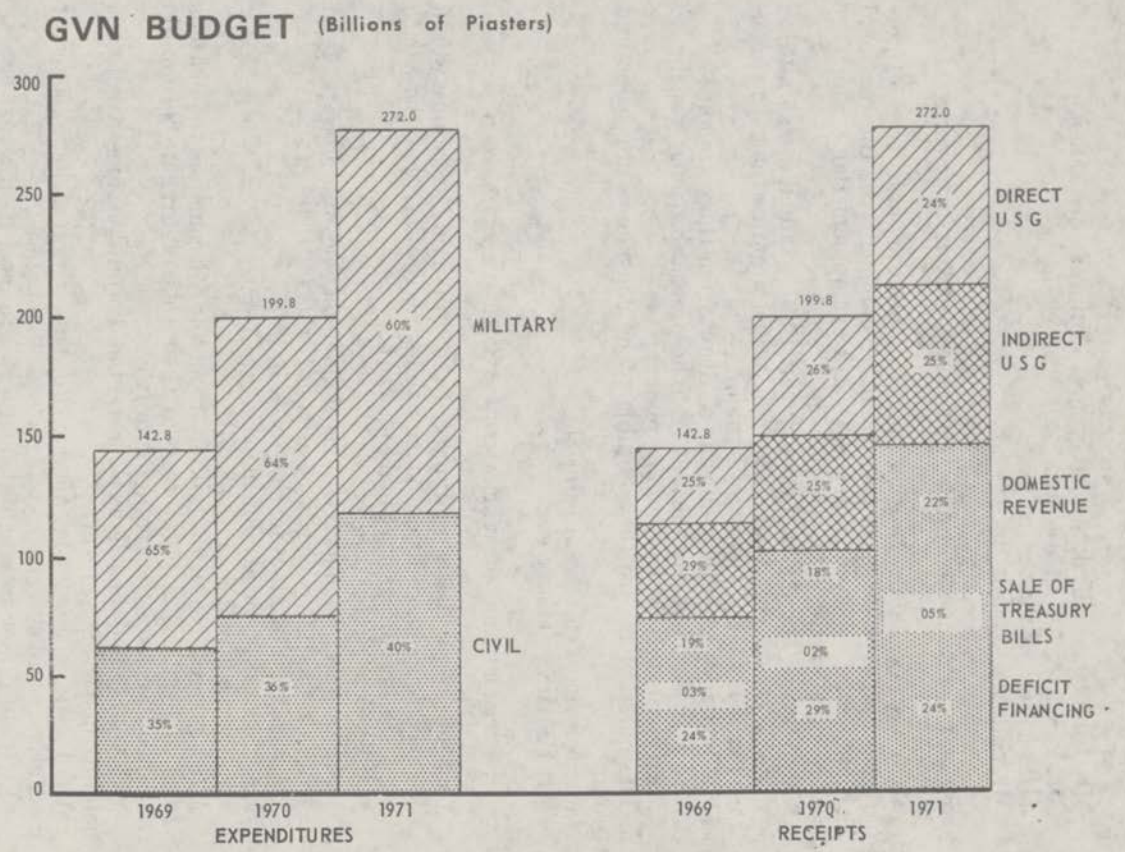
Mr. NOOTER. Yes—a Honda is a vital item of transportation in most cases there. But out of their $700 million worth of total imports, I think you would find not more than $25 million which would be considered luxury type items.

BUDGET OF THE VIETNAMESE GOVERNMENT

Mr. SHRIVER. Last year the committee received a chart showing the budget of the Government of Vietnam, where the money came from, where it went, for 1969. Would you provide similar charts for 1970 and 1971?

Mr. NOOTER. We will be glad to provide that for the record.

(The information follows:)


GVN BUDGET (Billions of Piasters)
300
250
200
150
100
50
0
142.8
199.8
272.0
65%
64%
60%
35%
36%
40%
MILITARY
CIVIL
1969
1970
1971
EXPENDITURES
142.8
199.8
272.0
25%
26%
24%
29%
25%
25%
19%
18%
22%
03%
02%
05%
24%
29%
24%
DIRECT U S G
INDIRECT U S G
DOMESTIC REVENUE
SALE OF TREASURY BILLS
DEFICIT FINANCING
1969
1970
1971
RECEIPTS

Mr. SHRIVER. I think probably my 5 minutes are taken.
Mr. PASSMAN. Off the record.
(Discussion off the record.)
Mr. SHRIVER. Thank you.

INTERNATIONAL LENDING INSTITUTIONS—PROGRAMS IN VIETNAM

Mr. PASSMAN. Do the International Finance Corporation, the International Bank for Reconstruction and Development, the International Development Association and the Asian Development Bank, which are foreign aid agencies, have programs in Vietnam?

Mr. NOOTER. The Asian Development Bank granted a $2.5 million loan to Vietnam this past year. The other organizations you mentioned have not made loans to Vietnam.

Mr. PASSMAN. Are they eligible to draw from those spigots?

Mr. NOOTER. They are members of those organizations; yes, sir.

Mr. PASSMAN. That was not my question.

The question is, are they eligible to be considered for loans and grants?

Mr. NOOTER. Yes, they are eligible.

Mr. PASSMAN. Thank you.

PERCENTAGE OF VIETNAMESE INCOME SPENT ON FOOD

I would assume that a good part of the supporting assistance would go to pay for commodities, consumables, necessities, that the South Vietnamese heretofore have had to import.

Mr. NOOTER. That is correct.

Mr. PASSMAN. What percentage of their income would be spent, let us say, for food? Do you have any statistics on that?

Mr. NOOTER. You are referring to——

Mr. PASSMAN. Consumable income.

Mr. NOOTER. From the import bill?

Mr. PASSMAN. No. I am talking about the Vietnamese, the citizens of the country; what percentage of their total aggregate income do they spend for food, the average family?

Mr. NOOTER. I do not have a figure, but I would assume it is in the neighborhood of 25 percent.

Mr. PASSMAN. I ask that question for this reason: I have looked at the statistics and observe in your statement on page 3:

"Vietnam is now producing enough rice to meet its internal needs."

Now barring any other considerations, that would be sufficient for this Congress to make a reduction below that of last year. I guess there are other factors you would have to take into account and we would have to take into account, but comparing the necessities of last year against this year, with this improvement, that within itself would indicate they would not need as much money for food, would it not?

Mr. NOOTER. They will not need as much money for the importation of rice; yes, sir, that is correct.

Mr. PASSMAN. Is that not their main diet?

Mr. NOOTER. That is their principal staple, yes, sir.

Mr. PASSMAN. Yes; thank you.

PEOPLE UNDER CONTROL OF VIETNAMESE GOVERNMENT

On page 5: you state: "The government now claims to have effective control over 94 percent of all the people in Vietnam."

Do you have good supporting statistics on that?

Mr. NOOTER. Yes, sir.

Mr. PASSMAN. That is certainly an improvement over the previous year, is it not?

Mr. NOOTER. Yes; it has improved greatly over the last 2 years.

TOTAL U.S. ECONOMIC AID TO VIETNAM

Mr. PASSMAN. Now on page 6 of your statement, I notice that you mention an economic support fund of $150 million, would you describe that?

Mr. NOOTER. Yes, sir.

The total import bill in Vietnam over the last several years has been in the neighborhood of $700 million.

Mr. PASSMAN. Yes.

Mr. NOOTER. Of that the commercial import program, the CIP as we call it, has provided around——

Mr. PASSMAN. What program?

Mr. NOOTER. The commerical import program, CIP, has provided around $250 to $270 million of that amount. An additional $100 or $120 million has come from the Public Law 480, title I program.

Mr. PASSMAN. Now that is in addition, of course, to your request, the Public Law 480 and others?

Mr. NOOTER. That is correct, Public Law 480 is in a different budget.

Mr. PASSMAN. Could you place in the record at this point a recapitulation of the total aid minus military that is going into Vietnam from all spigots?

Mr. NOOTER. Yes, sir.

Mr. PASSMAN. Because I would assume that as you move up with your requests, the other agencies are likewise allocating more of their funds, are they not?

Mr. NOOTER. The principal elements are economic aid, Public Law 480, and the indirect economic assistance that comes from the Defense Department. The first group is going up, the second is trending downward, and the third is going down substantially.

TOTAL U.S. AID TO VIETNAM

Mr. PASSMAN. That is my next question, but let's finish this one first. We do want to place at this point in the record the total U.S. aid from all spigots going into Vietnam.

Mr. NOOTER. Yes.

Mr. PASSMAN. We know the others. I am not wealthy but I could put up as much as the other countries are doing.

We made the record abundantly clear yesterday. We were told the Japanese in that area, especially the area we examined on yesterday, are following the same procedures they had in previous years; by providing aid at high interest rates and on short terms.

I am interested in what we are putting in, not the little token gifts of a few of the others. We recognize most of them are loans.

I wish you would, when you place this total in the record, also place in the record a comparable chart of last year's grand total under all spigots. That will not be too much trouble, will it?

Mr. NOOTER. No; we will provide that.

(The information follows:)

	Fiscal year—	
	1971	1972
AID—Supporting assistance	$396,000,000	$565,000,000
Public Law 480—title I and II	141,000,000	85,000,000
DOD—AID—DOD realinement	95,000,000	80,000,000
Total	632,000,000	730,000,000

REDUCTION IN U.S. PERSONNEL IN VIETNAM

Mr. PASSMAN. We move on to page 6 of your statement where you state: "We are turning over responsibility for jointly funded projects to the Vietnamese as rapidly as possible."

Do we still audit the U.S. portion?

Mr. NOOTER. Yes, we do.

Mr. PASSMAN. Your own auditors?

Mr. NOOTER. Yes, with U.S. auditors.

In fact, we just increased our audit staff in Vietnam during these past several months.

Mr. PASSMAN. On page 7, again I quote: "Direct hire U.S. employees in economic assistance programs in Vietnam will decline from 2,381 in 1968 to about 1,360 by the end of fiscal year 1972."

This simply means that you are moving from direct hire over to contract hire?

Mr. NOOTER. No, sir, our contract people will decline also, from 340 in fiscal year 1971 to 281 in fiscal year 1972.

Mr. PASSMAN. How are you going to be able to administer a much larger program with such a large reduction in personnel?

Mr. NOOTER. This is because of the nature of the program. Those programs which involve substantial technical assistance in health, logistics, refugee relief support, and so on, are able to decline as the war winds down. The large numbers of U.S. personnel needed for these programs have been declining.

At the same time, our overall economic support is going up, but this does not require as many U.S. personnel to administer.

Mr. PASSMAN. Then it would be incorrect to assume that it is not because there are more of the South Vietnamese being trained to administer parts of the program?

Mr. NOOTER. The decline in our people in these technical assistance programs is possible because the Vietnamese, having been trained over the last several years, are taking them over. They run the refugee program almost entirely on their own now with some advice and assistance from us, but mainly with their own personnel.

Mr. PASSMAN. I am not criticizing the reduction, because in all probability, all of these programs have triple the number they need to do

a creditable job. I am not directing this to you, I am talking about the overall, because you have some different brands of employees, but when you put it on an adding machine, you run up to about 59,000 employees that are on these payrolls.

I am not recommending that you continue this program, but I wish you would put something in the record of the type of personnel that you are transferring out, where it has a direct bearing on the commodities you are shipping in, because it would appear to me if you are increasing the program you certainly would need the same number to administer it.

I wish you would give us some information on that in the record.

Mr. NOOTER. We will do that.

Mr. PASSMAN. If it is a question that you have been overstaffed and you are taking out the deadwood, do not be bashful, put it in the record, okay?

Mr. NOOTER. I will.

Mr. PASSMAN. I would assume you would go light on that, but touch on it briefly because we have some statistics that will indicate there has been an awful lot of deadwood there. In the interest of time, we will not go into it. We will leave it up to you to put something in the record.

Mr. NOOTER. We will do that.

(The information follows:)

PERSONNEL REDUCTION

We believe that the proposed personnel reductions are compatible with the budget increases requested and should not affect the Mission's ability to maintain proper control over the funds. The additional funds are to be applied through the commercial import program and the economic support fund. Personnel responsible for the management of these funds will remain at substantially the present levels throughout the coming year.

The substantial personnel withdrawals will be from our project program which will be reduced to $90 million. For example, improved Vietnamese performance in several logistics activities will permit us to reduce our technicians by about half during fiscal year 1972. But these reductions of technical personnel should not effect the Mission's ability to manage CIP and economic support funds.

PROBLEMS WITH THE COMMODITY PROGRAM IN VIETNAM

Mr. PASSMAN. Now, on page 12:

"During the rapid buildup of the Vietnam program in 1965 and 1966, it was difficult to control the sudden influx of commodities, which exceeded the Port of Saigon's ability to handle and process them. Also, the turmoil caused by the instability of the political and security situation made sound program management very difficult. Over the last several years most of these problems have been overcome."

I would assume not all of them.

Mr. NOOTER. We still have occasional problems.

Mr. PASSMAN. Quoting further from the first part of your statement on page 12, paragraph 2: "During the rapid buildup of the Vietnam program in 1965 and 1966, it was difficult to control the sudden influx of commodities." Does that not indicate that we went overboard in shipping commodities that you could not consume wisely into the economy?

Mr. NOOTER. Not necessarily.

The pressures of the war and the security situation at that time made rapid action imperative. The fact that procedures and personnel were not established to provide the control that we would like did not mean that the materials themselves were not necessary.

Mr. PASSMAN. Mr. Nooter, I think you just had warehouses loaded up to the beams with more shiploads coming in and you had goods running out of your ears over there. We cannot discount all of those reports.

Mr. NOOTER. No, we certainly cannot.

Mr. PASSMAN. So it means you shipped more than you should have.

I am not being critical because you were facing a difficult problem there, but a lot of it turned into waste and created a very bad impression upon the South Vietnamese. When they needed an item, you would ship 50 of them, and they got the bad impression that this stuff was pulled off a Christmas tree somewhere.

Did you not have a lot of disappointments?

Mr. NOOTER. I agree with you that happened in some cases.

Mr. PASSMAN. I am glad you agreed. I hope you will take all the slack out that you possibly can, because after all, we are having to borrow this money. I do not think we should fund the program over the very minimum amount.

VIETNAMESE STANDARD OF LIVING

I think they can appreciate our presence more and appreciate our aid more if we cut it down to the bare minimum. I think we all know that we can build up a tremendous standard of living to where it would be absolutely impossible for these people to maintain that standard after we pull out. You do not disagree with that, do you?

Mr. NOOTER. I think that they can come very close to maintaining the present standard.

Mr. PASSMAN. The standard of living they have now?

Mr. NOOTER. Yes; given the potential of the economy.

Mr. PASSMAN. They have a bar every three blocks, do they not, with a private band playing for a lot of nationals there; the best brands of booze, the best brands of cigarettes, and the prettiest girls. Is it not running rampant?

Mr. NOOTER. Some of this that you refer to is a reflection of our own military presence there.

Mr. PASSMAN. That does not alter the correctness of my statement.

Mr. NOOTER. No, sir.

Mr. PASSMAN. They are eating high on the hog and they cannot maintain that standard after we pull out, can they?

Mr. NOOTER. No; they will have some austerity to put up with when we leave.

Mr. PASSMAN. Then I think it is time to start cutting it down because I am thoroughly convinced that the President is getting us out of this war with all the rapidity he can with any degree of safety.

NUMBER OF U.S. TROOPS IN VIETNAM

I was most impressed with the briefing we had at the White House this morning. I think you had an authorized strength of 600,000——

Mr. SULLIVAN. 549,500.

Mr. PASSMAN. No, that was the number we peaked at, but you had an authorized strength of 600,000.

Mr. CONSTANT. The highest ceiling was 549,500.

Mr. PASSMAN. OK, but your number of troops on Vietnam soil reached 543,200.

Mr. SULLIVAN. Right.

Mr. CONSTANT. Right.

Mr. PASSMAN. You are now down to 248,000.

Mr. CONSTANT. That is correct.

Mr. PASSMAN. To me that is a great accomplishment. I would not know why each and every one of the 206 million Americans would not support the President, including those men in the other body that are running for the Presidency.

I mean that. Then you look at the cost, you have dropped from $30 billion down to $14.7 billion, have you not?

Mr. NOOTER. That is correct.

Mr. PASSMAN. I just do not know how one person could criticize this President for that progress. Regardless of what others may say, we had better train the Vietnamese to give us some protection as well as themselves, because when we get down to the final 50,000 or 75,000, it could be another Dunkirk. We had better not take that chance. I think we had better start winding this thing down to the greatest extent that we can with reasonable safety.

I would like at this time to yield to the lady member of our committee, Mrs. Reid.

Off the record.

(Discussion off the record.)

Mrs. REID. Thank you, Mr. Chairman.

INCREASES IN THE COMMERCIAL IMPORT PROGRAM IN VIETNAM

Mr. Nooter, in view of the fact that any increases are always a subject of interest to Congress, would you elaborate on the increase in the commercial import program from the $270 million to $300 million?

Mr. NOOTER. Yes; I will be glad to. As a matter of fact, this and the request for the economic assistance fund both relate to declines in other direct or indirect economic support that has been available to the Government of Vietnam in prior years.

Public Law 480, title I sales provide a portion of the general support for Vietnam. The requirements for Public Law 480 commodities are reduced in 1972, as their own production in the countryside has gone up. More important, the Defense Department dollar expenditures for piasters needed for U.S. military operations in Vietnam, will be declining by about $150 million in fiscal year 1972, as our troops withdraw.

The increase in our economic aid program is really an effort to ease the effect of the decline in the Defense Department spending, in order to permit the Vietnamese to continue to import around $700 million worth of goods which they need to maintain their economy, to maintain their budget and, most important, to maintain their military establishment as they take over more of the burden of the war.

The total U.S. economic resources available to Vietnamese, and available to finance imports into Vietnam will not be increasing. The source of the financing will be changing from the Defense Department to AID.

U.S. MILITARY EQUIPMENT LEFT IN VIETNAM

Mrs. REID. As our troops continue to leave Vietnam—and I have no doubt that they are going to continue—they certainly will be leaving behind a tremendous amount of equipment, facilities. To what extent can this equipment be converted to civilian use?

Mr. NOOTER. It can be useful to some extent. We have several people on our staff who work full time to examine military bases which we have been occupying and are now leaving, and to examine the excess commodities and equipment which our military no longer needs as they withdraw, to see what portions of this can be adapted to our AID program, and where we can substitute these commodities and equipment for AID funds.

Last year we used about $18 million worth of this equipment in the AID program. There will be some limited use of bases for industrial development purposes. We are very much alert to the problems and opportunities here. We are working on them.

Of the total amount of our military aid to Vietnam, of course, only a small fraction really would be adaptable for civilian use. But some will be and we will be taking advantage of whatever we can.

Mr. SULLIVAN. The record should show that a great deal of the military equipment we have over there now, we are going to try to bring back to the United States, to use in our military establishment elsewhere. Some 3 million tons we will try to bring back to this country. So we are not going to be leaving everything behind.

Mr. NOOTER. Also, there is a program to use excess equipment in the United States from domestic programs here. AID does not administer that program but that is going on at the same time.

Mrs. REID. It will take quite a while to take this equipment back.

Mr. SULLIVAN. Yes; it is one of our major logistics problems in the business of moving out.

Mr. PASSMAN. To a very large extent you would be transferring some of this equipment to nations in that part of the world who are recipients of our grant aid under the military assistance program; would you not?

Mr. NOOTER. Yes, sir.

Mr. SULLIVAN. Some of that portion which is declared surplus or excess.

Mr. PASSMAN. But you certainly would not be shipping equipment back to the United States and then in turn shipping it to Korea?

Mr. SULLIVAN. No.

Mr. PASSMAN. You do have an excess program in Vietnam?

Mr. SULLIVAN. Yes, sir.

Mr. PASSMAN. A lot of that equipment can be used in Korea, can it not?

Mr. SULLIVAN. That is correct.

JAPANESE AID TO VIETNAM

Mrs. REID. You mentioned the $35 million as the total other countries are putting into South Vietnam. Are there any prospects that other countries will start sharing the burden of our large expenditure to a greater extent?

Mr. NOOTER. Japanese aid has been increasing a little, although, not as much as we think is desirable, especially in view of their interest in that area. Their aid last year was in the order of $19 million out of $35 million from non-U.S. sources.

We are in contact with the Japanese, as are the Vietnamese, on future plans. We believe their aid will be increasing somewhat in 1971.

Beyond that, we of course hope that their aid will go up farther and faster. At this time I cannot guarantee that that will be the case. We certainly are pursuing this.

DURATION OF ECONOMIC ASSISTANCE TO VIETNAM

Mrs. REID. How long do you feel we are going to have to continue economic assistance to Vietnam?

Can you estimate that?

Mr. NOOTER. I do not think I can make an estimate of a precise number of years because there are too many variables. As I mentioned in my statement, as our military makes another downward step and continues to reduce its dollar spending in Vietnam, it seems clear that there will be an increased requirement for economic aid in fiscal 1973. Beyond that, we think it can start going down.

Mrs. REID. Beyond 1973?

Mr. NOOTER. Beyond fiscal 1973. The rate will depend on how large the Vietnamese budget is, how big their army has to be, how much economic development they can get going, and so on.

Personally, I think the country has a great economic future, just like Taiwan and Korea. It has the people, the capacity, and the natural resources to do very well economically, but they do need security and they do have a large military burden to bear for some years to come.

Mrs. REID. Thank you, Mr. Chairman.

Off the record.

(Discussion off the record.)

Mr. PASSMAN. I hope that you gentlemen are not building up a case for our country to continue borrowing money to support a program in South Vietnam merely to maintain a high standard of living for the people there.

Now, if peace comes to that part of the world and the other countries get back on their own, with the exception of maybe loans and some technical aid, I would not know why South Vietnam could not do likewise. You and I know it is impossible for the people in that part of the world to maintain the same standard of living that we have in the States. A lot of them are coming pretty close to it at this time.

You know they are waxing fat in wealth. Maybe that is in their favor, that they are using our system of free enterprise to live well and

no doubt accumulate savings and in all probability a lot of them are being transferred out of the country. There has been a lot of progress made in checking that, though, has there not?

Mr. NOOTER. Yes.

FUTURE AMERICAN FOREIGN AID

Mr. PASSMAN. But do not take them too fast, gentlemen, because, believe me, this aid bill is in trouble.

However, we are committed in this area and this is a part of the President's program, the Vietnamization, so as to get the troops out. But do not be betting high stakes that you people are going to be able to maintain the same type of program out in that part of the world that you have had since the inception of the aid program because the American people are not going to tolerate it. They are just not going to do it.

You will see that history is going to prove that I am correct, when it is written, that these people are going to have to get back on their own, because, as we discussed yesterday, we moved this program into 123 nations of the world and we put a foreign aid umbrella over 3.4 billion people minus only 36 million. That is the number that did not get in on this grab bag, 36 billion people out of 3.4 billion.

I was somewhat impressed yesterday by the distinguished Controller's estimate that we may be able to cut off one nation in fiscal 1972 and I believe that it was Norway. What great progress?

I hope we can start eliminating more than one a year. If we do not, I will not live long enough to see us conclude this program unless the Congress acts for me.

ECONOMIC AID PROGRAM FOR VIETNAM FISCAL YEAR 1970–FISCAL YEAR 1972

Would you provide a table for the record showing the actual fiscal 1970 program, also the fiscal 1971 program and the proposed program for fiscal 1972 for Vietnam?

Mr. NOOTER. We will do that.

Mr. PASSMAN. Showing the amount to be allocated to the six component parts, and making the table all-inclusive, if you will, so we will know the amount that they are getting from other spigots.

I wish you would include also in that table the amount that they are getting in economic aid out of the Defense budget. There is a substantial amount of economic aid, as such, in the Defense budget, is that not correct?

RELATIONSHIP OF MILITARY AID TO ECONOMIC AID

Mr. NOOTER. If I could clarify, in the first instance those Defense expenditures are related to military operations in Vietnam.

Mr. PASSMAN. I am not talking about that. I am talking about purely an economic section in the Defense budget on foreign aid. I think it was $117 million last year.

Mr. NOOTER. These expenditures do have a secondary effect, which is economic.

Mr. PASSMAN. They might have a lot of effect, I am not talking about that. I am talking about the pure facts of life, that this year

you have $90.9 million in the Defense budget for purely economic aid, regardless of how much merit, that is a statement of fact, is it not?

Mr. NOOTER. Yes, sir, in areas which are related to the military operations.

Mr. PASSMAN. Everything is related to the military, whether it is a barbershop, drugstore or machinegun factory, is it not? If you have a military program, is not everything related?

Mr. NOOTER. In some sense, yes, sir, in a war.

Mr. PASSMAN. In some sense then.

I do not like to argue with you, but I do not like to see you brush off my statement about economic aid in the Defense budget. This is just another little place to hide it.

We have been able to put our finger on it. I am not directing this at you. I am talking about the overall program, the weaknesses of it and the way, not you, but others connive to hide it in little pockets where we just have to work overtime to put it all together.

We know what the total economic aid is, we want to know what part of the $90.9 million is for your area? The military part in the Defense budget is $2,250,800,000. At one time the entire military assistance program was carried in this subcommittee, but they transferred it out, as you know, until we are down to a rather small figure. I am interested this time in having whatever part South Vietnam gets out of this $90.9 million; put it in the record along with the other spigots. At least the request is clear, is it not?

Mr. NOOTER. Yes, sir, we will show all those things that have any relationship to the economic program that are in the military budget.

(The information follows:)

U.S. ASSISTANCE TO VIETNAM

[In millions of dollars]

	Fiscal year—		
	1970 actual	1971 estimated	1972 proposed
AID:			
Commercial import program	238	270	300
Economic support fund			150
Project program	116	101	90
Land reform		15	15
Administration and program support	12	10	10
Subtotal AID funded assistance	366	396	565
DOD: AID–DOD realinement	78	95	80
Total economic assistance	444	491	645

UNEXPENDED BALANCES FOR VIETNAM

Mr. PASSMAN. What is the present unexpended balance for the total Vietnam program?

Mr. NOOTER. At present, the total pipeline, which we estimate for June 30, 1971, is $358.9 million.

Mr. PASSMAN. Is that just in supporting assistance?

Mr. NOOTER. That is all supporting assistance.

Mr. PASSMAN. I say that is in just the one spigot?

Mr. NOOTER. This is just in supporting assistance.

Mr. PASSMAN. What I want is an all-inclusive figure.

Mr. NOOTER. You are referring to the military budget?

Mr. PASSMAN. Not military, all spigots of economic aid, because you have economic aid in the military budget, as we well know, and just established for the record; you also have Public Law 480 goods.

Mr. NOOTER. We will get the——

Mr. PASSMAN. Can you not give us an estimate now? You have a lot of assistants here. We want to get a general idea what the total amount in the pipeline from all these spigots is because, as far as I am concerned, aid is aid no matter what the program is called.

Mr. NOOTER. The Public Law 480 pipeline appears to be $59.5 million; we will have to obtain the military pipeline.

Mr. PASSMAN. How about your bilateral technical aid?

Mr. NOOTER. That is all included in the SA number.

Mr. PASSMAN. What is SA?

Mr. NOOTER. Supporting assistance funds.

Mr. PASSMAN. OK. Occasionally spell that out because some people who read this record do not know what the devil you are talking about.

I understand that there are over 2,000 abbreviations for programs in the Government.

What is your estimated unobligated balance as of June 30?

Mr. NOOTER. We estimate that the unobligated balance will be zero at June 30.

Mr. PASSMAN. That is what you call a good operation, is it not? You will not even have $3 left over.

Mr. NOOTER. We believe we will use up all the funds we have this year.

Mr. PASSMAN. Let me know what you obligate the last $5 for, will you?

Mr. NOOTER. Yes, sir.

Mr. PASSMAN. I would like to know what kind of operation you have because we might just appoint you chief supervisor of this entire aid program if you can fit your needs right down to where there is not a dollar left and be fully funded.

DEOBLIGATIONS OF AID MONEY IN VIETNAM FOR FISCAL YEAR 1971 AND ESTIMATED FOR FISCAL YEAR 1972

What did you say you would deobligate in fiscal 1971?

Mr. NOOTER. We estimated we would deobligate, from Vietnam supporting assistance funds, approximately $35 million.

Mr. PASSMAN. You know $35 million is a lot of money, is it not?

Mr. NOOTER. Yes, it is. That was taken into account, of course, when we submitted our request for fiscal year 1971.

Mr. PASSMAN. You always take that into account. Some day you might be fooled, we may not give it to you.

Mr. NOOTER. Our actual deobligations will be more like $25 million.

Mr. PASSMAN. You said you would deobligate $35 million.

Mr. NOOTER. We estimated that we would. Our actual deobligation will be somewhat less.

Mr. PASSMAN. You are talking about last year.

Mr. NOOTER. Fiscal year 1971, yes, sir. Our estimate for fiscal year 1972 for the total supporting assistance program is around $45 million.

Mr. PASSMAN. $45 million. How many projects will be terminated in fiscal year 1971?

VIETNAM PROJECTS TERMINATED IN FISCAL YEAR 1971

Mr. NOOTER. We will be terminating two projects in fiscal year 1971.

Mr. PASSMAN. What projects are they?

Mr. NOOTER. The airlines advisory assistance.

Mr. PASSMAN. How much?

Mr. NOOTER. You are referring to the fiscal year 1971 amount or total?

Mr. PASSMAN. Whatever you are talking about.

Mr. NOOTER. There will be no funding request.

Mr. PASSMAN. You say you terminated this project. Was it brought to a completion or was it unwisely funded to start with?

Mr. NOOTER. This was brought to a completion.

Mr. PASSMAN. All right. Now the other one.

Mr. NOOTER. The Saigon water project, which also was brought to completion.

PROJECTS AND SUBPROJECTS IN VIETNAM

Mr. PASSMAN. You have over 1,000 projects of different types, do you not, and subprojects?

Mr. NOOTER. We have 49 projects in Vietnam.

Mr. PASSMAN. That is major projects, but they branch off into subprojects.

Mr. NOOTER. Some of those projects have what you might call branches, yes, sir.

Mr. PASSMAN. That is what I thought, because worldwide there are 4,416 projects. It will be updated this year if I can get someone to help me count them up using the estimates from testimony given to the committee.

Would you have any idea how many subprojects there are to the basic projects?

Mr. NOOTER. They are not divided as to separate subprojects.

Mr. PASSMAN. I know. We think of the Department of Agriculture as only one Cabinet post, but I understand there are hundreds of branches and bureaus under it. That is what I mean by subprojects. Almost every office you go into downtown, you have some man heading a little agency of some department. That is what we are trying to find out. Give us the best estimate you can.

Mr. NOOTER. We will.

(The information follows:)

PROJECTS IN THE VIETNAM AID PROGRAM

The fiscal year 1972 proposals to the Congress include 49 projects. While we do not identify subprojects as such, these 49 projects do include over 100 units of management.

As one example, Project 730-11-140-291, agriculture credit and agricultural organizations seeks first to develop a credit system and second to develop a marketing system. The two are interdependent if also distinct.

Mr. PASSMAN. You have had some projects going for many years and you are still funding them, is that not correct?

Mr. NOOTER. Yes, we have.

Mr. PASSMAN. Do you have any development loan funds in your area?

Mr. NOOTER. No. Our entire program at this time is in grant funds.

Mr. PASSMAN. Grants.

PARTICIPANTS IN VIETNAM

How many participants do you have, and what is the average cost, for fiscal 1971.

Mr. NOOTER. We funded a total of 1,156 participants in fiscal year 1971 and the average cost per participant was $4,055.

Mr. PASSMAN. That means Vietnamese that you are sending either to the United States or third countries?

Mr. NOOTER. Yes.

Mr. PASSMAN. What is the average age group?

Mr. NOOTER. I do not have a number on that, but they would generally be in their early twenties.

Mr. PASSMAN. Have they served their hitch in the Army before getting one of these juicy overseas vacations?

Mr. NOOTER: Mr. Westwood tells me that he thinks a number of them are in older age groups as well.

Well, I do not have any numbers on how many have been in the Army, but these are all people who are in civilian status with the approval of the Government, either because they have technical skills or they are providing valuable services to the Government.

Mr. PASSMAN. Until the Nixon administration—and I do not want to be overcomplimentary, but I do want to be fair—these Vietnamese just served at their will? If they did not like the service, they would go home, open up one of these honky-tonks, would they not? Was not a lot of that going on?

Mr. NOOTER. I suppose there was some draft evasion going on.

DRAFT SYSTEM IN VIETNAM

Mr. PASSMAN. They did it with the approval of the local people. How about their draft system there now? Are young men, physically able, required to serve?

Mr. NOOTER. Yes, they are.

Mr. PASSMAN. How long?

Mr. NOOTER. They do not have a termination age on their military services.

Mr. SULLIVAN. The Mobilization Act that you are speaking of went into effect in 1968 and this is an indefinite period of service. These people who are not considered either exempt from the draft or put into a category, which many of these people are, which is a Reserve training category; that is to say, they take a few months and get training but then come back and do a civil job because the Government assumes that is more valuable than their being in the military service.

Mr. PASSMAN. That must be a splendid consideration to give these youngsters. I guess your political influence would have a lot to do with whether or not you fit into those categories, would it not?

Mr. SULLIVAN. It is supposed to be their technical competence.

Mr. PASSMAN. Technical. I like that word.

Mr. SULLIVAN. Whether they have an education and training that makes them eligible.

Mr. PASSMAN. In 1968, they did whatever they pleased.

Mr. SULLIVAN. There was pretty loose administration.

Mr. PASSMAN. You know it is a shame; I hate to see this in the record; to think we sacrificed some of the precious youth of this country and so much of our resources, having knowledge that those people were doing whatever they please. If they wanted to serve, all right, if they did not, they would go fishing or open up a honky-tonk.

That was just about the situation until the end of 1968, is that not right?

Mr. SULLIVAN. 1968 was when the mobilization went into effect.

Mr. PASSMAN. I think it is ridiculous. There is not a thing we can do. That bridge has been crossed.

But they are tightening it up today.

Mr. SULLIVAN. Very much so; yes, sir.

TOTAL AMOUNT OF U.S. ASSISTANCE GIVEN TO VIETNAM

Mr. PASSMAN. I wish you would place in the record at this point the total U.S. assistance given to Vietnam since the beginning of our aid program. I am speaking now beginning with President Diem, because I think most people know we financed the French about 75 percent of the cost of that conflict, did we not?

Mr. NOOTER. That is my understanding, some portion.

Mr. SULLIVAN. Yes, sir.

Mr. PASSMAN. If you have an estimate as to how much money we poured in there supporting the French, put that in the record, and also from the beginning of our new program.

I think President Eisenhower signed the first Economic Pact in 1956.

Mr. NOOTER. I think our aid program started earlier than that, perhaps 1954.

Mr. PASSMAN. I think it was 1956 that the first Economic Aid Pact was signed, but anyway, if it is 1954, put it in since 1954.

Mr. SULLIVAN. There was an original one in 1951. I think the one you are referring to of President Eisenhower was in 1954; yes, sir.

Mr. PASSMAN. 1954 or 1956.

Whatever the date is, put it in the record. Here is what we want and it is going to require a little research. The total amount of economic aid, all spigots, including international organizations, which would be the so-called International Bank for Reconstruction and Development, the International Finance Corporation, the International Development Association, the Asian Development Bank, or any of these other agencies that we contribute all or part to.

Then, if you will, put in that table the economic aid out of the military budget. I want to be sure that is put in, because I think a chunk of it is going to South Vietnam.

Then another figure showing the military assistance cost, and finally, an estimate on the cost of our Defense Department.

I think those estimates are available, are they not?

Mr. NOOTER. You are referring to the U.S. Defense Department's operation in Vietnam?

Mr. PALSSMAN. Yes, what it cost.

Off the record.

(Discusion off the record.)

Mr. NOOTER. Yes, sir.

(The information follows:)

Total U.S. assistance to Vietnam since 1955

	Millions
AID and predecessor agencies, 1955–71	$4,385
Public Law 480, 1955–71	982
MAP, 1955–66	1,482
Military assistance service funded, 1966–71	81,000
AID—DOD realignment projects—included in military assistance service funded	(343)

During the period 1950–55, the United States provided $778 million in economic assistance and $464 million in military assistance to the Associated States of Indochina, Vietnam (South and North), Laos, Cambodia. No break-out by present country is available.

The U.N. development program and other U.N. specialized agencies have provided $11 million to Vietnam during 1952–71. The Asian Development Bank has provided a $2.5 million loan for fisheries development.

The International Bank for Reconstruction and Development, the International Finance Corporation, and the International Development Association have not had programs in Vietnam.

The total cost of U.S. military operations in Vietnam since 1965 is estimated to be $120 billion.

THIRD-COUNTRY TECHNICIANS IN VIETNAM

Mr. PASSMAN. Are you proposing to use any third-country technicians this year?

Mr. NOOTER. Yes.

Mr. PASSMAN. How many?

Mr. NOOTER. We have 387 third-country technicians.

Mr. PASSMAN. Would you place in the record at this point what countries you will be sending them to?

Mr. NOOTER. What countries they are from?

Mr. PASSMAN. Third countries——

Mr. NOOTER. These are Koreans and Filipinos working in Vietnam for us.

Mr. PASSMAN. I see, but you also have another group that you send out to third countries, do you not—the participants?

Mr. NOOTER. We will include the participant number, also.

Mr. PASSMAN. All right.

This is the technicians.

(The information follows:)

THIRD-COUNTRY TECHNICIANS

During fiscal year 1972 approximately 400 technicians from Korea and the Philippines will be employed in AID activities in Vietnam.

THIRD-COUNTRY PARTICIPANT TRAINING

We proposed to send 410 participants to the following third countries: Taiwan, Philippines, Thailand, Singapore, and Korea.

RECRUITMENT OF THIRD-COUNTRY TECHNICIANS IN VIETNAM

Mr. PASSMAN. How are the technicians recruited from other countries to be used in South Vietnam?

Mr. NOOTER. Sometimes they are employed right in Vietnam, they are aready living there and employed by the mission. In some cases they are employed under contract by contracting companies which furnish people with particular skills to us.

TAXES AND RENTS IN VIETNAM PAID BY AMERICANS

Mr. PASSMAN. Does the U.S. Government, or U.S. personnel, civilian or military, have to pay the Government of Vietnam any taxes on goods being shipped to Vietnam?

Mr. NOOTER. No, we are exempt from Vietnamese taxes.

Mr. PASSMAN. Do we pay any rent for facilities being used by U.S. personnel?

Mr. NOOTER. When housing is rented from private Vietnamese, we do pay rents, yes, sir.

Mr. PASSMAN. Now at one time, did not the Vietnamese require that our government pay taxes on goods shipped in and pay rent on facilities that we occupied? There was quite a spread in the press about this some 2 or 3 years ago.

Mr. NOOTER. Mr. Sullivan may know the background on that.

Mr. SULLIVAN. What you may be referring to, Mr. Chairman, was a story 2 or 3 years ago that the United States might have been paying taxes that were being passed on to us because the people who owned the property were being taxed and they in turn were adding that tax increment to the rents that we were paying but, as far as I know, ever since 1951, under the pentalateral agreement, we have never paid duties on anything we imported or never paid taxes officially as the U.S. Government.

This is the only thing I do recall from a few years ago, sir.

Mr. PASSMAN. Our airbases and other bases are absolutely no cost to our country?

Mr. SULLIVAN. Yes, sir; taken over by eminent domain or provided free of cost.

Mr. PASSMAN. Do U.S. citizens have to pay income tax to Vietnam?

Mr. NOOTER. Not U.S. Government employees. Private U.S. citizens.

Mr. PASSMAN. Put it this way: What category of U.S. personnel in Vietnam pay income taxes to the Government?

Mr. SULLIVAN. U.S. personnel or citizens?

Mr. PASSMAN. U.S. citizens.

Mr. SULLIVAN. Those who are officially associated with the U.S. Government, either as direct hire or contract hire, do not pay income tax to Vietnam but to the United States. Those over whom we have no direct control, such as people who work for oil companies or people who work for airlines and that are living there, do have to pay income taxes to the Vietnamese Government.

Mr. PASSMAN. No reason why they shouldn't, but how about the Americans who have businesses in Vietnam; they come under Vietnam laws?

Mr. SULLIVAN. If they are there as independent businesses and not as contractors to the U.S. Government they do have to pay taxes.

Mr. PASSMAN. You do have quite a few American business people there, do you not?

Mr. SULLIVAN. We do have quite a few.

Mr. PASSMAN. Many other people have retail stores, do they not? Tailor shops?

Mr. SULLIVAN. Not Americans.

Mr. PASSMAN. No American business establishments there?

Mr. SULLIVAN. Yes. Foremost Dairy and others.

Mr. PASSMAN. Whiskey business and milk business, but you have them there?

Mr. SULLIVAN. They do pay taxes.

Mr. PASSMAN. Many of them?

Mr. SULLIVAN. They are obliged to pay taxes. I assume they do.

Mr. PASSMAN. They should pay taxes, but I wonder if the number is increasing because there is quite a lucrative market there, I understand.

We do have some there and they do pay taxes.

Mr. ROYBAL. Would you yield?

Since American personnel pay taxes, are they in any way reimbursed for the taxes that they pay as we find it to be the fact in some other departments of Government?

Mr. SULLIVAN. As I said, American personnel—by that I mean people associated with the U.S. Government—do not pay taxes to the Vietnamese Government. American citizens there in private business pay taxes and they are not reimbursed by the U.S. Government.

Mr. ROYBAL. I am talking about taxes paid to the U.S. Government. Are there situations in which American citizens working for an agency of the Government pay taxes but they get reimbursed, which in effect amounts to a nonpayment of taxes? Is that the situation there?

Mr. SULLIVAN. Not with anybody I know. I would like to find what that circumstance is of employees getting reimbursed for taxes.

Mr. ROYBAL. The thing you have to do is to become a member of the staff of the Inter-American Development Bank, World Bank, and other similar organizations.

Mr. SULLIVAN. Those are international organizations that have diplomatic status in the United States.

Mr. ROYBAL. Don't we have people of that category in Vietnam? My big objection is that American citizens working here in Washington and working for those agencies pay their income tax, so they say, but then the agency reimburses them for the amount of money that they pay. I was just wondering whether or not this gravy train also continues in your agency.

Mr. NOOTER. There are no people in that category in Vietnam.

Mr. ROYBAL. Thank you, Mr. Chairman.

Mr. PASSMAN. Off the record.

(Discussion off the record.)

Mr. PASSMAN. On the record.

You can get any kind of answer that you want if you are just careful about the way you ask your questions. We asked the question if they paid income taxes, and they said yes. By pursuing the line of questioning then, they stated that they get reimbursed for the full

amount. That in itself would erase any impression that you have that that is taken into account when they hire them, wouldn't it?

Mr. NOOTER. Yes, sir.

Mr. PASSMAN. Off the record.

(Discussion off the record.)

Mr. PASSMAN. On the record.

I yield the constitutionally required 5 minutes to Mr. Roybal.

LAND REFORM IN VIETNAM

Mr. ROYBAL. Mr. Chairman, I am interested in a broader explanation of what land reform means in Vietnam.

According to your testimony, there are 500,000 acres of land distributed to more than 150,000 farm families. How many people does that actually place in farms in Vietnam? One hundred and fifty thousand families could mean two to a family and it could mean more. Approximately how many people are accommodated by this action in land reform?

Mr. NOOTER. The average farm family would be four to five members, and so 4½ times 150,000 would give some idea of the number of people affected by the program so far.

Mr. ROYBAL. After the distribution of land is made, how are these farmers helped? What do we do to encourage their participation in the production of rice or any particular crop?

Mr. NOOTER. If I might explain the Vietnamese land reform which was passed last year, it provides for giving title to tenants who are presently occupying farmland. It also makes provision for veterans obtaining title, and so on. However, the first part and the most important part of the program is giving title to tenants on the land they are presently farming. Therefore, a farmer who receives title to his land is already working the land. He does not need any special help in getting settled in or building a house or building a well because he is already on the land and working it. He just does not have to pay rent any longer.

Mr. ROYBAL. How much rent or how much land is involved, 1 acre or 2 acres or 5 acres?

Mr. NOOTER. The law provides up to 3 hectares, which is 7½ acres, in the Delta, and up to 1 hectare, which is 2½ acres, in central Vietnam. The reason being that land is much more plentiful in the Delta area. One hectare is a small farm, but 1 hectare of riceland is enough for a family to get by on. It is just barely adequate.

Mr. ROYBAL. In the 150,000 families in question, was each family receiving 7½ hectares as a norm or was it receiving only the 1 hectare?

Mr. NOOTER. It would receive the amount of land they are presently farming, up to those limits.

Mr. ROYBAL. Suppose this farmer was more capable than the farmer next to him with only half the land, would he then, because he has shown certain capabilities, be getting more land than the one next to him?

Mr. NOOTER. He would get that amount which he was already farming. If he was farming 5 acres of land in the Delta area, where that is permitted within the limits, he would receive title to the 5 acres.

If his neighbor was farming a smaller amount he would get a smaller amount.

Mr. ROYBAL. I am trying to get the formula established for the distribution of land. There are two farmers. One only has 1 acre and the other has 2 acres. The one with 2 acres is not as diligent, not as good a farmer as the one with 1 acre. Is it the formula to distribute the land according to the amount of land that they now farm without some provision made for incentive?

Mr. NOOTER. The law now provides for distributing it on the basis of the land they are working. Frankly, I think that is a wise provision for a number of reasons. A farmer who had to pay rent on a certain amount of land had to be able to farm it sufficiently well to pay that rent. Therefore, the amount of land that he was farming is a reflection at least to some degree on his efficiency as a farmer.

I would think that any provision that tried to set up some sort of adjudication on an administrative basis as to which farmer was the most productive would be extremely difficult to administer.

Mr. ROYBAL. What happens is that the poor farmer remains a poor farmer?

Mr. NOOTER. All farmers who received title no longer have to pay rent. That is the principal objective of the bill.

Mr. ROYBAL. I understand that, but I would rather not pay rent on 2 acres than not pay rent on 1 acre.

Mr. NOOTER. Agreed. Given the complexity of a program of this kind, though I don't know any way that would be feasible to administratively determine which farmer would be entitled to what land. One of the virtues of the present system is that it is extremely functional. A man gets title to the land that he has already demonstrated he is capable of operating. It does not require taking land away from other farmers in order for him to get a particular share. In that sense it is really a very sensible system.

Mr. ROYBAL. This is not the formula used for land reform in Chile and other countries. I suppose that Vietnam being a different situation might require a different approach.

Mr. NOOTER. The history of land reforms that require movements of people has not been very good. These have usually been accompanied by lots of problems. The Vietnam system is much nearer to the Taiwan land reform, which was one of the most successful.

Mr. SULLIVAN. There are no big estates, latifundias as in Chile, that would be broken up.

Mr. ROYBAL. I understand that. That is why I stipulated to the fact that the problems in Vietnam can be completely different from those of Chile. However, the cost of land distribution on a per-acre basis could very well be the same.

ADMINISTRATION AND COST OF VIETNAM LAND REFORM

How much did it cost to administer this program of land reform? Is it done solely by your agency or is it done in cooperation with the Government of Vietnam?

Mr. NOOTER. The Government of Vietnam handles the distribution. We have some 32 advisers working with them, helping them devise

regulations, train land registrars and so on, to carry out the program.

Mr. ROYBAL. Who pays for all of that?

Mr. NOOTER. We pay for the U.S. people, these 32 people working with them. They pay the costs of their people. They pay the cost of the administration of the program. There is one other cost, however, that we help share with them, as the chairman is aware.

This program does provide that the payments to the landowners will be made by the Vietnamese Government. The tenant does not have to make payment for the land he receives. The total value of that land, as near as we can equate it in dollar terms, is around $400 million. Payment to landowners under their law will be 20 percent in a cash downpayment and reimbursement over 8 years for the balance in bonds that pay 10 percent. We agreed to attempt to secure funds from our Congress and have already received and have obligated a portion of those funds to help offset some of the inflationary costs that come from the initial 20 percent cash payment. The cash downpayment, being 20 percent of $400 million, will be about $80 million. We said we would seek $40 million from the Congress to be used to offset the inflationary impact of the initial, $80 million, cash payment.

Mr. ROYBAL. The entire program up to the present time is how much?

Mr. NOOTER. We have obligated $25 million of that $40 million which will go to provide imports to offset the inflationary effect of the cash payments. We have also spent around $1.5 million for the U.S. technicians that we put in the field.

Mr. ROYBAL. The total amount up to the present time in the distribution, 250,000 families, is how much?

Mr. NOOTER. Our contribution to that?

Mr. ROYBAL. Yes.

Mr. NOOTER. The technicians cost plus an obligation of $25 million. Not all of that $25 million has yet been spent.

Mr. ROYBAL. You do not have figures of the total cost?

Mr. NOOTER. The total cost to us would be the $40 million eventually, plus the technician costs which might be some $3 million.

Mr. ROYBAL. In other words, $40 million is all being made available for this program?

Mr. NOOTER. That is correct.

Mr. SULLIVAN. By the United States.

Mr. NOOTER. The rest of the costs are borne by the Vietnamese.

Mr. ROYBAL. It is not likely that that figure will be increased next year?

Mr. NOOTER. Our plans at this point are only to provide $40 million. The payment of the bonds and balance of the program would be borne by the Vietnamese.

Mr. ROYBAL. You think that you can do the job adequately with that amount of money and complete the distribution of 500,000 acres?

Mr. NOOTER. We think that we can.

Mr. ROYBAL. The one point of importance is what is done after the distribution is made. It seems to me that you are spending $40 million for this distribution, but how much is going to be spent to help the farmer produce, take his product to market and be self-sustaining in his own production of whatever he produces?

AID AGRICULTURE PROGRAMS IN VIETNAM

Mr. NOOTER. We have a number of other programs in the agricultural area. In a country like Vietnam, agricultural production is the primary productive output of the country. We have programs with their credit agenies. The Agricultural Development Bank is largely financed with their own currency, but we provided technical assistance to that bank to help it expand its operations so that it can make loans to farmers in the countryside. We have helped introduce IR–8 and other improved rice varieties.

We work with the Ministry of Agriculture on swine and poultry production, animal feed grains and other crops. We have a fairly extensive program in the agricultural area which helps not only the new owners but all the farmers there.

Mr. ROYBAL. It is costing more than $40 million to actually put this program into effect?

Mr. NOOTER. The agricultural programs would be going on whether tenants receive title to land or not. In fact, our agricultural program preceded this land reform bill. It is worthwhile to help that country to increase its agricultural production with or without the land reform. For that reason we don't tie those costs to the land reform as such.

Mr. ROYBAL. In effect, it is part of the cost of land reform and the cost of putting these families into productive land?

Mr. NOOTER. They are the beneficiaries of the other agricultural programs but they would be with or without the land reform. Therefore, I don't think that you can really assign the costs of those programs to land reform.

Mr. ROYBAL. I think you can establish a cost distribution system and make a determination as to what the overall cost is going to be. What I want to know is, do you make a cost analysis?

Mr. NOOTER. We don't break down those other programs as between new owners and old owners and tenants. I don't know how you would make that kind of allocation.

Mr. ROYBAL. It can be done and I think that you can make it.

Mr. NOOTER. We can approximate some percentages of total farm families or something of that sort. I repeat that the agricultural programs would be valid programs in their own right with or without the land reform.

PROBLEMS OF MARKETING IN VIETNAM

Mr. ROYBAL. When you are taking this to market, do they get any help in marketing?

Mr. NOOTER. We have done some work in the marketing area. Frankly, this is a very difficult area. Our technicians over the years have not done this kind of work very successfully, but it is an area we are very much aware of. Among other things, we are working on bringing rice to market; both we and the Vietnamese are aware of this as a problem that needs attention.

HIGHWAY PROGRAM IN VIETNAM

Mr. ROYBAL. Is any money being spent for unnecessary roads or fancy throughways, as I have seen in other parts of the world?

Mr. NOOTER. We hope not. Actually, the highway program there is divided up in this way: The Defense Department has borne the cost of the primary highway network. This is one of the items that the Chairman mentioned as being part of the $90 million which he referred to as economic aid in the Defense budget. The highway network is supported by the Defense Department as being necessary for the war. The secondary road network, which is thought of as a farm-to-market operation, is supported by AID to the extent that there is U.S. support for it.

Mr. ROYBAL. Mr. Chairman, I think that I have exceeded my 5 minutes. I would like to go back, however, to pacification and medical care when my time comes.

INFLATION

Mr. PASSMAN. Before yielding to the next member, I wonder if I could pursue this just a couple of minutes.

This is one thing that irks me. With all the money that we are pouring into Vietnam, we must realize that we have a serious situation in this country with inflation.

The inflation is created to a very large extent by the supply being short of demand, is that correct?

Mr. NOOTER. That is one factor, yes, sir.

Mr. PASSMAN. It is the main factor, isn't it?

Mr. NOOTER. That is how inflation starts, yes, sir.

Mr. PASSMAN. When you have an excess supply of goods that exceeds the demand, then it becomes deflationary rather than inflationary; is that the way it is understood by our economists?

Mr. NOOTER. Yes, sir; although there are other factors.

Mr. PASSMAN. There are other factors but this is the main factor. A seller's market and a buyer's market.

Mr. NOOTER. That is correct.

Mr. PASSMAN. Supply and demand has a lot to do with whether you have deflation or inflation in the supply of money?

Mr. NOOTER. That is correct.

Mr. PASSMAN. This $40 million, over how long a period would you be disbursing it?

Mr. NOOTER. Over a 3-year period.

Mr. PASSMAN. In reality that is about $13⅓ million per year?

Mr. NOOTER. That is correct.

Mr. PASSMAN. During that same time we will be feeding about $1 billion into the South Vietnamese economy through the various programs, including the Defense Department; won't we?

Mr. NOOTER. That is correct.

Mr. PASSMAN. It simply follows that the argument does not hold up that you are going to check very much inflation with $13 million when you look at $1 billion being poured into the economy. The facts are that the South Vietnamese Government when they sell this land, make 20 percent payment, they use the local currency to make this payment, do they not?

Mr. NOOTER. Yes, sir; they do.

Mr. PASSMAN. The money that we provide goes into what program?

Mr. NOOTER. It goes in the commercial import program and finances——

Mr. PASSMAN. Which means that you are carrying it through to the conclusion, you merely import $13 million more by having that?

Mr. NOOTER. That is correct.

Mr. PASSMAN. I think you had a very poor argument. I wish I had thought of those questions at the time we were considering this. We would have placed a limitation on it then. The United States pours in, I would say, at the very minimum $1 billion a year into the South Vietnamese economy, is that correct?

Mr. NOOTER. In one form or another, yes, sir.

Mr. PASSMAN. It just does not add up that this 1 percent or $13 million, of the total amount going into Vietnam would have very much effect on inflation, but it is just another little spigot that is added on here and there. It is water under the bridge, so I guess we can't do anything about it.

Mr. McEwen?

Mr. MCEWEN. Thank you, Mr. Chairman.

JAPANESE AID TO VIETNAM

I noticed in Mr. Nooter's statement of page 14 under the heading of "Assistance From Other Nations" that the Japanese have recently had some role in connection with power-generating equipment, 1,500-bed hospital, and reconstruction of a hydroelectric plant. Was this a grant by the Japanese?

Mr. NOOTER. The hospital and the reconstruction of the hydroelectric plant were both grants. The hospital will be about $12 million and the reconstruction project will be around $4 million. The power generating equipment was a loan on 10-year, 6 percent interest terms. That was for $4.5 million. It has been a combination there of grant and loan terms.

Mr. MCEWEN. Was that power generating equipment sold to the government or private individuals?

Mr. NOOTER. It is a government power company—a publicly owned power company.

GERMAN AID

Mr. MCEWEN. With regard to Germany, on the slaughterhouse, cold storage and meat meal facilities, are those grants?

Mr. NOOTER. Let me check for the record. My impression is those are on fairly soft loan terms, something like 3 percent, 20-year repayable loans. I will check that and put that in the record.

(The information follows:)

GERMAN FUNDING OF THE SLAUGHTERHOUSE

The Federal Republic of Germany has made available an equivalent of $3,700,000 to the Government of Vietnam at an annual interest rate of 3 percent for 25 years with a 7-year grace period to finance a slaughterhouse and related cold storage facilities.

Mr. MCEWEN. As far as you know, it is not a grant?

Mr. NOOTER. I believe it is not.

Mr. MCEWEN. Low interest?

Mr. NOOTER. Yes, sir.

AID TO VIETNAM FROM FOREIGN DONORS

Mr. McEwen. I don't believe that you mentioned any other countries. Are they the only two that have made any contribution at all to assist the Vietnamese?

Mr. Nooter. No. The Australians, New Zealand, United Kingdom, France is—the third largest aid giver, outside of the United States. The Netherlands gives a small amount. There are perhaps eight or 10 different countries.

Mr. McEwen. Are these figures that you are referring to on this sheet for fiscal year 1970?

Mr. Nooter. These are for calendar year 1970.

Mr. McEwen. These are grants?

Mr. Nooter. These are a combination of grants and loans. Most of the countries provide medical assistance, refugee help and that sort of thing on a grant basis. Then sometimes in their project assistance it is on a loan basis, although, as I mentioned, the Japanese have had several projects on a grant basis.

Mr. McEwen. Do you have the figures broken out as to grants and as to loans separated?

Mr. Nooter. We can provide that.

GRANTS AND LOANS TO VIETNAM BY DONOR

Mr. McEwen. Could you provide in dollars a table showing the U.S. contribution in grants? I assume that we are the largest. Then follow that in order with the next largest amount of grant from whatever country it may be, and so on down the list.

Mr. Nooter. Yes, sir.

Mr. McEwen. Then the same, if you will, on loans.

Mr. Nooter. Yes, sir.

(The information follows:)

Economic and Social Aid to Vietnam
1970

Bilateral Aid

Country	Grant	Loan	Total
United States	($455,400,000)[1]		($455,400,000)
Germany	5,440,650	$3,700,000[2]	9,140,650
Japan	1,832,733	4,500,000[3]	6,332,733[4]
France	5,094,088		5,094,088
Australia	2,302,000		2,302,000
Canada	1,639,832		1,639,832
China	1,171,040		1,171,040
United Kingdom	908,020		908,020
New Zealand	802,500		802,500
Netherlands	695,602		695,602
Korea	270,000		270,000
Switzerland	156,374		156,374
Iran	80,000		80,000
Belgium	59,200		59,200
Khmer Republic	47,100		47,100
Italy	19,838		19,838
Malaysia	21,002		21,002
Vatican	15,000		15,000
Denmark	10,000		10,000
Greece	10,000		10,000
Singapore	7,330		7,330
Hong Kong	6,180		6,180
Thailand	1,130		1,130
Total	$20,589,619	$8,200,000	$28,789,619

International Institutions

League of Red Cross Societies	$ 1,134,701		$ 1,134,701
U.N. Agencies	3,374,500		3,374,500
Asian Development Bank [5]	68,000	$2,500,000	2,568,000
Total	$ 4,577,201	$2,500,000	$ 7,077,201
Grand Total	$25,166,820	$10,700,000	$35,866,820

1/ FY 70, includes A.I.D. net obligations, PL 480 program, and $52.0 million reimbursement from the DOD.

2/ $5.5 million loan agreement signed in 1966 at 3% interest for a period of 25 years with a seven year grace period. $3.7 million utilized in 1970 to finance a slaughterhouse at Saigon - Gia Dinh.

Footnotes continued:

3/ $4.5 million loan agreement signed in December 1970 at 6% interest for 10 years with a 3-year grace period for the Vietnam Power Company to purchase generators.

4/ Japan will be assisting in the Cho Ray Hospital over the next three years, as well as during 1970. The total cost of the hospital is expected to be in excess of $12 million.

5/ $2.5 million loan agreement signed in December 1970; 2.5% interest for 25 years with a 5-year grace period for the Agricultural Development Bank of Vietnam.

JAPANESE LOAN ON POWER GENERATING EQUIPMENT

Mr. McEwen. On the loans, you are referring to soft loans. For example, you refer to the Japanese on the sale of the power generating equipment. Was there anything unsual about that or was that a regular business type transaction?

Mr. Nooter. It was financed by the Japanese equivalent of the Export-Import Bank. Those terms are a little longer than would be normal for that bank, but here in the range of terms——

Mr. McEwen. Twenty year?

Mr. Nooter. Ten years.

Mr. McEwen. To be paid out in ten years?

Mr. Nooter. That is correct.

Mr. McEwen. The interest rate was——

Mr. Nooter. Six percent.

Mr. McEwen. It seems to me ten years' financing on generating equipment is not a terribly long time to give them to pay for generators.

Mr. Nooter. No, it is not.

Mr. McEwen. I assume those generators would be around for quite a while. Six percent interest is not——

Mr. Nooter. Their normal terms for their Export-Import Bank would be around 7 years. This was a little longer than that.

Mr. McEwen. I think it would be instructive to this new member to see such a listing of countries on amounts of both grants and loans.

PLYWOOD PLANT

On page 4 there is reference made to an existing plywood plant being modernized and a second plant in the planning stage. Is this to process wood raised in Vietnam?

Mr. Nooter. Yes, this would be for processing of Vietnamese wood. They have pretty good stands of timber there and it is one of the potential industrial developments that can lead to exports in the future.

Mr. McEwen. That was the second thing I wanted to ask. Is this for their own domestic consumption or for export or both?

Mr. Nooter. Present production is almost entirely for their own consumption. Now that their security is better and they are getting their exchange situation straightened out, they are making quite an effort to begin expanding exports. Exports at this time are extremely low as a result of the war.

Mr. McEwen. What type of plywood is this? Low-grade type or is it high?

Mr. Nooter. Mr. Westwood says at this stage it is low grade. There are some hardwood stands there. I am not familiar with the details of that.

Mr. McEwen. What markets are they looking to for export?

Mr. Nooter. Japan is the big Asian market for exports. That would be one. I suppose Australia would be another.

WHY THE UNITED STATES NEEDS TO INCREASE FUNDS FOR FINANCING VIETNAMESE IMPORTS

Mr. McEwen. Finally, you said that the request for funds for financing of general imports to sustain the economy is substantially increased

because of the reduction of U.S. military expenditures. Then you go4 on to say about dollar for dollar, as the defense expenditures decrease by a dollar, we increase a dollar of assistance in support of their economy. When the Defense Department spent a dollar, that was not a dollar net to the Vietnamese Government, was it?

Mr. NOOTER. The total dollar in foreign exchange went to the Vietnamese Government. The Defense Department received piasters for that and it purchased certain services in the local economy with the piasters; that is, it hired people to run military bases and that sort of thing. In that sense it had a claim on certain Vietnamese resources.

Mr. MCEWEN. It did have a claim on some resources where a dollar that we grant to them has no claim on resources?

Mr. NOOTER. That is correct. Except that the Vietnamese Government now has to pick up within its own budget, and has been picking up, the cost of running these bases and carrying on these operations and expanding its own military. The budgetary effect and the expansionary effect is such that they will have at least as much and probably more budgetary costs in picking up these military operations than will be the decrease in our military piaster spending.

Mr. MCEWEN. Isn't it a fact that the dollar-for-dollar replacement is just a guess?

Mr. NOOTER. It is not a guess in terms of the imports available to their economy. In other words, what happens to the money supply situation and the effect on the budget, and the ability to finance their military operation and keep inflation within reasonable bounds, is a direct function of the import level. Our policy has been to keep those imports from rising, other than that small amount which represents the inflationary increase in the cost of the imports themselves. At the same time, a decrease in those imports could make it very difficult for them to support their large military establishment.

Mr. MCEWEN. Thank you, Mr. Chairman.

Mr. PASSMAN. Thank you, Mr. McEwen.

U.S. PUBLIC DEBT

Before we take a brief recess to answer the teller vote, I am going to have to make this observation. I have had the privilege of serving as chairman of this committee, this is my 17th year during my 25 years in the Congress. If I should retire now and the Supreme Architect of the universe would bless me with good health, I would still be a miserable man 5 years from now. I think this is the most rediculous program that any nation in recorded history ever got into. We are dissipating our wealth in 123 nations of the world. We get into these involvements and there is no end in sight.

I go to bed worried and I get up all during the night making notes, worrying. I get up in the morning sick at heart to realize that we have gotten ourselves into such a mess all over the world. Most of our former customers to a very large extent are moving into the cheaper markets like Japan and the European nations.

We are going to fall flat on our faces if we don't bring this thing under control. As you look at our borrowed money, public debt, we really have a true public debt of about $2 trillion, when you take into account the statutory obligations. Interest on the public debt is over $51 million a day. Over half of our public debt represents the amount

of our wealth that we have given away. It will exceed $211 billion when we finally draw the final net statement.

It just does not make sense, and to think we now have a public debt that exceeds by $70 billion all of the other nations in the world put together. If it is right and the proper thing to do, then I would be dishonest not to confess that I don't have the intelligence to comprehend it. This has made a miserable man out of me. I used to have a lot of personality. I would smile and speak to people, do a lot of good things in life and catch myself whistling and singing in the morning. Now I get up cursing myself.

Take a rest.

(A short recess was taken.)

Mr. PASSMAN. The committee will come to order.

FATALITIES IN VIETNAM

Could you furnish the committee with a list by month of the fatalities that we have had in Vietnam beginning with February 1969 through May 1971, grand total?

Then give us the same statistics backing up to the beginning of the conflict, which I guess was 1967 or 1966?

Mr. SULLIVAN. We count our casualties from 1961.

Mr. PASSMAN. Count it, if you will, from 1961 through January 1969, and then the 11 months in 1969, 12 months in 1970, and the 5 months in 1972. Can you give us those figures?

Mr. NOOTER. Yes, sir.

Mr. RIEGLE. Mr. Chairman?

Mr. PASSMAN. Yes.

SOUTH VIETNAMESE FATALITIES

Mr. RIEGLE. Would you have any objection to also putting in the record at this time the number of South Vietnamese deaths by the same type?

Mr. PASSMAN. Yes; that is all right. It is their country and they should be willing to make the supreme sacrifice for their country. I am sorry for the South Vietnamese but I have gone overboard and I have no apologies for defending this great President of ours. He is winding this war down with all the rapidity that he can with any degree of safety, so far as I am concerned. I listened to him and I see the troop reductions. You can argue the philosophy, reasons behind it, but when you wind it up in about 3 years from around 30,000 to 543,000, then you wind it down from 543,000 to 248,000 in about 28 months, at least you can see the reduction, can't you?

Mr. NOOTER. Yes, sir.

Mr. PASSMAN. Let the record speak for itself. I cannot add to or take away from these statistics. I sincerely believe the President has in his mind to conclude this Vietnam war. He must furnish protection for those last troops left at the end. He cannot take the chance of our country experiencing or the world experiencing another Dunkirk, and it could be that. Let the record speak for itself.

Mr. NOOTER. We will provide that for the record.

(The information follows:)

Casualties

The total US, Republic of Vietnam Armed Forces and VC/NVA deaths from 1965 to the present are:

YEAR	US	RVNAF /2	VC/NVA
1965	1,369	11,243	35,436
1966	5,008	11,953	55,524
1967	9,378	12,716	88,104
1968	14,593	24,323	181,149
1969	9,414	18,938	156,958
1970	4,225	21,385	103,638
1971 /1	997	10,635	57,268

1. January to May
2. These figures do not include the paramilitary forces deaths for the period 1968 to May 1971 which totals 8,762.

Deaths in South Vietnam

	1969			1970			1971		
	US	RVNAF	VC/NVA	US	RVNAF	VC/NVA	US	RVNAF	VC/NVA
JAN.	795	1,664	10,955	343	1,768	9,187	140	1,616	6,155
FEB	1,073	2,072	14,086	386	1,417	8,828	221	2,435	11,704
MAR	1,316	2,186	19,805	449	1,674	10,335	272	3,453	19,858
APR	847	1,710	14,539	526	2,642	13,063	226	2,056	10,457
MAY	1,209	2,251	17,443	754	2,851	17,256	138	1,389	9,094
JUN	1,100	1,867	16,825	418	2,873	7,861			
JUL	638	1,455	10,237	332	1,711	7,183			
AUG	795	1,625	12,373	319	1,720	6,446			
SEP	477	1,543	10,369	219	1,734	6,138			
OCT	377	1,597	8,747	170	1,491	5,549			
NOV	446	2,105	11,639	167	1,691	5,607			
DEC	341	1,758	9,936	138	1,846	6,185			
Total	9,414	21,833	156,954	4,221	23,418	103,638	997	10,949	57,268

Mr. PASSMAN. We operate under the 5-minute rule and when members are busy on other committees and not here to consume their 5 minutes, even though I have started my lengthy examination, I feel that it is only fair that I yield to the members when they are able to break away from their other busy committees.

I would like to yield to my very good friend, Mr. Riegle of Michigan, the constitutionally required number of minutes.

Mr. RIEGLE. Mr. Chairman, one of the pleasures that I have had in the 5 years in Congress is serving under your leadership on this committee. We have maybe disagreed on issues but we agree more than we disagree.

Mr. PASSMAN. When two men are in business and always agree, one is unnecessary.

AMOUNT OF PER CAPITA AID GIVEN TO VIETNAM BY UNITED STATES BY CATEGORY

Mr. RIEGLE. I would like to have supplied for the record the amount of per capita aid that you have given to South Vietnam over the last 10 years by program, namely, by such categories as commodity imports, logistical support, Public Law 480, refugee assistance, CORDS, et cetera.

(Clerk's note—At the time this transcript was forwarded for printing, the Vietnam Bureau of the AID agency had had approximately 7 weeks in which to prepare the requested information. The information was supplied to the committee at a later date.)

Mr. RIEGLE. I wonder if you can tell me how much more cumulative per capita aid we are going to have to supply to Vietnam in each of these categories before they become self-sufficient. In other words, what your long-range plans show beyond the $560 million you are requesting this year.

Do you want to comment on that?

Mr. NOOTER. Yes, sir.

As I commented earlier, it is not possible to make a long-range forecast of any precision because the variables are considerable. We will take each year as it comes. I have said in my statement, of course, that we think next year the economic aid amount will have to go up again because the Defense Department spending in Vietnam will be going down. That will require a shift from the defense spending which provides——

Mr. RIEGLE. Let me stop you in the interest of time. What you are saying is that we don't know how much it is going to cost?

Mr. NOOTER. If I could continue—after next year we think that these amounts will begin to start going down. The rapidity of that decline will depend on how much the Vietnamese will have to spend on their own military and what the situation is there, how well they are able to do in their economy, and how much aid they are able to get from other people.

OCTOBER ELECTIONS IN VIETNAM

Mr. RIEGLE. What steps are being taken now to insure that this year's October elections in Vietnam will have some meaning? In other words, will there be some choices and will the election be run on a

fair and square basis in terms of being legitimate competition and voting?

Mr. NOOTER. Mr. Sullivan can probably answer that.

Mr. SULLIVAN. As you know, Mr. Congressman, the election law has been passed by both Chambers of the House and it is now with the President, who does have an opportunity to amend it subject to reconsideration by both Chambers. It looks as though the law that will be put into effect will be a law which is going to provide for a program arrangement for the presidential election which will permit the candidates to present themselves, provided that they can get a certain endorsement. In Vietnam——

Mr. RIEGLE. Let me stop you there. That is my understanding of the procedure, too. Do we support that position? Is it the position of the group that you represent that this is a good way to conduct these elections?

Mr. SULLIVAN. In the United States we have political parties and we have political primaries which sent out candidates. No individual in the United States can just go up and put himself on the presidential ballot and expect to be considered a serious candidate or be allowed to be on the ballot in most States. Vietnam does not have a political primary system or political parties of that mature development. So the system that they have chosen in their own wisdom is the system of this endorsement type. This is not unique.

Mr. RIEGLE. What is the population of South Vietnam?

Mr. SULLIVAN. Seventeen million, close to 18 million.

Mr. RIEGLE. What part of that 17 million are voting age?

Mr. SULLIVAN. Of voting age are those who are registered to vote, probably somewhere in the neighborhood of 6 million would be considered.

Mr. RIEGLE. How many of the six million voted in the last presidential election in Vietnam?

Mr. SULLIVAN. I think the figure was something like 78 percent of the registered voters. I have to check that and give it to you for the record.

Mr. RIEGLE. Seventy-eight percent of 6 million?

Mr. SULLIVAN. The registered voters.

Mr. RIEGLE. What is that figure?

Mr. SULLIVAN. I would have to get that for you, too.

(The information follows:)

1967 SOUTH VIETNAMESE PRESIDENTIAL ELECTION STATISTICS

In the September 3, 1967, presidential election in Vietnam, there were 5,853,251 registered voters, of whom 4,868,266, or 83 percent, actually voted. Although South Vietnam has never conducted a census, population in 1967 was estimated to be approximately 16,700,000. All citizens 18 years or older were eligible to vote, unless they had been disenfranchised as punishment for a criminal offense.

The number of registered voters for the October 3, 1971, presidential elections should approach 7 million. The larger figure reflects both increased population (approximately 18 million) and improved security conditions. In the last national level election, the August 1970 election of ½ of the membership of the Upper House of the National Assembly, there were 6,578,082 registered voters, of whom 4,301,139, or 65.4 percent actually voted.

Mr. RIEGLE. If we had all these figures here today, which we should have, I think we would find that the number of people who ended up voting into law those very rules and regulations that decide something,

we would find it to be substantially less than half of the voting-age population in Vietnam. Is that correct?

Mr. SULLIVAN. I don't think you are correct.

Mr. RIEGLE. What is the percentage?

Mr. SULLIVAN. As I said, I think that, first of all, you find that more people who are eligible to vote vote in Vietnam than vote in this country.

Mr. RIEGLE. Who would I have to ask to get this information? You are the person that ought to have it.

Mr. SULLIVAN. We will provide it.

Mr. RIEGLE. I know that, but how do we get something here to talk about without having to provide it for the record? I don't know how to ask questions for the record later. You ought to have that data.

Mr. SULLIVAN. I will get it for you.

Mr. RIEGLE. When?

Mr. SULLIVAN. As soon as we put it in the record.

Mr. RIEGLE. What does that mean? I want to know when we are going to have it. Are we going to have a chance to talk about it then?

Mr. SULLIVAN. If you wish to.

Mr. RIEGLE. Let me make a point. I don't know if you will be back before this subcommittee or not. If you are going to come in to testify before this subcommittee about Vietnam and to talk about Vietnamization and the election process, you ought to bring this data with you. If you don't have this data or you don't think it important, you shouldn't be here. Somebody else ought to be here. Otherwise, you waste our time and your time.

Mr. PASSMAN. Would you yield?

Mr. RIEGLE. Happy to.

Mr. PASSMAN. I think we agreed earlier that with two men in business, if they always agree, one is unnecessary. I like the way the gentleman interrogates. He is quite forthright.

I would question whether you would, any person would have ever given thought to this kind of information being available. This is really dealing with that Government, and I wonder if the gentleman—I know he wants to be fair—if he would actually state specifically just what information he wants and let you wire Vietnam. I don't believe you could possibly have that kind of information in your files; could you?

Mr. SULLIVAN. We may have it in our files. Unless I had been given prior notice a question was going to be asked of this statistical detail, I probably would not have it.

Mr. PASSMAN. An election is something new. We consider them every 4 years. I want to thank the gentleman for bringing this up. This is something that maybe every 4 years we interrogate on. I would never have thought to ask the question. I want to commend the gentleman for bringing it up.

In fairness to the witness, I believe that he should be given an opportunity to prepare this information. I think that, as the gentleman from Michigan requested, it be furnished to us in detail. If you don't have the information, in all probability you could get it over

long-distance telephones. If the gentleman then wants another session, we will arrange to have it. Did you state specifically what you need?

Mr. RIEGLE. I believe I did. If he has any questions he can ask them.

Mr. Chairman, we had this same problem yesterday. I asked the people in here testifying on behalf of Laos how many villages there were in Laos. They didn't have the answer. They couldn't tell me how many villages there were in Laos.

Mr. PASSMAN. I am not surprised they couldn't tell you that. It is almost impossible for you to process all the information that we have in Washington about these other countries. I think it is quite surprising to me that you could get as good an answer as you did. It was a very fine question. I want to commend you for thinking up these very searching questions. I would have never thought of them.

Mr. RIEGLE. Mr. Chairman, let me go off the record.

(Discussion off the record.)

NUMBER OF VIETNAMESE AFFECTED BY THE LAND REFORM PROGRAM

Mr. RIEGLE. I understand that there are 150,000 South Vietnamese families that were given parcels of land of their own last year. I am wondering what percentage of all South Vietnamese families does this number cover, and what would be the cumulative total to date for the whole land and tiller program in terms of the number of families who received parcels from the Government.

Mr. NOOTER. Well, the total population affected by this would be approximately 700,000 people, and that percentage of 18 million total population is 3.9 percent.

Mr. REIGLE. These are people, not families?

Mr. NOOTER. That is correct. In other words, each family would have four to five members in it.

The percentage of that to the total population would be something in the order of 4 percent of the total population.

Mr. RIEGLE. So 4 percent of the people of South Vietnam participated?

Mr. NOOTER. Yes, so far. It represents about perhaps 10 percent of the farm families.

Mr. RIEGLE. How long will it take us before we get up to something like 50 or 70 percent?

Mr. NOOTER. Wel, this represents 20 percent of the people who will eventually be affected by the land reform. That is, 20 percent of the tenant farmers have had titles issued on their properties. In 2 more years the Government intends to have completed the program so that all of the tenants will have received title by the end of the 3-year period.

Mr. RIEGLE. Mr. Chairman, I think I have taken my 5 minutes. I am going to save the rest of my questions for later and yield back.

Mr. PASSMAN. Thank you, Mr. Riegle, for the very searching questions that you directed at the witnesses.

(Off the record.)

(Discussion off the record.)

Mr. PASSMAN. I yield to Mr. Hathaway.

Mr. HATHAWAY. Mr. Chairman, I apologize to you and Mr. Nooter both for not being here previously. I have been tied up on the floor as other members have been. I wanted to know two things.

COMMERCIAL IMPORT PROGRAM

Would you explain in a little more detail about the commercial import program that you talk about on page 9 of your testimony?

Mr. NOOTER. Yes. The commercial import program provides a general range of imports of essential commodities to the Vietnam economy. This includes things such as chemical products, machinery, steel products, wood pulp; these are the major categories at this time.

Mr. HATHAWAY. This is an American program? Or is it a multilateral program?

Mr. NOOTER. We finance it.

Mr. HATHAWAY. Wholly?

Mr. NOOTER. We finance it wholly, yes. Most of the commodities come from the United States, but some small portion of them come from the less-developed countries in that area, such as Korea, Taiwan, Philippines, Thailand.

Mr. HATHAWAY. Is consideration given to the industries in the United States such as the textile industry, shoes, for example, that are down at the present time? Are they given preference over other countries?

Mr. NOOTER. Textiles are part of the commercial import program, yes.

Mr. HATHAWAY. Those are from the United States?

Mr. NOOTER. Yes, they are from the United States.

Mr. HATHAWAY. Could we for the record have a breakdown on last year's imports and where they were from?

Mr. NOOTER. Yes, we can submit a breakdown of the commodities and in general categories where they are from.

(The information follows:)

SOURCE OF CIP LICENSING DURING FY 1971*
By Commodity Grouping
(In Thousands of Dollars)

Sch. B Group	Description of Commodity Grouping	TOTAL	U.S.A.	Taiwan	Singapore	Korea	India	Philippines
	PERCENT OF TOTAL	(100.0%)	(84.6%)	(12.0%)	(0.4%)	(2.4%)	(0.6%)	(a/)
	TOTAL	$146,034	$123,515	$17,497	$608	$3,488	$890	$36
00	Live Animals	36	36	-	-	-	-	-
04	Infants Dietary Supplement	486	486	-	-	-	-	-
08	Feeding-Stuff for Animals	4,531	4,531	-	-	-	-	-
09	Dried Yeast	508	508	-	-	-	-	-
25	Wood Pulp	4,045	4,045	-	-	-	-	-
26	Textile Fibers	325	325	-	-	-	-	-
27	Crude Minerals (Excl. Coal & Petroleum)	906	906	-	-	-	-	-
28	Rutile	6	6	-	-	-	-	-
29	Gums and Resins	557	557	-	-	-	-	-
33	Petroleum Products	1,978	1,962	-	16	-	-	-
51	Chemical Elements & Compounds	15,976	12,025	2,793	531	76	551	-
53	Dyeing, Tanning, & Coloring Materials	5,117	4,720	218	-	-	149	30
55	Cleansing Preparations	502	435	-	61	-	-	6
56	Fertilizers, Manufactured	2,428	2,176	-	-	252	-	-
58	Plastic Materials & Artificial Resins	6,718	2,973	3,250	-	495	-	-
59	Chemical Materials & Products, n.e.c.	1,322	1,168	154	-	-	-	-
62	Rubber Manufactures	2,781	2,443	284	-	-	54	-
64	Coated or Processed Paper	140	140	-	-	-	-	-
65	Textile Yarn, Fabrics, and Articles	18,306	9,947	5,736	-	2,623	-	-
66	Non-Metallic Mineral Manufactures	218	187	31	-	-	-	-
67	Iron and Steel	26,232	26,232	-	-	-	-	-
68	Non-ferrous Metals	9	9	-	-	-	-	-
69	Manufactures of Metals	607	590	17	-	-	-	-
71	Machinery, Other than Electric	35,907	33,116	2,739	-	42	10	-
72	Electrical Machinery & Apparatus	6,847	4,544	2,260	-	-	43	-
73	Transport Equipment	8,713	8,713	-	-	-	-	-
86	Professional, Scientific and Controlling Instruments	826	728	15	-	-	83	-
89	Miscellaneous Commodities	7	7	-	-	-	-	-

* First nine months FY 1971.
a/ Less than 0.1

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Mr. Nooter's Testimony
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SOURCE OF CIP LICENSING DURING FY 1970
By Commodity Grouping
(In Thousands of Dollars)

Sch. B Group	Description of Commodity Grouping	TOTAL	U.S.A.	Taiwan	Singapore	Korea	India	Philippines	Barter[a/]
	PERCENT OF TOTAL	(100.0%)	(81.3%)	(11.2%)	(0.2%)	(5.8%)	(0.4%)	(d/)	(1.1%)
	TOTAL	$195,094	$158,608	$21,878	$398	$11,257	$715	$66	$2,172
06	Sugar, Raw or Refined	1,235	-	-	-	-	-	-	1,235
26	Textile Fibers	21	21	-	-	-	-	-	-
27	Crude Minerals (Excl. Coal & Petroleum)	37	37	-	-	-	-	-	-
33	Petroleum Products	671	572	-	49	-	-	-	50
51	Chemical Elements & Compounds	14,544	11,584	2,218	224	204	314	-	-
53	Dyeing, Tanning, & Coloring Materials	5,783	5,499	47	-	6	165	66	-
55	Cleansing Preparations	989	761	116	112	-	-	-	-
56	Fertilizers, Manufactured	47,802	29,498	7,215[b/]	-	10,202[c/]	-	-	887
58	Plastic Materials & Artificial Resins	13,361	10,678	2,479	-	204	-	-	-
59	Chemical Materials & Products, n.e.c.	1,301	1,127	161	13	-	-	-	-
62	Rubber Manufactures	2,731	2,559	154	-	-	18	-	-
65	Textile Yarn, Fabrics, and Articles	22,444	19,048	2,946	-	450	-	-	-
66	Non-Metallic Mineral Manufactures	140	140	-	-	-	-	-	-
67	Iron and Steel	39,225	39,225	-	-	-	-	-	-
68	Non-ferrous Metals	7	7	-	-	-	-	-	-
69	Manufactures of Metals	92	82	-	-	10	-	-	-
71	Machinery, Other than Electric	28,325	25,885	2,259	-	175	6	-	-
72	Electrical Machinery & Apparatus	12,083	7,582	4,283	-	6	212	-	-
73	Transport Equipment	4,296	4,296	-	-	-	-	-	-
86	Professional, Scientific and Controlling Instruments	7	7	-	-	-	-	-	-

a/ Excludes barter from PD-31 countries.
b/ Includes $7,215 barter fertilizer, SBN 561.
c/ Includes $7,322 barter fertilizer, SBN 561.
d/ Less than 0.1.

Mr. HATHAWAY. The CIP does what, buys these goods outright and gives them to the Vietnamese?

Mr. NOOTER. No. Import licenses are issued to Vietnamese importers who make these purchases.

Mr. HATHAWAY. With our money?

Mr. NOOTER. In accordance with our procedures. Our money is used to pay for the foreign exchange cost of them. Vietnamese importers pay for them in piasters in the first instance, or buy the necessary foreign exchange with their own piasters. The piaster proceeds from the sale of this foreign exchange become available to us. Some portion is used to finance our own local costs of operation there. The larger portion of them goes to support the Vietnamese budget, both the civilian budget for development activities and a portion of it to the military budget.

Broadly speaking it provides the goods and the budget income that the Vietnamese need to be able to support their own military establishment, even though these commodities are not directly for military support. In economic terms this makes it possible for the Vietnamese to support their military establishment.

Mr. HATHAWAY. But this is not the only avenue that the Vietnamese businessman would have to import?

Mr. NOOTER. No. He would also have available to him imports from Vietnam's own foreign exchange reserves, which come mainly from Defense Department purchases of piasters——

Mr. HATHAWAY. Right.

Mr. NOOTER (continuing). For Defense needs there.

Now, as these Defense requirements go down, as these dollar transfers are reduced, there still is a need for the imports and the income from those imports. This is why we are requesting an additional amount this year to make up for the decline in Defense Department expenditures.

PROCEDURE FOR VIETNAMESE BUSINESSMAN IMPORTING GOODS

Mr. HATHAWAY. Now, could you go through the procedure of the Vietnamese businessman who has to import so many yards of goods? Is the price he is going to sell these at later, controlled by us in any way? Does he account to CIP?

Mr. NOOTER. There are price controls on some commodities in Vietnam. Frankly, it is very difficult to administer price controls in most countries and it is terribly difficult in a less developed country.

Our people favor moving away from a lot of the controls in Vietnam and providing price pressure by having an open licensing and high degree of competition in the marketplace. In other words, the least control possible on licensing, but holding the basic economic factors in balance, as the best way to assure that profits are not excessive.

Mr. HATHAWAY. He finances the purchase through CIP?

Mr. NOOTER. He finances it through the private banking system. He pays the Vietnamese Government for the import.

He pays in two ways:

One, he buys the foreign exchange; second, he pays duty on most items.

Mr. HATHAWAY. You do not finance it—what is the request for money for?

Mr. NOOTER. The dollars are used to meet the foreign exchange payment. In our accountability system we handle this so that those payments go directly to the supplier of the commodities rather than going as cash grants to the Vietnamese Government. Those are the technicalities of control, but in essence the Vietnamese Government gets revenues from the sale of these imported commodities which they use to finance their civil and military budget.

Mr. HATHAWAY. Do I have any time left, Mr. Chairman? I want to get on another subject matter.

OIL LEASES OFF VIETNAM

What about the oil leases; is this fraught with as much danger as we read in the papers?

Mr. NOOTER. I do not think so. I think this has been very much overdrawn in the newspapers, and generally the newspapers have come to realize that and treat it more sensibly over time.

We gather that there is a potential of offshore oil, off of the Vietnam coast, particularly where the Mekong River flows out into the sea. The Vietnamese are interested in attempting to exploit these potential resources. Nobody knows for certain whether there is oil there, but it is one of those areas that has potential. No wells have been drilled at this point in time.

They will, in due course, take bids and grant concessions to international oil companies for exploration. I hope they do, personally, because it will be a way in which they can earn more foreign exchange and support themselves in the future.

The notion that that has had any role in U.S. foreign policy toward Vietnam seems to me to be highly far-fetched, because these potential reserves were not even known about until a couple of years ago, long after our involvement was fairly substantial.

Mr. HATHAWAY. I suppose, though, there is some interest in maintaining the same government we have there now, one which would be favorable to allowing these leases, would it not?

For that reason there is an interest? There certainly will be a big interest in the upcoming elections.

Should we get a government unfavorable to this leasing, it might cut all international companies off, or not give as favorable treatment to the Americans and Japanese who are bidding on them as it would otherwise.

Mr. NOOTER. To a degree.

The degree to which our Government would take foreign policy positions in order to aid U.S. companies is a question which you can answer as well as I.

Mr. HATHAWAY. It is a question I have been wondering about for years.

Mr. NOOTER. Perhaps Mr. Sullivan wants to deal with that more extensively.

Mr. SULLIVAN. Our position on this has been completely one of hands off. We are neither encouraging the companies to bid on these potential leases or discouraging. We tell them it is entirely up to them, a business risk as they see it.

I think in answer to your first question, probably any government that takes authority in South Vietnam, and would therefore have sovereignty over the offshore area, would be interested in seeing offshore oil exploited there, if there is actually offshore oil there. It has not been determined as yet.

The political complex of the Government does not seem to have been a matter that has affected the continuing nature of the Government's regulations with the international oil companies in such places as Libya or the Arab countries.

In other words, the people who can make money out of oil are, by and large, the international companies. The markets are the same. Japan is going to be the primary market for anything discovered out there.

So my guess would be, whoever is in power is going to want to use oil companies to exploit oil, if there is oil there. There is absolutely no assurance there is oil there.

Mr. HATHAWAY. But the percentage of the take might be different, depending on which government was in power.

Mr. NOOTER. This does not vary all that much these days.

Furthermore, these will not only be U.S. companies interested in this oil.

Mr. HATHAWAY. Right. I think I have used up my time.

Thank you, Mr. Chairman.

Mr. PASSMAN. Thank you, Mr. Hathaway.

Mr. Galifianakis?

Mr. GALIFIANAKIS. Thank you, Mr. Chairman.

I join my colleagues in welcoming Mr. Nooter.

The $565 million referred to does not include salaries of your personnel?

Mr. NOOTER. It does include the salaries of our personnel.

NUMBER OF AID EMPLOYEES INVOLVED IN VIETNAM

Mr. GALIFIANAKIS. How many people do you have who are involved in your administration?

Mr. NOOTER. By June 30, 1971, which would be in a couple of weeks, the number of direct-hire personnel in Vietnam will be about 1,540 funded by AID. We also have about 175 here in Washington working on the Vietnam program.

Mr. GALIFIANAKIS. What do you anticipate it will be for the next fiscal year?

Mr. NOOTER. The following year it will go down to 1,360 in Vietnam, and our Washington staff will drop to around 145.

Mr. GALIFIANAKIS. Out of curiosity, what portion of that $565 million represents your administrative costs, in salaries?

Mr. NOOTER. Let me provide that for the record, if I might.

Mr. PASSMAN. Would the gentleman yield?

It will not come out of your time.

Mr. GALIFIANAKIS. Yes, sir.

PARTICIPANTS

Mr. PASSMAN. Of course, you have certain participants on a monthly payroll. Will you also include those, because they do get a monthly check, do they not?

Mr. NOOTER. The participants receive per diem, that is costs and expenses, but they do not receive a salary.

Mr. PASSMAN. It does not make any difference what you call it, they do get a monthly check, do they not?

Mr. NOOTER. They do get a per diem allowance.

Mr. PASSMAN. It simply means they do get a check each month the same as those who are on your payroll.

Will you include those, too?

Mr. NOOTER. We will include that.

Mr. PASSMAN. They are some of the greatest lobbyists for foreign aid to be found anywhere, and whether you call them participants or employees or featherbedders, it does not make a bit of difference. If they draw a monthly check from the AID agency, I think we should know the number of them and what it is costing per year.

We have a way of being quite frank with each other on this committee. I know a lot of people do not do too much for what they get paid for, but include them, if it is agreeable with the gentleman there.

(The information follows:)

AID PERSONNEL BUDGET—VN

Costs for U.S. personnel budgeted to be paid from the $565 million requested for fiscal year 1972 total $58,881,400. This covers base salary post differential, travel to and from post, and allowances for maintenance of families (who cannot be brought to Vietnam) for 1,086 AID direct-hire personnel, and costs for 232 participating agency personnel, 281 contractor technicians and 163 AID employees in Washington.

PARTICIPANT ALLOWANCES

As of April 30, 1971, there were 500 Vietnamese participants training in the United States under AID sponsorship. Each participant financed by AID receives an allowance to cover living and incidental expenses. This maintenance allowances ranges from $7 to $10 a day, depending upon the cost of living in the area where the participant is located.

INFLATIONARY FACTORS IN VIETNAM

Mr. GALIFIANAKIS. You make reference to that part of the funds to be used to try to check the rapid inflation and give some stability to the economy there.

Are you able to appraise what predominating factor has caused the rapidity of that inflation?

Is it the presence of American troops?

Mr. NOOTER. I think we understand that fairly well. Mainly it is that series of things which lead to an increase in money supply. The largest one of those is their budget deficit. The cost of supporting——

Mr. GALIFIANAKIS. How?

Mr. NOOTER. The cost of supporting a 1.1 million man army on the Vietnamese side. There are also inflationary factors that come from our military presence that have to be added to that.

Mr. GALIFIANAKIS. Are you able to supply that for the record?

I would be keenly interested to know what the economic factor would be.

Of course it would be a different factor, depending upon the level of troops present in South Vietnam. I would like to see that for the record.

Take the present number who are there now if you would.

Mr. NOOTER. Yes. We will supply that for the record.

If I may go back, it is a combination of things that lead to money supply growth; that includes their budget, our military presence, and so on. Things such as the land reform program, payments to their veterans, and so on, add to those costs.

They will be operating military bases that we have been operating in the past. That will mean their budget will go up while our expenses go down.

We will submit a statement for the record.

(The information follows:)

THE EFFECT OF THE U.S. MILITARY PRESENCE ON VIETNAM'S INFLATION

The prosecution of the war requires enormous quantities of domestic resources, particularly manpower. Some 1.1 million men have been taken away from economically productive endeavors and placed in military service. Additionally, there are large supportive manpower requirements for both the Vietnamese and U.S. military establishments. The GVN's military budget is 163 billion piasters for 1971, which contributes to inflationary pressures. In addition, the U.S. military in Vietnam in 1971 will spend around 70 billion piasters—50 billion in official expenditures and some 20 billion in accommodation rate personal expenditures. Most of the official expenditures will go towards the employment of some 126,000 Vietnamese nationals by U.S. military forces for such necessary tasks as construction and maintenance of roads, bases, and equipment. Vietnam is presently a labor short economy, and the diversion of this quantity of labor from the civil economy into the U.S. sector represents a considerable loss to domestic output. In addition, both through official and personal expenditures, goods and services are withdrawn from the domestic economy.

Local currency expenditures by U.S. forces will decline as Vietnamization proceeds. However, much of the maintenance, repair, and construction which is currently United States-funded will have to be taken over by the GVN.

Another major inflationary factor in the GVN budget is the increased costs in the civil budget for land reform ($20 billion annually for the next several years) and a welfare benefit law providing benefits to disabled veterans and war widows to families ($20 billion annually).

Thus, as our troops withdraw, the inflationary pressures from their 70 billion spending will decline, but the decline will in large part be offset by increases in the GVN civil and military budgets.

DOES AID ENCOURAGE EXPORTATION OF VIETNAMESE TEXTILES?

Mr. GALIFIANAKIS. Are you aware of any program that you are connected with, where you do it directly or indirectly, that would encourage the exportation of textiles from South Vietnam in the future as part of their international trade program?

Mr. NOOTER. Yes. They do not export any textiles. As a matter of fact, they import a substantial amount of textiles at this point.

Mr. GALIFIANAKIS. Is there any effort to make that a capability in South Vietnam; that is, to manufacture there?

Mr. NOOTER. There has not been. They do manufacture some of their own textile requirements. Over time they will be trying to supply more of their own requirements. It will——

Mr. GALIFIANAKIS. Are you supporting that effort is what I am getting at? You see, I come from a textile State, North Carolina. I stated earlier about 10,000 are unemployed and more than 10,000 are in jeopardy. So, they have a great economic concern about it.

Are you encouraging it? That is what I am trying to figure out. I am trying to figure out whether my own country is encouraging competition with my State. That is my concern.

Mr. NOOTER. We would think it would be desirable that Vietnam be able to meet its own textile requirements for its internal needs.

Now, we do not particularly encourage this, but there will be some expansion of textile capacity over time as security returns, although they are still greatly in deficit. It would not be one of our objectives to get them into the textile export business because we are aware of the problems here in the United States.

Mr. GALIFIANAKIS. I would hope it would not only not be an objective, but that you use whatever proper means to discourage that potential competition. If there is a direct or indirect involvement, while you state that you would not encourage it, I would really like to know what the action really is, so I can deduct in my own mind, based on the facts that I have, as to the wisdom of the policy.

Mr. NOOTER. Right. Our people are fully aware of this.

Again let me supply a statement for the record as to the precise methods we use to assure that this does not become a problem.

(The information follows:)

METHODS TO ASSURE NONCOMPETITION IN TEXTILE EXPORTS

All textile machinery purchases are subject to prior review and approval by AID to assure that our funds will not be used to develop a foreign industry which will compete with the U.S. textile industry. Whenever a Vietnam plant intends to expand its capacity, AID asks the U.S. Department of Commerce to review the proposal to assure that resulting textiles will be consumed domestically and cannot be expected to enter export markets in the United States or elsewhere.

To facilitate foregoing judgments AID maintains current records on production vis-a-vis requirements in Vietnam. Present textile production capability is approximately 182 million meters per year. Domestic requirements based upon a formula for the population of the country is approximately 238 million meters per year. The 56 million meter shortage of requirements is met by imports of finished textiles. This shortage combined with the necessity of importing the raw materials to produce textiles make any export capability seem far beyond the foreseeable future.

JAPANESE AID IN VIETNAM

Mr. GALIFIANAKIS. What is your appraisal of increased assistance by other countries like Japan, to which you alluded, and the sincerity of that effort?

Have you really seen much action on the part of Japan as opposed to an act?

Mr. NOOTER. Their aid in 1970 was about $19 million.

Mr. GALIFIANAKIS. Expended?

Mr. NOOTER. No. That includes commitments, but that is the basis on which we count ours also. So it is the same basis.

Mr. GALIFIANAKIS. By action instead of act, I meant things that have gone beyond an agreement or a promise to do, as opposed to having done.

Mr. NOOTER. These are actually projects committed and signed and under way.

Frankly, we think that the Japanese aid should be greatly increased. The Japanese have different opinions among themselves, within their

government. Some Japanese agree with that view and others find reasons to be reluctant to do so.

The Vietnamese are in frequent touch with the Japanese on this. We have also had, and I personally have had, a number of consultations with the Japanese on it, in both Tokyo and in Saigon.

We are encouraging them to take a larger role there. This will not be easy, but I think over time they will be expanding their role there.

VIETNAMESE WAR VICTIMS

Mr. GALIFIANAKIS. Another question that is prompted concerns that statement which occurs on page 5 of your testimony where, under war victims, it is stated "the ministry of social welfare handled virtually the entire reception and care of 210,000 ethnic Vietnamese from Cambodia with great competence."

Are those ethnic Vietnamese North and South Vietnamese?

Mr. NOOTER. I think virtually all of these who came over from Cambodia were people who had come originally from South Vietnam and were living in this adjoining area. There could conceivably have been some from the North, but the majority of them were from the South.

Now a lot of them had been living in Cambodia perhaps 25 or 30 years or were born there, but nevertheless are ethnic Vietnamese.

Mr. GALIFIANAKIS. Do they take care to make the distinction?

Is it an artificial distinction for the purpose of caring for folks, whether they are North Vietnamese or South Vietnamese?

Mr. NOOTER. Well, it is a little like in our own country, we do recognize when a man is from North Carolina or New York, but people move around. There are a lot of Vietnamese in South Vietnam now who came from the North. A lot of people in the South Vietnamese Government are originally from the North.

AID PROGRAM—AN ISSUE IN THE VIETNAMESE ELECTION

Mr. GALIFIANAKIS. Could you comment on what your own opinion or view is as to how this aid program fits in, as an issue, in their forthcoming elections?

Mr. NOOTER. That is more a political question.

Mr. SULLIVAN. How the AID program fits?

Mr. GALIFIANAKIS. Yes; how this program fits in. Is it an issue?

It is being espoused by the candidates that this is one thing they have been able to effectuate, this kind of assistance?

Is it an issue at all or does it even surface?

Mr. SULIVAN. No: it is not an issue in the sense that one or the other claims that he could obtain greater assistance by his election.

I think all three serious candidates now are assuming that the United States will continue to provide the economic underpinning for their military efforts, so that they can continue to resist North Vietnamese aggression.

Mr. NOOTER. I could add one thing to that because I think it is important.

On the whole the sentiment there among Vietnamese is that they know they need this assistance, but they also have a keen interest in trying to reduce it as much as possible, as soon as possible. This has

come out in some of the election polemics, and also is a view held among serious Vietnamese in the government.

They are interested in trying to become self-sufficient as soon as they can, even though they know they need a good bit of help for some time.

Mr. RIEGLE. Would you yield?

Mr. GALIFIANAKIS. Yes.

Mr. RIEGLE. When you refer to the Vietnamese, you make it sound as if you are speaking for 17 million people. I know in fact that you are probably not, and I do not think you think you are when you cite those views because there are subtantial numbers of people in South Vietnam today who are non-Communist who would like to see the United States out as a major factor in the activities of that country—lock, stock, and barrel?

And are there not people saying so publicly who are non-Communist?

Mr. SULLIVAN. I am not sure what is meant by "lock, stock, and barrel."

Mr. RIEGLE. I mean not being there in a dominant role in terms of their economy or the military effort, either one.

Mr. SULLIVAN. The question that the gentleman asked was about the economic assistance program. I think they all, that is to say, those who are non-Communist, recognize that so long as they are going to have to maintain a large force for their own security, they are going to require external assistance.

I do not think that they are so concerned that it come from the United States. They would be happy to get it from Japan or elsewhere.

Mr. RIEGLE. Is that General Minh's view? I am wondering, for example, if Mr. Dzu feels that way?

Do we talk to him? He is the man who ran second in the last presidential election in South Vietnam.

Mr. SULLIVAN. This is certainly General Minh's view. He has made it clear in recent conversations with our people that he would count very heavily on being assured that there was U.S. economic assistance for the maintenance of a strong defense posture.

Mr. RIEGLE. How about Dzu, do we know how he feels?

Mr. SULLIVAN. We have not had conversations with Mr. Dzu, but his record would indicate that he was interested in maintaining a strong defense posture and that in itself requires external assistance.

Mr. RIEGLE. I yield back and thank you.

AMOUNT OF TIME NECESSARY TO GET VIETNAMESE ECONOMY STABILIZED

Mr. GALIFIANAKIS. Over what period of time do you estimate that substantial underpinning would be necessary to get the economy where you envision it ought to be?

Mr. NOOTER. Well, I answered this before by saying that we think that by 1973, as there will have been an additional drop in the Defense Department spending in Vietnam, there will be need for additional economic aid. Beyond that, we believe that AID can plateau off and begin to decline, but the rate and extent of it will depend on the military situation, how their economy does, and what kind of aid they get from other people.

Mr. GALIFIANAKIS. Based on that answer, you are really unable to give an overal cost of this support over a period of time?

Mr. NOOTER. No; I really do not think it would be realistic to try to anticipate all those variables at this time. We will be trying to keep it as low as we can.

Mr. GALIFIANAKIS. I think probably my time has expired, Mr. Chairman.

Thank you, Mr. Nooter.

Mr. PASSMAN. Thank you, Mr. Galifianakis.

I will proceed now with some other questions.

ASSISTANCE SUPPLIED BY JAPAN

Having a free Asia actually means as much to Japan as any other nation in that part of the world, does it not?

Mr. NOOTER. I am certain it does; yes.

Mr. PASSMAN. I think it is perfectly obvious that most of us realize that the Japanese are enjoying a very strong economy. In fact, they are waxing fat with wealth and profits, are they not?

Mr. NOOTER. Certainly their balance of payments situation has been very favorable in the last couple of years.

Mr. PASSMAN. Their volume has been up also.

Mr. NOOTER. Their volume of exports has risen rapidly.

Mr. PASSMAN. Yes.

I guess they are one of the most prosperous nations in the world, would you accept that as a factual statement?

Mr. NOOTER. Not on a per capita basis, but certainly their rate of growth is about the highest in the world.

Mr. PASSMAN. You are thinking in terms of per capita and gross national product, of course you have to look at the pricing system to know what it means compared to ours. I think Japan possibly is considered the fourth greatest industrialized nation in the world now?

Mr. NOOTER. Its total production of goods and services is now the fourth in the world.

Mr. PASSMAN. So it puts them right on the top of the totem pole, does it not?

Mr. NOOTER. They are one of the big industrial nations of the world.

Mr. PASSMAN. Yes.

Now you mentioned on two occasions earlier today that Japanese aid to Vietnam in 1970 had been $19 million, is that correct?

Mr. NOOTER. That is correct.

Mr. PASSMAN. What part of that represented loans, what part represented aid?

Mr. NOOTER. I believe about $5 or $6 million of it would be in loans and the balance in grants.

Mr. PASSMAN. Then the grant part would be about $12, $13 million?

Mr. NOOTER. That is correct.

Mr. PASSMAN. The other part could not be interpreted as aid, it is high profits, high-interest, short-term loans; is that correct?

Mr. NOOTER. Well, 10 years, 6 percent.

Mr. PASSMAN. Ten years, that is considered short term when we give 40.

Mr. NOOTER. Or medium term, yes, sir.

Mr. PASSMAN. During 1970, I guess our aid to South Vietnam, if we take the economic and military, including the Defense Department,

would be in the neighborhood of $16 billion, would it not, the cost of maintaining——

Mr. NOOTER. If you include the cost of maintaining the U.S. forces there, it is, yes.

Mr. PASSMAN. Quite a contrast, is it not?

Mr. NOOTER. Yes, it is.

WASTED STEEL PURCHASE

Mr. PASSMAN. You are familiar with the accusation of the House Government Operations Committee, which stated last year that AID wasted $1 million by buying steel to build barges for Vietnam that were never built; it further stated that the steel purchase was left to rust in an open storage area for 4 years.

Is that correct?

Mr. NOOTER. That is correct. We may have had——

Mr. PASSMAN. Again, would that not indicate that your procurement people were rather hasty in placing orders for commodities before knowing whether there would actually be a real need or requirement for them or whether they could be utilized in their economy?

Mr. NOOTER. That is correct.

CIVILIAN MEDICAL PROGRAM

Mr. PASSMAN. You are quite fair about answering the question.

The House Government Operations Committee report dated October 8, 1970, concerning the civilian medical program for Vietnam, it was stated that AID's efforts to improve this program had met with limited success and that the Government of Vietnam would have to make available more of its resources for public health services if improvements would continue.

Would you comment on this part of the report?

Mr. NOOTER. This refers to which program, Mr. Chairman?

Mr. PASSMAN. The House Government Operations Committee report dated October 8, 1970, concerning the civilian medical program for Vietnam. It was stated that AID efforts to improve this program have met with limited success and that the Government of Vietnam would have to make available more of its resources for public health services if improvements are to continue.

Mr. NOOTER. There have been considerable improvements made in the program on the part of the Government of Vietnam.

Mr. PASSMAN. Would you elaborate on that for the record.

(The information follows:)

HEALTH PROGRAM IN VIETNAM

Over the past 5 years, AID constructed eight provincial hospitals, provided 29 surgical units, and improved facilities in another 11 hospitals. We have supplied over $35 million worth of medical supplies and equipment, enlisted the services of over 1,000 volunteer U.S. physicians and nurses, plus 61 military and free world medical teams, to work in these hospitals, and more than doubled the output of doctors and nurses trained in-country.

This particular program, including special projects in rehabilitation and plastic and reconstructive surgery for the wounded and handicapped, has cost AID nearly $100 million over the past 5 years; the benefits can only be accurately measured by the nearly 300,000 Vietnamese war casualties who have received treatment and have been returned to their families and their jobs.

The Government of Vietnam now has the necessary physical facilities, such as

hospitals, far greater numbers of trained health personnel, and better means to continue training of additional personnel. Many problems remain. The House Government Operations Committee report correctly points out that more Vietnamese resources must be devoted to health. More must be devoted to maintenance of physical facilities, to personnel salaries and to pharmaceuticals. This is true, however, not only for health, but in other civilian areas, such as education, as well. The defense burden on Vietnam remains a heavy one, which diverts resources from other areas.

REPORT ON VIETNAM PROFITEERING

Mr. PASSMAN. In another House Government Operations Committee report dated June 25, 1970, the following statement was made: "Vietnamese businessmen and profiteers grow richer at the American taxpayer's expense as they continue to line their pockets with dollars provided through an economy financed virtually in total by the United States, and their frantic attempts to illegally deposit their profits in foreign banks have made the U.S. dollar the most sought after commodity in Vietnam and increased capital flight."

Can you comment on that?

Mr. NOOTER. We think that capital flight there has slowed down or actually stopped 6 months ago; there even appeared to be a certain amount of reverse movement judging from the effected by a decline in black-market prices.

Of course, in this whole area it is very difficult to measure flows because the transactions that are carried on in the black market are illegal and not measurable. I think one of the biggest areas of improvement in Vietnam in the economic scene has been their handling of their foreign exchange and their foreign resources during this past year, together with their ability to control the rate of inflation, to bring it down within very acceptable limits. No doubt, in part this was done with the aid of the resources that we put in, but it was also done by good management on their part. If things proceed as we hope, we expect to see this continue, with an eventual elimination of the whole black-market mechanism. That might take another year or so to work out.

Mr. PASSMAN. We realize that you have difficulty in preventing the Vietnamese businessman from pursuing business methods of making all the money that they can. Wouldn't it follow, all Americans trying to do a creditable job, that we have actually poured in more consumables than could be intelligently consumed by the Vietnamese? Like so many commodities, like the million dollars in steel left to rust out in the open? This is just one instance out of many hundreds. Is there such a thing as providing more hardware and consumables than they could intelligently use?

Mr. NOOTER. I don't think that is true today.

Mr. PASSMAN. Didn't you tell us that 5 years or 4 years ago? You could read the record in those years and you answered the question the same as you are answering now. It followed that at a subsequent date this particular committee of the Congress did uncover this.

Mr. NOOTER. Certainly there are individual instances of things that went wrong. However, the steel case that you mentioned did take place in 1966. We think that we have that sort of thing under much better control. I am not able to say an individual case can not happen today, because it can, but I think that the situation is quite different now.

Mr. PASSMAN. If we have surplus commodities, whether steel, rice or anything else, it is more than they can absorb, it is a waste of our

money and it creates a bad impression, does it not, on the recipients?

Mr. NOOTER. That is right. That is why we are trying to hold the import level to that of the last couple of years and not have it go up.

Mr. PASSMAN. I don't think that you would agree but I think that you could do a much better job and it would have a favorable effect if you would operate with just half of the money that you are operating on. There are some terrible reports coming out of Vietnam. We know there is still a flight of capital out of that country, and I guess you are doing your best.

Mr. NOOTER. I don't——

Mr. PASSMAN. I guess you are absolutely trying to provide more than can intelligently be utilized in the country.

Mr. NOOTER. I don't think they could possibly manage their military budget under a greatly reduced import level.

Mr. PASSMAN. I am not talking about the military but I am talking about a lot of consumables and luxuries that you call necessities, because it may be a bicycle or a motorcycle with a lot of fancy gadgets. You can dress it up. I guess those people are entitled to some luxuries. I imagine a lot of these commodities that you label necessities are just on the borderline. It could be termed luxuries.

Mr. RIEGLE. Mr. Chairman.

Mr. PASSMAN. Yes.

EFFECT ON VIETNAM OF CUTTING THE COMMODITY IMPORT PROGRAM

Mr. RIEGLE. Did I understand the witness correctly to say that if the people of South Vietnam had to take in their belts more, in other words, sacrifice these commodities in order to put resources that now go for commodities into the military effort, they just wouldn't do it? In other words, they are not prepared to make that additional level of sacrifice? What would happen if we cut the commodity import program in half; would you say the military would not be able to get the support of the people of South Vietnam to finance it?

Mr. NOOTER. The first effect would be a very, very rapid rate of inflation, with all of the consequences.

Mr. RIEGLE. Why can't you put in price and wage controls to handle that?

Mr. NOOTER. Because wage and price controls in any economy are only marginally effective.

Mr. RIEGLE. Do we have those in South Vietnam today?

Mr. NOOTER. There are price and wage controls in some areas——

Mr. RIEGLE. Not across the board?

Mr. NOOTER. Not completely across the board. They have not been very effective. They have on the whole been more of a problem than a help in price and wage situations. You cannot keep the effect of money supply from being felt in the price structure by price and wage controls. They can sometimes play a role, particularly in a more developed country, if you have a good administrative system. They just wouldn't be effective in Vietnam.

Mr. RIEGLE. I don't want to intrude too much on the chairman's time but I understand that the experience of the rate of inflation in Korea was something like 2,400 percent. Somehow or other the South Koreans were able to hang onto enough of a sense of purpose and unity; they kept themselves together. I don't think we have experienced any-

thing like that yet in terms of a cumulative rate of inflation in South Vietnam. It has not been demonstrated in the record in testimony before this committee up to now.

What would happen in the next step if this inflation were set loose? When would we get to the point where the money would not be forthcoming to support the military effort in South Vietnam?

Mr. NOOTER. First let me say that I have a lot of admiration for the South Koreans. At the time they were having their rapid inflation they were not fighting a war and facing an enemy, and bearing the burden of that war themselves.

Mr. RIEGLE. I thought 95 percent of the land area of South Vietnam was secure today?

Mr. NOOTER. That is correct. Excuse me. The population, not the land area. Some 95 percent of the population is considered under Government control.

Mr. RIEGLE. What would happen if we cut this? Take me through this scenario. What happens if we cut the commodity import program in half? What follows next after high inflation?

Mr. NOOTER. If the CIP were cut in half, the rate of inflation would shoot up to what I could call uncontrollable levels. That is, 100, 200, 300 percent a year. In Indonesia you had 600 percent a year.

Mr. RIEGLE. Then what happens? How does this relate to the military?

Mr. NOOTER. In the case of Indonesia, the government fell around that time, for other reasons as well as that one. The economy breaks down, the ability of businessmen to run their business is nullified; the ability to pay their troops, which is already a very difficult problem for Vietnam—let's say pay to the soldiers in real terms—would go down even further.

NORTH VIETNAMESE SOLDIERS PAY

Mr. RIEGLE. Do the North Vietnamese soldiers get paid more or less than the South Vietnamese?

Mr. NOOTER. I am not familiar with their pay scale. I am sure that they are on an austere schedule.

Mr. RIEGLE. I will bet you a new tie, to use the chairman's terminology, they get paid less than the South Vietnamese soldiers get paid.

Mr. NOOTER. The only other comparison I would make there is that North Vietnam, in spite of having a much smaller military establishment, receives considerable economic aid from their supporting countries.

Mr. RIEGLE. More than we give the South Vietnamese?

Mr. NOOTER. Not more than, but something in the neighborhood of half a billion dollars a year in economic aid.

Mr. RIEGLE. I wonder how much we would have to give the South Vietnamese if they were fighting the Russians.

Thank you.

WASTE IN VIETNAM

Mr. PASSMAN. That is a good question.

We all know there has been a tremendous waste in Vietnam. There is just volumes of information that you just can't ignore, and you were very fair and said that is true. That is only one instance, and there could be hundreds dug up. I think that you people ask for too much

money and you think that you are actually permitting the Vietnamese to import commodities that maybe they could well do without and in other instances in excess of the actual need.

I think that you would have a better program if you tightened up on it because they are not accustomed to the standard that you people permitted them to build up there. I hope that you will cut back. I hope this committee will travel in that part of the world. I want them to get the information direct, as I have many times, that a lot of people laugh at us, some of the bankers and many of the business people. I am talking about intelligent people. You have heard some of these conversations. They think we are the biggest fools in the world. They don't think we are smart to start with, to be dissipating our wealth because other people are not doing it. They cannot understand why we would insist on destroying our economy and our world market by building up a public debt we have no chance to pay and dissipate our wealth all over the world. I hope this committee will go out and have some very serious meetings with these people.

Let that be as it may, somewhere along the way we are going to look at the asking price and we will reach an agreement as to what the taking price will be. It will still be in excess of need for a reasonable program but we hope that you will do the very best that you can to bring this thing under control. We have gotten to where we talk about billions like it was pin money or something.

As I mentioned earlier, it is unbelievable in this day of great prosperity, one of the most prosperous periods in our country's history that we have already built up a $29 billion deficit for the first 11 months and 10 days of this year. I could have never believed even 5 years ago such a thing was possible. It is unthinkable to have close to a $30 billion deficit. Even if you use the unified budget method, you are still going to wind up with a $22 billion deficit.

It is something you should all be concerned about. We are having to borrow this money that we are giving away and it is at the expense of unborn generations.

RELIABILITY OF CIP IMPORTERS

In another report concerning the commercial import program from the House Government Operations Committee dated October 8, 1970, it was stated that the AID mission in Vietnam has not conducted a systematic investigation of the reliability and integrity of the CIP importers in general. Would you like to comment on that?

Mr. NOOTER. I am not certain that I understand the context of that question or the implication of it.

Mr. PASSMAN. Do you remember this one?

Mr. NOOTER. What I do know, Mr. Chairman, is that the CIP is very tightly and closely controlled. We feel there is very little lossage in that program, something like less than half of 1 percent of the CIP imports can we identify as not being received. One hundred percent of all CIP licenses are inspected and something like 40 percent of all goods are physically inspected by our people. My belief is that we have been exercising very good control, tight control, over that program.

Mr. PASSMAN. Would you accept this in a defensive way if I stated that we were getting the same kind of testimony and the same kinds of answers from witnesses some 10 or 12 years ago when we had one of these fat-cat aid programs in Laos? They defended it and we found out that about 60 percent of all the imports intended for Laos were being accepted before they crossed the border and being channeled into the black market. In other instances we found where the suppliers, in collusion with the Laotian officials, were permitting our Government to be overcharged 200 and 300 percent and in other instances substituting used equipment for new equipment. And during that same period we were supporting the kip at about double its actual value. When this committee and some others kept pointing this out, the officials in Laos finally agreed that is true. We worked out some agreement so they could start repaying our Government for what they swindled us out of. You remember that?

Mr. SULLIVAN. Yes, sir.

Mr. PASSMAN. I have been dealing with this so long. You are such a nice fellow and come in here and it is snow white. I think that you believe that. I think there is a lot of corruption and I think they are making fools out of a lot of you out there. You just can't laugh these reports off. I never heard you people categorically in writing attempt to disprove these statements.

Mr. SHRIVER. Would you yield?

LOSSES IN CIP PROGRAM

Do I understand that the loss that they have, possibly fraud or corruption, in the whole CIP program is less than one-half of 1 percent?

Mr. NOOTER. That is at this time, yes, sir; over the last 1 or 2 years.

Mr. SHRIVER. Where do you get those figures?

Mr. NOOTER. We keep records of the shipments that we check on and inspect. This is tabulated, losses are kept track of. This is now the figure. It was considerably higher than that 4 or 5 years years ago. I don't have the exact number but I believe it was in the order of 4 or 5 percent at that time.

Mr. SHRIVER. This is the same figure Mr. MacDonald testified to last year. Is there any improvement or change in it at all?

Mr. NOOTER. It is down now to what I would call pretty much a minimal level for lossage. This is not stealing losses necessarily but losses in——

Mr. SHRIVER. All ways?

Mr. NOOTER. Right.

Mr. PASSMAN. How about profiteering? Let me say this, and I want to be fair about it, but we have gotten the same answers to the same questions many years ago about the virtues of the program in Laos and subsequently found out that the answers didn't hold up. They just didn't hold up. I believe that you remember what I am talking about.

I know that you are a man of unimpeachable integrity, but I don't think we have as good a system in this country as you indicate that you have in Vietnam.

How about profiteering; do you permit a man to buy something for $1 and sell it for $8? That may be completely legal but what are you doing to tighten up on that? This is what he is referring to.

Mr. NOOTER. There are times in the management of their economy where importers who have access to imported goods have an opportunity to make what I would call excessive profits. One of our big efforts this year was to adjust the exchange system in a way that that would be minimized. I think that that is the way it is now functioning. This is a highly technical area having to do with exchange rate management. I don't think the profits of that kind are quantifiable because it is difficult to say what an importer should make on the import.

I might say I will try to be as candid as I can with this committee.

GAO CHARGE OF IMPROPER PAYMENTS BY VIETNAM GOVERNMENT

Mr. PASSMAN. I know that very well. I think that your problem is that you are getting twice as much money as you need to carry on a controllable program. Let us see what the Government Accounting Office said: A GAO report dated July 24, 1970, concerning the control of local currency made available to Vietnam for support of its military and civil budget makes the following statements:

> Further controls are needed which would prevent the possibility of improper payments by the Government of Vietnam personnel, such as padded payrolls. The AID mission released large sums of money for civil budget activities before it was needed. Money was released based upon unreliable and unverified reports.

Have you ever answered their charge?

Mr. NOOTER. We did respond to this.

Mr. PASSMAN. Let us have a copy of that.

Mr. NOOTER. We will.

(The information follows:)

MEMORANDUM FOR HONORABLE ELMER STAATS
Comptroller General of the United States
General Accounting Office

SUBJECT: GAO Report on the "Need for Increased Control Over Local Currency Made Available to the Republic of Vietnam for Support of Its Military and Civil Budgets."

We wish to thank you for the copy of the GAO report on the "Need for Increased Control Over Local Currency Made Available to the Republic of Vietnam for Support of Its Military and Civil Budgets."

We have carefully studied your report. In this memorandum we provide you with our comments on the observations and findings on that portion of the report covering USAID/Saigon's performance in controlling local currencies released to support the GVN civil budget.

At the outset we would like to draw attention to the fact that the report is based largely on a review of USAID/Saigon's activities in Calendar Year 1967. A limited review was also performed on Calendar Year 1968 activities. It, therefore, does not reflect the situation as it is today, or has been during the past two years. Substantial improvements were made subsequent to the review of two years ago. Indeed, it is our opinion that the GAO recommendations have been implemented and we are satisfied that USAID and GVN procedures provide a reasonable degree of control over the release and use of funds for the civil budget.

The GAO recommended that the Agency for International Development require USAID/Saigon to (1) use project agreements as an instrument of control over the release and use of local currencies for the GVN civil budget; (2) develop and implement procedures and controls to prevent the release of funds prematurely to current known needs; (3) expand its efforts to monitor and inspect the implementation of U.S. ordered civil budget activities; and (4) increase the audit coverage of such GVN civil budget activities.

Project Agreements

I am pleased to report that USAID/Saigon has already fully implemented the GAO recommendation of using project agreements as an instrument of control. The project agreement system was used in Calendar Year 1969 and USAID is currently in the process of completing the negotiation of project agreements for this Calendar Year. Based on a Letter of Understanding,

each project agreement describes project objectives, responsibilities of the GVN and USAID, and work plans; and calls for the GVN to provide periodic reports as well as detailed budget estimates. These agreements are specific with respect to the amounts of funds to be made available and the use to which they will be put.

Release of Funds

USAID and the GVN have developed and are implementing a number of procedures to insure that local currency made available in support of the GVN civil budget is released only in amounts essential to meet valid cash requirements. The control over releases, however, is not applied on a project basis, but on the basis of total civil budget cash needs. A major USAID effort now is in the area of assisting the GVN to improve its procedures for allocating, reporting and controlling funds rather than relying on American unilateral controls to deter excessive releases. We do, however, require detailed GVN budget estimates and progress reports to justify cash positions.

USAID has further restricted premature commitments for construction projects by requiring evidence of site acquisition and bilateral approval of plans and specifications. Furthermore, the GVN has begun reviewing financial allocations made for construction in prior years and it is anticipated that this procedure will accelerate execution of outstanding projects and eliminate those which clearly will not be implemented.

These new procedures have resulted in relatively austere release of funds in Calendar Year 1969 (only 4.5 billion piasters, or less than half of the 9.6 billion piasters committed to civilian programs in 1968).

USAID proposes to continue to concentrate on enhancing the GVN capability to manage its budget process. Increased technical assistance is being offered to improve the GVN system of allocation, financial accounting, and budget management. These improvements will not be accomplished quickly due to the constraints on manpower skills and the reticence of the GVN to accept external assistance in the sensitive area of budget management. This effort is, however, regarded by A.I.D. as a high priority matter in dealing with the sorts of problems raised by the GAO report.

Monitoring and Inspection

Monitoring of counterpart-supported projects is performed by USAID and GVN personnel. Surveillance is concentrated on performance in the implementation of those civil budget activities which are also funded with dollars. In Fiscal Year 1971-72 programs, USAID intends to continue

to stress developing maintenance capabilities as opposed to approving new construction projects. This will tend to reduce requirements for monitoring and inspection. Together with the expanded audit coverage, the added monitoring and inspection procedure should provide adequate protection.

Audit Coverage

The audit coverage of the civil budget activities supported by A.I.D. has been substantially increased in the past year. For example, USAID had issued only four audit reports during Fiscal Year 1969 to late May covering activities valued at the equivalent of about $5 million. Since May 28, 1969, USAID has issued 47 audit reports and has eight others in process covering projects valued at about $59 million. The audit examinations and project activities include detailed audits of counterpart funds expended for in-country costs on a test-check basis. The audits also appraise procedures and controls for commitment, release, utilization and reporting. An Area Auditor General's Office was established in Saigon on March 1, 1970; audit coverage will consequently be more intensive than in previous years.

Concluding Comments

In view of the improvements instituted by USAID and the GVN since the period covered by the GAO report, USAID Saigon is convinced that controls over A.I.D.-supported civil budget activities are now adequate. This is particularly gratifying in view of the wartime situation and the constraints imposed on manpower and other resources confronting both A.I.D. and the GVN.

Even if the USAID had the manpower, which it doesn't, we should not attempt to pre-audit, monitor, and control the GVN budget, but rather we should concentrate on assisting the GVN to improve its own capability to modernize its fiscal and budgetary affairs. This approach is particularly valid in the face of the reduction of U.S. personnel which is taking place now. We believe we should be selective in choosing those control operations involving U.S. personnel and we should emphasize the development of those measures which will eventually make the GVN capable of managing its own affairs. To this end, the GVN requested assistance in modernizing its overall organization and administration. We are providing such assistance.

In conclusion, we have benefitted from and accepted the findings and recommendations of the GAO report. As we have pointed out, the shortcomings which were identified as existing in Calendar Year 1967 and 1968 programs have, on balance, been remedied in Fiscal Year 1969 and 1970 activities, and improvement is continually sought.

We are satisfied that the procedures and controls developed and implemented by USAID and the GVN over the budgeting, release and utilization of local currency for the civil budget constitute adequate safeguards. We wish to thank the GAO for its review, and we trust that you agree that the shortcomings of the past have been overcome.

John A. Hannah

Mr. PASSMAN. We need it now. This is serious business. You are asking for an awful lot of money. This is a statement made by GAO. They are a little bit careful about affixing their signature to these reports without having it pretty well verified. Have you found that to be true?

Mr. NOOTER. Yes, sir, they are.

Mr. PASSMAN. This is a serious charge.

Mr. NOOTER. I might say sometimes we disagree with them but they are certainly very responsible.

Mr. PASSMAN. This is not personal. These are very serious charges, aren't they?

Mr. NOOTER. Yes, sir, they are.

Mr. RIEGLE. Mr. Chairman.

IMPORT PROFIT IN VIETNAM

Do you have any data that shows the percentage of profit that the normal importer makes on the commodity import program? The chairman asked a question about profiteers and I don't think you have given us any data on that. What percentage of profit does the average importer make on commodities?

Mr. NOOTER. It varies by commodity. From time to time we make a spot check of retail prices compared to imported prices. It varies greatly. In petroleum products it might be 10 percent. On some other items——

Mr. RIEGLE. I know it might be, but is it 10 percent or 30 percent?

Mr. NOOTER. No, it is in the order of magnitude of 10 percent. On other items it varies.

Mr. RIEGLE. What is the highest?

Mr. NOOTER. I will have to get that for you. The last report I saw on this contained 50 or 100 different items.

Mr. RIEGLE. I remember another GAO audit we had a couple of years ago: Perfumes, automobiles and all sorts of things on that list which we felt should not have been on there. Are there any items like that there?

Mr. NOOTER. Not on the commercial import program.

Mr. PASSMAN. We have gone over too lightly with this profiteering part of it. Let me say this: I read this report not too long ago and I have a lot of compassion for you people trying to administer these difficult programs. If you operated a corner filling station on a cash basis and had two employees, the employees would make 60 percent of the decisions in operating this little filling station. Here you are dealing with a half-a-billion-dollar program with thousands of people either directly or indirectly involved and it would be impossible for you to have personal knowledge of the accuracy of some of the statements that you made. You are bound to base it upon what your subordinates tell you. We just should not be moving these things too lightly.

I think to be objective and work together, not 1 or 2 days but possibly for a month we would establish that you could do a better job with maybe $250 million than you could with $565 million because there are a lot of things going on that shouldn't, such as profiteering.

We wish that you would furnish some information to the committee, I guess it would be available to the AID mission, as to what the markup

is on some of these commodities that are moving in channels that these people are writing about that show they are waxing fat in wealth and making excess profits. Give us some information on that.

Mr. NOOTER. Yes, sir.

(The information follows:)

Estimated retail markup over landed cost, selected imported commodities in Vietnam, as of December 1970

[Percent markup over landed cost [1]]

Commodity:	
Galvanized pipe	35
Wire rods	13
Round bars	23
8-ton truck	27
Rayon yarn	36
Mixed fertilizer	3
Polyethelene (low density)	48
Polyethelene (high density)	17
DDT wettable powder	25

[1] Landed cost includes the cost, insurance, and freight value of the commodity plus taxes and duties, but excludes many of the normal costs of doing business such as costs of storage, etc. Data based on USAID survey.

Mr. PASSMAN. I wonder why we couldn't get something a little more specific.

CHARGES MADE BY GAO

Would you give the committee a specific letter as to how you replied to these charges made by GAO? I could go on for 3 weeks pointing to similar information that would frighten all of us. I am not going to do it.

I would like to take two or three of the more serious charges made by GAO, and have you give us some information on how you responded to these charges.

Mr. NOOTER. Yes, sir.

Mr. PASSMAN. I yield.

CIP IMPORT COSTS AND RETAIL COSTS

Mr. GALIFIANAKIS. Mr. Chairman, did you ask for a commercial import program list to be submitted for the record?

Mr. PASSMAN. Yes.

Mr. GALIFIANAKIS. Also could that be embellished so it might include the import costs and the average retail costs?

Would you embellish it to that point?

Mr. NOOTER. What I can try to do is provide our most recent data or the last spot check we made on the spread of import costs to retail price on a variety of commodities.

Mr. GALIFIANAKIS. Give us some information on how you do your spot checking and give us the best information that you can.

(The information follows:)

THE SPREAD OF IMPORT COSTS TO RETAIL PRICE

Each week the USAID Mission in Saigon compiles prices of 30 widely used imported commodities, ranging from sugar to motorcycles. In addition the National Institute of Statistics of the Government of Vietnam compiles prices for imported commodities on a monthly basis. Although there may be some diver-

gence between the movements in the two series from time to time, in general both series have tended to move in the same direction.

In December of 1970, a survey was made of the cost structure of the import market and detailed analysis made on the average costs of importing and the cost of marketing 79 individual items. Price and cost information was obtained through examination of actual import documents; in some cases covering several transactions in one commodity as well as interviews with importers and businessmen in the import community.

Mr. PASSMAN. Your spot check could cover possibly one merchant out of 50. Or if you applied it percentagewise, it could maybe be one-tenth of 1 percent of the total volume. Is that right?

Mr. NOOTER. That is correct. It is the Mission's best attempt to get that price.

Mr. PASSMAN. It is a difficult job and we know what you are up against. I believe that the Vietnamese Government itself could and should cooperate to a greater extent than they are.

Mr. NOOTER. If I might talk to this question of profiteering. We share your concern on this. We think the solution lies in an approach of this kind—to the extent that licensing can be less restrictive, that it can be open to competition, to the extent that the exchange rate can be permitted to float upward in order for demand to be more free, we think that the answer to the question of profiteering lies through the marketplace mechanism, through competition. During this past year the Vietnamese have made a number of steps in this direction. They have increased the cost of imported goods first of all in piaster terms in a number of ways which I won't go into in detail here.

Just a couple of weeks ago they went to a partially free licensing system through the commercial banking system for a portion of their imports. This eliminates the possibility of one importer being favored and therefore a condition of scarcity being created, which is what permits excessive profits.

Mr. PASSMAN. Off the record.

(Discussion off the record.)

Mr. PASSMAN. We passed over rather lightly the GAO statements about the AID Mission releasing large sums of money for civil budget activities before it was needed.

Give us your response on that.

Mr. NOOTER. We will.

Mr. PASSMAN. Charge 2, money was released based on unreliable and unverified reports.

Give us your response on that.

Mr. NOOTER. We will.

Mr. PASSMAN. These are serious charges. It would not be charged to you because this is a rather voluminous program. I am sure you are doing the very best that you can.

WHY INCREASED AID REQUESTS FOR VIETNAM?

Can you tell the committee why you are asking for an increase of $168,925,000 over the 1971 program?

Mr. NOOTER. This is almost entirely, as I mentioned before, to make up for the decline in Defense Department spending in Vietnam, which has permitted the Vietnamese to earn dollars through the Defense Department expenditure there. As these amounts go down, and we

estimate they will decline by about $150 million in fiscal year 1972, this is going to leave the Vietnamese short of meeting their import requirements by that amount.

Mr. PASSMAN. In what areas will they be short?

Mr. NOOTER. This will be for the general commercial imports of that country, petroleum products, cement, what have you.

FOOD COMMODITIES IN VIETNAM

Mr. PASSMAN. I believe we covered this earlier, but it may be good to have this put in the record, that they now are self-sufficient with their rice production.

Mr. NOOTER. Yes; they are.

Mr. PASSMAN. That is the main food commodity in that country?

Mr. NOOTER. Yes.

Mr. PASSMAN. What are some of the other consumables other than rice?

Mr. NOOTER. For human consumption?

Mr. PASSMAN. Yes.

Mr. NOOTER. Poultry, swine, vegetables.

Mr. PASSMAN. Are they not also self-sufficient in swine and in poultry?

Mr. NOOTER. They do import some canned meat products.

Mr. PASSMAN. But basically, they are now self-sufficient in poultry and in swine; are they not?

Mr. NOOTER. I believe they are.

Mr. PASSMAN. They now produce about 90 percent of their diet, their food, do they not? Is that no just about it?

Mr. NOOTER. Something like that; yes, sir.

Mr. PASSMAN. Now if you fill their bellies, and that is what most people live for, what would all this money be spent for, if it is not for food?

Mr. NOOTER. Well, this covers the whole range of commodities that they use. In economic terms, the ability of that government to support its military establishment rests on its ability to raise the revenues to pay them.

Mr. PASSMAN. I know, but remember, the military is in a separate section. You have $1.8 billion in the military assistance program for Vietnam. We are only looking at one spigot of economic support. I just do not see how they can possibly consume that amount of money.

Mr. NOOTER. But the military assistance is for hardware items and things that you cannot eat and live on.

The economic assistance to the general economy provides the ability of that government to pay its salaries to its soldiers and troops.

Mr. PASSMAN. But they have certain income in their own country like we do in this country, do they not?

Mr. NOOTER. They have some and over time they will have to increase their own revenues in order to pay for that.

Mr. PASSMAN. Are the consumables across the board—what would be the percentage of the annual outlay—dollarwise—that they would have to import?

Mr. NOOTER. Their import level has been around $700 million a year for the last several years.

Mr. PASSMAN. Then what is the gross national product of the country?

Mr. NOOTER. Something like $3 billion is the gross national product.

ECONOMIC SUPPORT FUND

Mr. PASSMAN. I note you plan to start a new program this year called the Economic Support Fund. You requested $150 million for fiscal 1972. Would you explain as briefly as possible what the Economic Support Fund is for?

Mr. NOOTER. Yes; that will be the money which we believe is necessary to make up for the decline in Defense Department spending in Vietnam, which will permit them to keep their import level up to a reasonable amount.

Mr. PASSMAN. Is this working out of your total asking price for supporting assistance?

Mr. NOOTER. This is part of the total request for supporting assistance.

Mr. PASSMAN. You are not going to later break this off into a separate program?

Your plans do not call for that, to break it off into a separate program and pick up another spigot and call it economic support fund?

Mr. NOOTER. No, sir; this will all be supporting assistance funds.

Mr. PASSMAN. You know that is quite the record of AID, to come up with these new funds. The following year they break them off and create a new spigot. You are familiar with that system, are you not?

Mr. NOOTER. We intend to keep this in our supporting assistance.

Mr. PASSMAN. I say you are familiar with that system? If you are not, take this with my compliments and you will be familiar with it when you read it. Does that spell anything out to you, the way it has been fragmentized?

Quite interesting, is it not?

Mr. NOOTER. Yes.

Mr. PASSMAN. And our good Comptroller furnished these statistics, I do not want to take credit. We only put it on paper. Is that right?

Mr. FLINNER. Yes, sir.

Mr. PASSMAN. Anyway, we are making a little record here in case some of your assistants get careless and break it out as a new program.

It sounds as though this money would be placed in, shall I say a pot, and when the Vietnam Government needs funds, it will come to you and obtain a payment out of this fund; is that it?

Mr. NOOTER. That is correct, and that payment will depend on their requirement to support their military establishment and to meet their essential civil requirements.

Mr. PASSMAN. You are not going to follow the charge made by the GAO that "money was released based upon unreliable and unverified reports?"

You are going to make sure they need it and can justify it?

Mr. NOOTER. Yes, we believe we have that under control now.

Mr. PASSMAN. Have you made any disbursements out of this area, this spigot, so far?

Mr. NOOTER. No, we have not.

BLACK MARKET IN VIETNAM

Mr. PASSMAN. Is there still a large illegal market dealing in currency exchange in Vietnam?

Mr. NOOTER. There still is a black market, yes. We think there is less movement across it, but we cannot really measure it precisely. We can get some indication of the changes in the rate of flow based on how the rate moves. The rate has been moving downward.

VIETNAMESE VILLAGE SELF-DEVELOPMENT

Mr. PASSMAN. You mention on page B–2 that more authority has been given to the local village on the use of funds granted by the Government.

Would you comment on that?

Mr. NOOTER. Yes.

Mr. PASSMAN. What is the criteria before these funds are released?

Mr. NOOTER. This refers to the village self-development fund, where villages are able to have various kinds of local projects, where they also put up some moneys and, as they submit those projects for approval through their governmental structure—they are usually of a very small size, maybe a two-room schoolhouse or small meetinghouse, a footbridge across a stream or something of that sort—then they go ahead and proceed with the project.

ESSENTIAL IMPORTS OF VIETNAM

Mr. PASSMAN. You indicate on page B–3 that the commercial import program funds would be used to finance essential imports.

Would you place in the record a list of what you consider the essential imports? Cover the major items.

Mr. NOOTER. We will, yes.

(The information follows:)

ITEMS FINANCED UNDER THE COMMERCIAL IMPORT PROGRAM

Chemical and chemical compounds.
Textile Yarn and Thread.
Textile Fabrics.
Iron and Steel Products.
Power Generating Machinery.
Machinery and Parts.
Agricultural Machinery.
Artificial Resins and Plastics.
Dyeing, Tanning and Coloring Materials.
Animals Feed Stuff.
Wood Pulp.
Fertilizers.
Rubber Products.
Trucks.
Electrical Machinery and Parts.
Petroleum Products.

Mr. PASSMAN. I do not think the South Vietnamese, any more than the people I represent in Louisiana, should be deprived of every luxury that they are capable of earning the funds to pay for.

TELEVISION IN VIETNAM

Would you tell the committee about how many television sets are now in use in Vietnam, by civilians? Do you have an estimate?

Mr. NOOTER. I think the number is around 4,000 television sets there. These are the sets that belong to a village or a hamlet and are used for the whole community. They are part of the Government's information system to bring news to the people in the outlying areas.

Mr. PASSMAN. How many television broadcasting stations do they have there?

Mr. NOOTER. There is just one station.

Mr. PASSMAN. They started off there I believe, possibly 5 years ago, with 10 radio sets and they would broadcast from a plane; is that not the way they picked it up?

Mr. SULLIVAN. Yes. They started broadcasting from a plane first.

Mr. PASSMAN. But now they have a TV station?

Mr. SULLIVAN. Tower.

Mr. PASSMAN. Government-owned or free enterprise?

Mr. SULLIVAN. Government-owned.

Mr. PASSMAN. I certainly would not quarrel about them having TV sets if we are not paying for them.

Mr. NOOTER. We are not paying for the importation of TV sets.

Mr. PASSMAN. Not directly.

Off the record.

(Discussion off the record.)

MILITARY VERSUS ECONOMIC AID IN VIETNAM

Mr. PASSMAN. You make the following statement on page B-3:

"The total cost of all U.S. expenditures in Vietnam will of course be greatly reduced from the prior year's level."

By that you mean the net—are you including the military?

Mr. NOOTER. Yes, that is correct.

Mr. PASSMAN. That is almost a waste of ink to put that in, because it is perfectly obvious when you cut the number of troops down, which you have by over half in a period of about 27 or 28 months, you have cut the expense down by some $15 billion; it has been cut in half, has it not?

Mr. NOOTER. That is correct.

Mr. PASSMAN. You are not referring to economic aid?

Mr. NOOTER. That is correct.

Mr. PASSMAN. Economic aid is going to go up?

Mr. NOOTER. Or at least remain——

Mr. PASSMAN. That is if you have your way, it is going to go up.

Mr. NOOTER. If we take into account the total of the economic aid from us and the indirect economic aid from DOD, we think our request will make it remain about the same.

DOD REIMBURSEMENT TO AID

Mr. PASSMAN. I am interested in the direct aid. Again on page B–6 you indicate that A.I.D. will be reimbursed from the Department of Defense some $68 million. Would you indicate what this total consists of?

Mr. NOOTER. Yes. These refer to programs which could be considered to have some economic aspect to them but which also relate to the military operations.

The largest amount of that is the primary highway network, where the Defense Department pays the cost of U.S. assistance to that network in order to permit the military operations to go on.

They also provide some of the assistance to the police program, generally for what is called the Police Field Forces, which is a paramilitary group; also some support to the police telecommunications network; some support to the railway system; some support to the medical logistics program, that is medicines, on a shared basis with us, on the ground that some of the medical supplies go for war casualties.

Those are the principal items.

Mr. PASSMAN. We covered this earlier to some extent.

Mr. NOOTER. Yes, we did.

LAND REFORM PROGRAM

Mr. PASSMAN. Let's get into something else and have the record abundantly clear on this, that the $400 million that the South Vietnamese are going to pay to the landowners so as to bring this land in for redistribution among more people will be handled by making a 20-percent downpayment, and the remainder is to be paid out over an 8-year period. They are making this downpayment in piasters and in subsequent years they will be paid in piasters.

Mr. NOOTER. That is correct.

Mr. PASSMAN. You estimate that our total cost is $40 million and it will be paid over a 3-year period, which is about $13⅓ million per year that we are paying. The purpose is to hold down inflation?

Mr. NOOTER. That is correct.

Mr. PASSMAN. I think we stated earlier that our expenditures were about $1 billion per year, of all the agencies, in Vietnam. That would be a minimum, would it not?

Mr. NOOTER. Yes, depending on what you include in that total.

Mr. PASSMAN. All right; $13 million is what percentage of $1 billion?

Mr. NOOTER. Slightly over 1 percent.

Mr. PASSMAN. So it does not make a lot of difference as far as holding down inflation?

Mr. NOOTER. No, in itself it is a relatively small item.

Mr. PASSMAN. We were talked into a deal and we had to coerce the legislature to finally implement the law and we even made the payments before we had the statute on the books, did we not?

Mr. NOOTER. We obligated funds but did not make any disbursements.

Mr. PASSMAN. Before you actually had the statute on the books. I believe the Secretary of State testified he did not know they would

ever pass a law. While he was testifying to that fact, you had already obligated funds to the program, had you not?

Mr. NOOTER. Yes, but not disbursed any.

Mr. PASSMAN. What; but not disbursed any?

I certainly would hope not. You did not have anything to disburse them on. That certainly brings back what the GAO says that the AID mission released large sums of money for civil budget activities before it was needed and money was released based on unreliable and unverified reports. That is just about the equivalent of this, other than you did not release the funds.

Now we get any kind of answers we want. It depends on when you ask the question. I am not directing this at you. I believe you stated that this $40 million—that would be all that we are going to pay toward this land reform program and when that has been disposed of, you pack up and go home as far as this program is concerned.

Mr. NOOTER. That is our plan at this time.

Mr. PASSMAN. Let me read certain passages from pages 726, 728, and 729 of last year's hearings, part 2:

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. 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. 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.

We can discount what the gentleman said, can we not?

Mr. NOOTER. His statement is correct: there have been a number of proposals from Members of the Congress.

Mr. PASSMAN. I am talking about where he says "We should be prepared to pay the full cost of $400 million."

Mr. NOOTER. I believe he is referring to suggestions from some Members of the Congress that we do so.

Mr. PASSMAN. I am not quoting out of context. This is what he said. He said that we should be prepared to pay the full cost, but you say that $40 million is it.

Mr. NOOTER. That is our plan now.

Mr. PASSMAN. I am willing to rest the case.

Mr. NOOTER. At various times we have considered expanding our support to that program. In part at least by your good offices we have decided to limit that to $40 million.

Mr. PASSMAN. You are assuring this committee that the $40 million, that you should never have asked for to start with, will be the total cost to the United States for this program.

I want to be just as compromising as I can. We all know that we got talked into another one of those deals by these smart Orientals.

Do not sell them short. They will put the big britches on you every time that they get an opportunity.

While you are helping the inflation a little bit over there, you are creating inflation over here by the fact that we have to borrow money to give them.

INTERNATIONAL ORGANIZATIONS

I shall insert at this point the additional information on some of these so-called international organizations and just let whoever reads the record know that there are so many spigots of foreign aid, that ten of the most astute Members of Congress could not keep up with it, but at least it will give them something to look at.

Off the record.

(Documents follow:)

IFC PRESS RELEASE NO. 71/9—FIRST IFC INVESTMENT IN INDONESIA TEXTILE MILL TO SUPPLY BATIK MAKERS

The International Finance Corporation is investing in Indonesia for the first time—in a $7.5 million textile venture that it helped to promote and organize. The corporation is providing loan and equity funds totaling $2.5 million.

The project is sponsored by Indonesian and Japanese interests. It will produce material for the manufacture of batik, the traditional dress in Indonesia and the everyday wear of the rural population.

A new company, P. T. Primatexco Indonesia will build and operate the mill at Batang in Central Java. The mill will have an annual capacity of approximately 8 million yards of bleached prima-grade cotton cambric, and will be equipped with bleaching facilities capable of processing about 29 million yards of fabric a year.

The project is scheduled for completion in mid-1972. At full operation some 750 Indonesians will be employed at the mill.

The demand for prima-grade cambric for batik making is at present being met entirely by imports. The new mill's output will substitute for about one-third of these imports, and this is expected to generate net foreign exchange savings of approximately $1.2 million. Most of the mill's production of cotton cambric will be sold to weavers who are members of Gabungan Koperasi Batik Indonesia (GKBI), a federation of 40 batik cooperatives. GKBI is the Indonesian sponsor of the project.

The project is an outcome of IFC's offer, made in 1968, to help the Government of Indonesia develop textile enterprises. At IFC's initiative, a group of leading Japanese textile manufacturers sent a mission to Indonesia to survey investment possibilities. It was during this mission that GKBI proposed a joint Indonesian-Japanese venture.

Daiwa Spinning Co., Ltd., a large manufacturing firm in Japan, is the main sponsor of P. T. Primatexco Indonesia. The two other Japanese sponsors are Nichimen Co. Ltd., a trading company, and Yamatogawa Dyeing Works Ltd., a dyeing, bleaching and finishing company associated with Daiwa. A 5-year technical assistance agreement will be concluded by P. T. Primatexco Indonesia with both Daiwa and Yamatogawa.

The mill's surplus bleaching capacity of approximately 20 million yards per year will enable P. T. Primatexco Indonesia to undertake contract bleaching for GKBI members and independent weaving mills in the vicinity of the project. An improvement in the quality of the fabric produced by these small-scale weavers is expected to result from use of the mill's finishing facilities.

FINANCIAL DETAILS

The company's share capital totals $3.75 million. The Japanese sponsors are providing $2.25 million of the equity; GKBI, $1 million equivalent; and IFC, $500,000.

Loan financing amounts to another $3.75 million. IFC is providing $2 million in loan funds, and the Japanese sponsors are supplying the remainder.

BANK PRESS RELEASE NO. 71/42—SUBJECT: $45.0 MILLION LOAN TO YUGOSLAVIA, FOR MULTIPURPOSE WATER PROJECT

The World Bank has approved a $45.0 million loan to Yugoslavia for a multipurpose water supply, irrigation and electric power project in the autonomous Province of Kosovo, one of the less developed parts of the country.

The Kosovo region has a relatively low per capita income, a high birth rate, and unemployment and underemployment problems. The main opportunities for economic growth are expansion of mineral-based industries and increased agricultural output, both of which depend largely on increased water supplies.

The $93.3 million multipurpose project is the first phase of the province's master plan to develop the Ibar and Lepenac Rivers to provide water for industry, agriculture, communities and power generation. The project will develop the Ibar River to provide 200 million gallons of water daily to industry and 5 million gallons daily to communities; irrigate 75,000 acres; and generate 95 million kilowatt-hours of electricity per year.

The project will provide all required water for the expanding industries in Kosovo until at least 1985. Improved community water supplies should significantly improve public health in the region. The irrigation scheme will increase agricultural production and reduce food imports in the province.

Some 65,000 people living on small private farms in the project area, mostly still at subsistence level, are expected to benefit from the project. In addition, the hydroelectric plant will be available to provide leak energy to the area's predominantly thermal system as well as a valuable source of standby power.

The main elements of the project are the construction of two dams, a 34-megawatt hydroelectric plant, 90 miles of main water conduits, two pumping stations, irrigation and drainage networks, and feeder roads. In addition to the project itself, $8.9 million in related project facilities will be constructed and financed by other local agencies.

A new water resource utility, Ibar-Lepenac Enterprise (ILE), was created in 1967 to undertake the development of the Ibar and Lepenac river systems. ILE (Pristina, Kosovo, Yugoslavia) will implement the project.

The Bank loan is for a period of 30 years, including six years of grace, at 7¼% interest. It is being made to the Socialist Federal Republic of Yugoslavia which will relend it to ILE. The funds will be used to meet estimated foreign exchange cost of the project (including interest on the bank loan during construction) totaling $29.2 million, with the balance for local expenditures.

The project was partly prepared and appraised under the joint U.N. Food and Agriculture Organization/World Bank Cooperative Programme.

BANK PRESS RELEASE NO. 71/43—SUBJECT: $35.0 MILLION LOAN FOR YUGOSLAV HIGHWAYS

An $88 million Yugoslav project to further expand and modernize its highway system will be assisted by a $35.0 million World Bank loan, it was announced today.

The loan is the Bank's fifth for highways in Yugoslavia, bringing the total to $150.0 million. It will help meet the fast rising demand for road transport resulting from a rapidly growing economy and, particularly, from the increasing flow of tourists.

It is the Bank's first loan for highways in Yugoslavia to finance items other than construction. In addition to approximately 95 miles of road construction, financing will meet the cost of engineering and laboratory equipment, consulting services to improve highway planning and maintenance, and training abroad for Yugoslav highway personnel.

Two road sections are in the south—20 miles between Skopje and Tetovo and 35 miles between Kicevo and St. Razmo—and will help the development of the agriculture, forest, mining and tourism potential of the area.

Also in the south, a 3-mile two-lane section will fill the ony gap in the Pristina-Pec road.

The remaining sections are in the north and are part of European highway E93, with access to Austria and Italy. They are a 5 mile, four-lane expressway between Postojna and Razdrto and a 30-mie, two-lane road between Hoce and Levec.

The project is expected to be completed early in 1976. The bank loan will cover the estimated $28.6 million foreign exchange cost of construction, $2.9 million foreign expenditures for equipment, consulting services and staff training, and $3.5 million of local expenditures.

The loan is being made to the Socialist Federal Republic of Yugoslavia and is for 25 years, including a 5-year grace period, at 7¼ percent.

BANK PRESS RELEASE NO. 71/47—SUBJECT: $18.7 MILLION LOAN TO MALAYSIA FOR TELECOMMUNICATIONS

The World Bank has approved a $18.7 million loan to Malaysia for a $94 million telecommunications project to improve and extend local and long-distance telephone and Telex services and expand international services.

The project is part of the Second Malaysia Plan (1971–75). It is a continuation of earlier telecommunications expansion and improvement, under the First Malaysia Plan (1966–70), which the Bank assisted with a $4.4 million loan.

The project includes facilities and equipment for about 80,000 additional subscribers' lines, extension of the long-distance network by some 100,000 circuit miles, new and replacement international UHF and VHF systems for service to Kalimantan (Borneo) and Sumatra, extension of international multiplexing and switching facilities, connection of about 500 additional telex subscribers and public telegraph services, and extension of the public telegraph and leased circuit networks. In addition, headquarters and stores buildings will be constructed and vehicles and miscellaneous items purchased.

The Malaysian Government has given a high priority to improving the telecommunications network. Adequate communications links are becoming increasingly important because of growing economic activity—reflected in a gross national product rise of about 6 percent annually for the past few years.

Although the service in West Malaysia is satisfactory, telephone facilities are generally overloaded during business hours and subscriber waiting lists continue to grow. In East Malaysia, service is very limited except in the main population centers. Demand for local service in Malaysia as a whole has grown by 11 percent a year and long-distance and international service usage has increased by more than 15 percent annually.

The Bank loan is being made to the Government of Malaysia to cover part of the project's $47.3 million foreign exchange cost. It is for 20 years, with a 5-year grace period, at 7¼ percent interest.

The project will be implemented by the Telecommunications Department of Malaysia, (Jalan Bukit Nanas, Kuala Lumpur, Malaysia). It is scheduled for completion in 1975.

Two financial institutions are participating in the Bank loan for a total amount of $200,000: Crocker-Citizens National Bank, San Francisco, and The Riggs National Bank of Washington, D.C.

BANK PRESS RELEASE NO. 71/48—SUBJECT: $16.1 MILLION LOAN FOR MALAYSIA PORTS PROJECT

Two new ports will be built in Sabah, East Malaysia, and four other ports provided with cargo handling equipment with the assistance of a $16.1 million loan approved by the World Bank.

The new ports are essential for exports of primary agricultural products and consumer goods imports. Internal transport relies heavily on coastal shipping through the smaller ports because terrain, soil conditions, and weather make overland communication difficult and expensive.

Kota Kinabalu and Sandakan are two of the largest ports in Sabah and handle some 60 percent of its imports and 80 percent of exports. However, existing facilities are inadequate and in such poor condition they are not expected to last more than a few years longer.

The estimated $22.11 million project consists of the construction of about 1,750 feet of quay at Kota Kinabalu and Sandakan, transit sheds and buildings, technical services, and soil and hydrographic studies; cargo handling equipment for the two ports and four other ports; and training of Sabah Ports Authority (SPA) personnel.

The new Kota Kinabalu port will be adjacent to existing facilities while the one at Sandakan will be located about 3 miles from the present port. In addition to providing greater capacity, the project will permit faster ship turnaround, lower costs, and permit handling of containerized goods.

The Bank loan is being made to SPA (P.O. box 1430, Kota Kinabalu, Sabah), which is responsible for implementing the project. It is for 20 years, with a 4-year grace period, at 7¼ percent interest.

The project conforms with a general transport survey in Malaysia financed by the United Nations Development Programme and for which the World Bank was executing agency.

Five financial institutions are participating in the Bank loan for a total amount of $325,000. They are: The Northern Trust Co., Chicago; The Fidelity Bank, Philadelphia; Bank of America, New York; Industrial National Bank of Rhode Island, Providence; and First Western Bank and Trust Co., Los Angeles.

IDA Press Release No. 71/26—Subject: $2.0 Million Credit to Senegal for Technical and Agricultural Education

The International Development Association (IDA) has approved a credit equivalent to $2 million for a project in Senegal aimed at rehabilitation of existing training facilities for skilled manpower for industry, agriculture, and fishing, and the expansion of technical training facilities for middle-level staff.

The credit is the first bank group assistance to education in Senegal. The project responds to the needs of students not proceeding to higher education and will meet a high priority requirement of the rehabilitation and expansion of technical and agricultural education.

There is an urgent need to make the country's school system more responsive to economic and social requirements. This need is becoming more acute because of the continuous migration to the cities and the increasing demand for skills to replace expatriate manpower.

The project consists of buildings and equipment for a post-secondary technology institute, equipment and rehabilitation of two technical schools, one agricultural school at upper secondary level, and equipment for a reorganized merchant marine school.

The project includes construction, equipment, and furnishing of a postsecondary technology institute at Dakar; rehabilitation, equipment, and furnishing of two secondary technical schools at Dakar and St. Louis, and the agriculture technicians' school at Ziguinchor. A reorganization study of the merchant marine school at Dakar and provision of necessary equipment are also included in this project.

The project, which will be completed in four and a half years, will be under the management of the Director of Public Works, Dakar, assisted by a project unit which includes an architect and an accountant. An advisory group comprising representatives of the ministries of National Education, Technical Education, and Vocational Training, and of Planning will also assist.

The estimated total cost of the project is $2.5 million equivalent of which the foreign exchange component is about $1.3 million. The IDA credit represents 80 percent of total project cost and will cover all foreign expenditures and $700,000 of local expenditures.

The borrower is the Republic of Senegal. The IDA credit is for a term of 50 years including a 10-year grace period. It is interest free, but carries a ¾ of 1 percent service charge to cover IDA's administrative expenses.

BANK PRESS RELEASE NO. 71/46—SUBJECT: $4.0 MILLION LOAN FOR URUGUAY'S THIRD LIVESTOCK DEVELOPMENT PROJECT (SUPPLEMENTARY)

A $4 million World Bank loan to Uruguay will supplement a $6.3 million livestock development loan made in June 1970 in order to provide additional funds for an increased program of loans for ranch development in 1971.

Labor and other reforms in the meatpacking industry have enabled the packinghouses to operate more efficiently and, thereby, to pay higher prices to ranchers. As a result of this and other sector improvements, rancher demand for development credit has increased, reflecting widespread acceptance of new pasture improvement and management techniques introduced under earlier Bank projects.

Originally, the 1971 program was expected to cover about 3,000 ranchers and to aim at the improvement of some 500,000 acres of pasture. Based on revised estimates, some 3,400 ranchers are now likely to borrow under the program. These ranchers will improve about 925,000 acres, nearly double the area originally contemplated.

Uruguay's livestock industry is the mainstay of the country's economy. Exports of beef and wool and their byproducts account for approximately 85 percent of Uruguay's export earnings. The sector, including meatpacking industry, also accounts for about 10 percent of total employment.

Meat exports in 1970 reached 153,000 metric tons, worth a record $88 million, compared to 69,000 metric tons valued at $27.4 million exported in 1961. The World Bank made its first loan of $7.0 million to help livestock development in 1959 and a second loan, of $12.7 million, was approved in 1965. The present loan is a supplement to the third approved in June 1970.

Based on the loan applications received from ranchers the 1971 credit program is now estimated at $21.4 million compared with the original $13.1 million. The foreign exchange component is put at $10.3 million compared with $6.3 million. The loan will finance the estimated increase of $4.0 million in the foreign exchange component, with Uruguayan official and rancher contributions meeting additional local costs of $4.3 million.

The Bank loan will be for 12 years, including a grace period f 4 years, at an interest rate of 7¼ percent. Loan proceeds will be made available to the Central Bank Livestock Fund for relending through the Bank of the Republic and private banks to ranchers. The project is coordinated by the Comision Honoraria del Plan Agropecuario (Ciudadela 1471, Montevideo, Uruguay).

BANK PRESS RELEASE NO. 71/45, AND IDA PRESS RELEASE NO. 71/25—SUBJECT $10 MILLION LOAN, $15 MILLION CREDIT TO TURKEY FOR FRUIT AND VEGETABLE EXPORT PROJECT

The World Bank and its affiliate, the International Development Association (IDA), have approved a $10.0 million loan and a $15.0 million credit, respectively, to meet the foreign exchange costs of a $44 million fruit and vegetable export project in Turkey.

The project will improve production, collection, grading, packing, marketing, and transportation, and is expected to increase fruit and vegetable export earnings from $20 to $50 million a year. It will also create new jobs for about 5,800 workers.

Components of the project include two ferrry ships providing twice weekly service from Izmir to southern Europe, 380 refrigerated trailers and 100 towing units, export handling facilities with a 150,000 tons capacity, development of about 20,000 acres of fruit orchards by about 2,000 farmers and 150 acres of nurseries, as well as technical assistance, training and research.

Agriculture accounts for most of Turkey's exports. Traditional products such as cotton, tobacco, hazelnuts, raisins, and figs offer only limited prospects for expansion. However, a good potential market exists in Europe for fresh fruit and vegetables. The project will provide the quality standards, continuity, and timing of supply, and the marketing organization to enable Turkey exports to meet the demands of highly selective and competitive European markets.

The Turkish climate and growing conditions are well suited for the project. They include a long growing season and cover the period when European prices are highest. The new facilities, together with the transport system, will put Turkey in a competitive position with other producers on the south and east shores of the Mediterranean.

The World Bank Group financing is its sixth and largest for agriculture in Turkey, but the first in this particular subsector. The loan and credit are being made to the Government of the Republic of Turkey, which will make the funds available to the Agricultural Bank of the Turkish Republic (ABT).

ABT, in turn, will relend to subborrowers for purchasing transport equipment; for erecting packinghouses, cold storage, and box factories; and for on-farm development.

The Bank loan is for 20 years, including a 5-year grace period, at 7¼ percent. The IDA credit is for 50 years, including a 10-year grace period. It is interest free but carries a three-fourths of 1-percent service charge to meet IDA's administrative expenses.

A new Fruit and Vegetable Export Project Unit within the Ministry of Foreign Economic Relations (Ankara, Turkey) will coordinate the project.

BANK PRESS RELEASE NO. 71/44—SUBJECT: $25 MILLION LOAN TO GREECE FOR GROUNDWATER PROJECT

The World Bank is making its first agricultural loan to Greece to assist a groundwater development project in Thesaly that will permit crop diversification and result in foreign exchange earnings or savings of about $13 million a year.

Agriculture plays an important role in the Greek economy, providing employment for almost one-half of the labor force and accounting for about 55 percent of export earnings. Despite substantial Government investments in irrigation, considerable development work remains to be done.

The Bank loan is for $25 million and will cover the foreign exchange com-

The project is based on preparatory studies made by the U.N. Food and Agriland in the Thessaly plain in the north will be irrigated.

The project is based on preparatory studies made by the U.N. Food and Agriculture Organization/World Bank Cooperative Program. It includes drilling 1,600 production wells and about 35 exploration wells; installing pumps, motors, irrigation pipes, distribution canals, and sprinkler units; and constructing farm roads and a surface drainage system.

The drilling will include exploratory wells in Macedonia and Thrace, as well as Thessaly, to assess groundwater conditions there.

Irrigation will enable farmers to diversify and produce a wide range of crops oriented toward the export market. In addition, the project will reduce the need to import maize and other animal feed. This will permit higher output of beef and dairy products—currently imported in large quantities. The project will also provide seasonal work for some 6,000 farm families currently underemployed.

The Bank loan is being made to the Government for 20 years, including a 5½-year grace period, at 7¼-percent interest. The project will be implemented by the Land Reclamation Service of the Ministry of Agriculture (Athens, Greece) and is scheduled for completion in 1976.

Three financial institutions—Franklin National Bank, New York; Seattle-First National Bank; and Industrial National Bank of Rhode Island, Providence—are participating in the Bank loan for a total amount of $500,000.

PARTICIPANTS

Mr. PASSMAN. Last year you indicated that you planned to program 1,020 noncontract participants for fiscal year 1971 but this year the figure has increased to 1,156 noncontract participants for the same year. Would you please explain this increase?

Mr. NOOTER. Participants in our programs to help the national police and to improve public administration have gone up by 119 over the

level for fiscal year 1971 proposed last year. We have put new emphasis on training in these, as well as some other, areas as the situation has changed in Vietnam. The police will have a larger role, as Vietnamization proceeds, and skilled public administrators will be of great importance in the years ahead in Vietnam.

TOTAL COST AND COMPLETION DATE ON PROJECT

Mr. PASSMAN. I notice going through the justifications that approximately 13 projects have listed as undetermined, the scheduled final obligation date and the estimated total cost of the project. Would you please explain to the committee why you are unable to estimate the completion of a project or the total cost of the same project?

Mr. NOOTER. Six of these are general support projects providing technical assistance to broad activity areas, for example the agriculture general support project. While it is possible to put a termination date on specific projects within this field, such as crop production, animal production or irrigation assistance, it is difficult to project when all support to this essential sector can be totally withdrawn. It is reasonably certain that the agriculture general support project would be the last in that field to be terminated.

Other projects are closely related to the war. The refugee relief project, for example, provides assistance to refugees and other needy persons displaced by the hostilities. The termination dates of these projects is highly dependent on cessation of active fighting.

ANIMAL PRODUCTION PROJECT

Mr. PASSMAN. I noticed on page B–10 in connection with the animal production project that you have increased the estimated total cost by $268,000 over last year's estimate and you also indicate that the fiscal year 1971 program will be increased by $253,000 over what you justified last year. Would you please comment on these increases?

Mr. NOOTER. The increase over last year's estimate results from our effort to move more rapidly in the agriculture area as security improved, to allow us to do so. The largest part of the increase, $176,000, was for U.S. personnel. While our direct-hire advisers went down, from nine to seven, we increase our PASA with the Department of Agriculture at a cost of $50,000 and extended our contract with the University of Minnesota, $181,000. We also put in additional demonstration and field trial commodities at a cost of $83,000.

SECONDARY EDUCATION PROJECT

Mr. PASSMAN. In connection with the secondary education project on page B–17 you indicate that $46,000 will be needed in fiscal year 1972 to support one U.S. adviser. Don't you consider this a rather high cost for one individual?

Mr. NOOTER. This is a budget figure, which includes the basic salary for an FSR–2, post differential, an allowance for separate maintenance of the employee's family, employee benefits such as insurance, retirement, etc., and other expenses of transporting the employee to post, providing family visitation visits, and home leave. This amount is

higher than our average cost since this project requires a well-trained, high level technician.

VOCATIONAL EDUCATION PROJECT

Mr. PASSMAN. On page B–20 in connection with the vocational education project I notice you have increased the fiscal year 1971 program by $842,000 over last year's estimate and it also appears that the $105,000 requested for commodities and the $650,000 listed as other costs was not justified before the committee during last year's hearings. Would you please comment on these matters?

Mr. NOOTER. The $650,000 increase shown is for the Nguyen Truong To Vocational School. The actual increase will be somewhat less, that is, $589,440. Part, $140,000, is for architect-engineer services to supervise construction; part, $450,000, is additional funding for construction. The design, completed in 1970, requires more funding than originally budgeted in 1969, and we feel a supervisory contract to be a wise step.

The $105,000 increase in commodities is to complete the tool and equipment requirements for other vocational schools to allow expanded enrollment.

INDUSTRIAL DEVELOPMENT PROJECT

Mr. PASSMAN. In connection with the industrial development project on page B–23 I note that you list as one of the targets for fiscal year 1972, the improvement of the investment climate by means of legislation. Does AID get involved in writing legislation for these regular programs to be presented to the Vietnam Government or legislature?

Mr. NOOTER. The bill presently under consideration by the national assembly was drafted by members of the Ministry of Economy, namely, in its Industrial Development Center. At their request, AID studied it and offered comments for their review.

Mr. PASSMAN. Don't you think this is getting the United States involved too much in the internal workings of the Vietnam Government?

Mr. NOOTER. Since our opinion was requested by the GVN and final decision is their prerogative, I do not consider that the United States has been unduly involved.

Mr. PASSMAN. I notice on the same project that the fiscal year 1971 program has been increased by $371,000 above what was presented last year. Would you please comment?

Mr. NOOTER. Improvement in security and the increase in business activity, as reflected by the rate of applications for foreign exchange to purchase equipment for new and expanded industries, made an acceleration in our assistance to the private sector a useful step. The additional funds are being used to assist the GVN to convert the Industrial Development Center into an Industrial Development Bank of Vietnam and to improve the privately sponsored Vietnamese Management Association.

NATIONAL MAINTENANCE SYSTEM PROJECT

Mr. PASSMAN. On page B–28 in connection with national maintenance system project I note that you have extended this program by 2 years to 1974 and have increased the estimated total cost by $3,484,000

above last year's estimate. Would you please comment on this large increase in total cost and why it was necessary to extend this project for 2 years?

Mr. NOOTER. Vehicle maintenance has been, and remains, a most difficult problem in Vietnam. It is one which must be surmounted, or lack of proper maintenance will lead to considerable waste in the vehicle fleet of the Vietnamese Government. We have assisted the Vietnamese to establish a system of maintenance shops in each province, and a central depot to supply the required spare parts. The proposed increase is for additional AID funding to ensure spare parts for this central depot.

It may prove both necessary and wise for AID to continue its technical assistance advisory effort in this area for longer than we had hoped. Hence, we have shown an extended termination date for this project, from 1972 as shown in last year's Presentation Book to 1974.

DEVELOPMENT PLANNING PROJECT

Mr. PASSMAN. On page B–35 in connection with development planning project I notice you make the following statement: "Project targets are to assist the Government of Vietnam in organizing a development planning capability; to help in identifying the most promising development projects . . . " According to the statement it seems that you are trying to promote the initiation of additional projects by the Vietnamese Government. Would you please comment?

Mr. NOOTER. We are concerned with overall national development planning, to identify national development priorities and formulate the broad policies and strategy for attaining national goals. The better this is done, the better projects of real priority can be identified and acted upon, and others set aside as low priority, unnecessary or wasteful. This leads as much to weeding out projects as to initiation of new projects.

PUBLIC ADMINISTRATION PROJECT AND GENERAL SUPPORT PROJECT

Mr. PASSMAN. In connection with the public administration and general support project on page B–36, I notice you are increasing the estimated fiscal year 1971 program by $244,000 over the amount justified before this committee last year. Would you please comment on this increase?

Mr. NOOTER. Over the last year, we have sought to support an increasing Vietnamese interest in more effective management controls and government administration. Most of the increase, $200,000, is to expand contract advisory services in three areas: Organization and methods and financial management assistance to the ministry of education; central government budgeting and accounting functions; and strengthening the Prime Minister's office in its management services and reporting system. Another part of the increase, $30,000, is for participant training, increased in number from 12 originally planned to 23, including a group of five key staff officials from the Office of the Presidency and a group of five key administrators from the national assembly. The final part, $15,000, was for direct-hire costs. We brought an advisor on board in Vietnam 6 months earlier than planned.

PROVINCIAL HEALTH ASSISTANCE PROJECT

Mr. PASSMAN. On page B–37 in connection with the provincial health assistance project I note that you are providing a contract with the American Medical Association which will provide up to 24 volunteer physicians at a cost of $375,000. If it costs $375,000 for these volunteer physicians, I hate to think what it would cost if we were hiring them to work in Vietnam. Would you please explain what these costs cover?

Mr. NOOTER. The actual cost per volunteer physician serving a 60-day tour is approximately $2,000 ($1,200 round-trip transportation, $600 subsistence allowance at $10 per day, $200 war-risk insurance and incidental expenses).

The contract with the American Medical Association, in addition to the 24 volunteers, budgets for the provision of up to five short-term and two long-term (18-month tours) consultants with specialized expertise (orthopedic surgery, neurosurgery, public health/preventive medicine). In addition, the contract funds a saigon staff of one physician project director and one secretary/administrative assistant, and a home office staff in Chicago of one project director with secretarial/administrative support.

HEALTH LOGISTICS SUPPORT PROJECT

Mr. PASSMAN. On page B–44 in connection with the health logistics support project I note you are increasing the fiscal year 1971 program by $703,000 above what was justified last year. Would you please comment on this increase?

Mr. NOOTER. This increase of $703,000 reflects a major increase in medical supplies, $1.3 million, and decreases in other areas. Technician funding has been decreased by approximately $500,000. This represents a decrease of nine in the number of U.S. direct-hire personnel assigned to this project plus 40 third-country nationals employed as equipment maintenance technicians. The cost of the participant training program has been reduced by $70,000. This saving is a result of increased GVN capability for in-country training of technicians.

The increase in medical supplies resulted from the success of the joint utilization program. Some 1,200 GVN military health personnel have been assigned to work in the civilian hospitals, increasing the staffing and capability of these health facilities. The increased use of health facilities by the Vietnamese populace in secure areas also has contributed to the increased use of medical supplies.

NATIONAL REHABILITATION INSTITUTE PROJECT

Mr. PASSMAN. On page B–46 in connection with the national rehabilitation institute project, I note this project was terminated in 1970 and now you have revived the project and estimated the final obligation date to be 1972. You also have increased the estimated total cost by $220,000 above what was estimated several years ago. Would you please explain why this project was revived?

Mr. NOOTER. Under this project, we have funded a contract with the World Rehabilitation Fund, of which Dr. Howard A. Rusk is

president. The World Rehabilitation Fund has provided technical and material assistance to the Government of Vietnam's national rehabilitation institute in establishing and developing a national rehabilitation program which would provide services to the disabled citizens of Vietnam. Since the institution of this program, the national rehabilitation institute has progressed from a small center in Saigon, which produced less than 50 artificial limb and brace devices per month, to a nationwide program which includes three branch centers located in Da Nang, Qui Nhon, and Can Tho. These centers are now producing more than 850 artificial limbs and braces per month and include comprehensive programs in prosthetic-orthotic fabrication, physical therapy, rehabilitation of the blind, paraplegic rehabilitation, social services, vocational evaluation and training, and surgical services. A heavy backlog of disabled persons nevertheless remains to be served. We think AID should continue its support here, at least to the extent of the $146,000 proposed for fiscal year 1972.

POPULATION PROJECT

Mr. PASSMAN. In connection with the population project on page B–47, you state that this project has now been separated out from a previous project and it is being established in anticipation of legislative action to remove legal inhibitions to family planning in Vietnam. Would you please explain how you can create a project in anticipation of legislative action by the Vietnam Government? Why do we create projects before firm plans have been made and do you have any idea when this legislation would be forthcoming concerning family planning?

Mr. NOOTER. Considerable progress has been made in this area even in the absence or delay of legislative action in Vietnam. Based upon a ministerial decree, family planning health personnel were permitted to disseminate family planning information and to distribute contraceptive material to specified elements of the population, through existing maternal and child health clinics. The decree permitted family planning activities to be made available to women over 30, women with 4 or more children, and in those cases where a physician certified that pregnancy would be injurious to the health of the mother. This is not an area in which nothing is to be done pending legislation. Rather, it is one in which the Government of Vietnam has been moving forward for some time, pending legislation which will clarify its authorities.

SAIGON METROPOLITAN AREA DEVELOPMENT PROJECT

Mr. PASSMAN. On page B–54 in connection with the Saigon metropolitan area development project I note you are requesting $93,000 to support a director and one area development officer. Don't you consider this to be a rather high cost for these two individuals?

Mr. NOOTER. The $93,000 includes the salary, post differential, travel, separate family maintenance, and other allowances for one FSR–1 and one FSR–3. It also includes $2,000 for an FSR–5 who will leave early in the first quarter of fiscal year 1972. These budget figures are in line with other positions of the same level.

Mr. PASSMAN. I also note that you plan to increase the fiscal year 1971 program by $520,000 above what was justified last year for this project. Would you please comment on this increase?

Mr. NOOTER. The increase of $520,000 is almost entirely in the supply of critical commodities for the sanitation department and the public works department plus a small amount for the services of contract technicians for assistance in special city works areas. The project has increased $494,000 for commodities and $36,000 for technicians, and has reduced $10,000 for participants and other costs.

CORRECTION CENTER PROJECT

Mr. PASSMAN. In connection with the correction centers project on page B–67, I note you plan to increase the fiscal year 1971 program by $178,000 over what was justified last year. If I am not mistaken I don't believe last year you justified the $138,000 listed under contract/other agency costs that now appears in your fiscal year 1971 program for this project. Would you please comment?

Mr. NOOTER. During fiscal year 1971 a decision was made to augment our assistance to the Government of Vietnam correction system by the addition of six specialized correction advisers from the U.S. Federal Bureau of Prisons.

The PASA team began work during fiscal year 1971 accounting for the $138,000 under contract/other agency cost which was not anticipated in our fiscal year 1971 presentation. The team will continue in fiscal year 1972 and will require a full year's funding of $380,000 In addition, AID provided $47,000 more in commodities for the correction system than presented last year.

Mr. PASSMAN. Mr. Shriver?

Mr. SHRIVER. Thank you, Mr. Chairman.

WHEN FUNDS FOR LAND REFORM PROGRAM WILL BE EXPENDED

On page 3 of your statement you say that another 2 years will be needed to complete the implementation of the land reform project. Yet, the $15 million requested in this budget represents the last of our commitment to this program. Would you explain that?

Mr. NOOTER. We believe that the funds that we now have available will be expanded by near the end of fiscal year 1972. at which time we are proposing that we obligate the additional $15 million which would then be spent during the last year of the program. This would wind up the 3-year program.

OFFSHORE OIL POTENTIAL IN VIETNAM

Mr. SHRIVER. What is the status of the offshore oil potential of Vietnam which has been reported recently?

Mr. NOOTER. We had a little discussion of this earlier. This is a matter that——

Mr. SHRIVER. You have covered that before?

Mr. NOOTER. Not exactly this question. It is a matter that the Vietnamese Government has been handling with the oil companies.

We stayed out of it except for one technician working on a U.N. team doing some very general exploratory work several years ago. So we don't really have access to the oil companies' assessment of that. However, I do recall hearing that particular technician make a general report about oil potential in the Asian area, not particularly about Vietnam. At that time he mentioned the possibility of offshore oil at the mouths of the large rivers that flow into the sea. For example, the large area where the Yellow River flows out into the Pacific area around Korea, Taiwan, and Japan. I understand in most general terms there is some potential for offshore oil in Vietnam, but we are staying strictly hands off of that. That is a matter between the Vietnamese Government and the oil companies.

Mr. SHRIVER. I have had a number of constituents write with information from some source that one of the reasons we are still in Vietnam is to protect the interests of the oil companies. Have you heard that?

Mr. NOOTER. We have heard that charge. Secretary Rogers has said on several occasions that there is absolutely nothing to it. Certainly that is my own view. The oil companies have no investment at this time there. Secondly, even if they did, that does not mean that we would have made anything like the effort we have made in Vietnam in behalf of those oil companies. If nothing else, the timing of this whole business, the fact it has been only in the last couple of years that there has been even known a potential of offshore oil would seem to rule out any validity to the charge. I think most of the media now—maybe I should not say "most," but a large part of the media—recognize this. There have been sensible editorials in the Christian Science Monitor some months ago that pretty much deflated this rumor.

VIETNAMIZATION IN ECONOMIC ASSISTANCE PROGRAM

Mr. SHRIVER. I think it is important to emphasize your statement on page 6 that the principles of Vietnamization are being applied to the economic assistance program as well as to our military assistance. As you know, this means extensive training for the Vietnamese in many areas. You will recall a report issued by General Westmoreland that said South Vietnam would need 50,000 new technicians and semiskilled laborers in the next few years to undertake minimal development on its own. What progress has been made on this goal, and what percentage of your 1972 request is for training?

Mr. NOOTER. The percentage is small but it is a very important part of our program. We have requested a little under $5 million for participant training. There is also a great deal of training going on in-country in general education, in engineering, agriculture at the college level, in training of doctors where we provide contract technicians to help in the development of these in-country institutions. The Vietnamese are quite keen on training and they have taken to training programs on a large scale in a very serious way.

There are some 40,000 Vietnamese in college-level preparation and particularly the ones in technical specialties are important for the future of their economy.

THIRD-COUNTRY NATIONALS IN VIETNAM

Mr. SHRIVER. Are you still employing thousands of third-country nationals in jobs which could legitimately be turned over to the Vietnamese?

Mr. NOOTER. We now have some 387 third-country nationals. That includes both the direct hire employees and people on contract.

Mr. SHRIVER. How does that compare with prior years?

Mr. NOOTER. It is down. It was 464 in 1971 and has been higher than that in prior years. We are trying to phase it down and hopefully out within the next couple of years. I think that probably there will be a need for a handful of them beyond that but the bulk of them will be or should be phased down and Vietnamese will take over those jobs, most of them by the end of the 1972 fiscal year.

Mr. SHRIVER. I think because of the importance of Vietnamization and the amount of money that is being requested for supporting and economic assistance, it would be well to have in our record a summary of how this Vietnamization is proceeding, how it is doing, what we have yet to accomplish.

Mr. NOOTER. Yes, sir.

(The information follows:)

VIETNAMIZATION IN THE CIVILIAN AREA

Over the years since 1965–66, AID has mounted a very large technical assistance project program in the fields of education, health, agriculture, public works, logistics, public safety. In th peak year, fiscal year 1968, AID obligated some $325 million for this project program. Its personnel reached 2,400. For the coming year, fiscal year 1972, AID is requesting $90 million for its project program; its personnel will be down to about 1,360 at the end of the year.

A large part of AID efforts, money and people, in earlier years went into urgent efforts—schools were built, hospitals enlarged and improved, port facilities built—which now can pay dividends. Vietnam has over 80 percent of elementary age children in schools, hospital facilities of adequate numbers exist, warehouses, ports, and access road exist. Another part of AID's efforts were more characteristic of development assistance. New rice varieties were introduced. Vietnam this year once again will be self-sufficient in rice. Large numbers of Vietnamese were trained as teachers, health technicians, agriculture specialists, public administrators, and in a wide range of other skills.

In a number of areas, the Vietnamese need for further U.S. technical assistance is on the decline. Vietnam once had little organization to deal with the massive problems of refugees. It now has the organization to do so, with only limited U.S. assistance. Health personnel in Vietnam, although still limited in number, are now far more adequate than once was the case. The United States has been moving away from the direct provision of medical services by Americans on an emergency basis toward the more limited advisory role usual for AID. The port, transportation, and storage crisis of some years ago has been surmounted. In logistics, AID has moved back to an advisory role.

In some few areas, AID seeks to bolster its role. As security has improved, Vietnam has the opportunity to begin on the development which will be of great importance to its future. Little has been done to promote industry until recently, due to the unsettled conditions of the past. An expanding and diversified agriculture is of key importance to Vietnam's economic future.

Mr. NOOTER. Of course, the progress here that I refer to in my statement has to do with our technical assistance programs, where our people are phasing down and will continue to phase down over the next several years.

REFUGEE SITUATION

Mr. SHRIVER. What is the situation today relative to refugees?

Mr. NOOTER. The total number of refugees has decreased in recent years, as you would expect it to. Of course, the largest number were generated in 1968 during the Tet offensive. The numbers were down in 1969 and 1970. There was some recurrence of refugee creation in the early months of this year, when the Vietnamese Government felt it was necessary to move some people down in the U Minh Forest in the Delta, and up in the highlands in II Corps. They were trying to secure the relatively small percentage of people who still were not within the Government-controlled areas.

Frankly, up in II Corps this created some problems with the Montagnard people there. Some of those movements were not done as well as we would have liked to see. Our refugee advisers have tried to alleviate that situation. It is better now that the Vietnamese have imposed even tighter restrictions than before on the movements of people. The movement of refugees down in the U Minh area was handled quite well and there were very few complaints down there as to how that was handled.

In some other areas the Vietnamese have done very well. In handling ethnic Vietnamese refugees from Cambodia they did a superb job and did it almost entirely on their own, without our help. They assimilated the large bulk of these people very quickly and very expeditiously.

Mr. SHRIVER. How many would you say there are today?

Mr. NOOTER. We have about 250,000 refugees on the refugee rolls receiving refugee assistance now. There are about another 280,000 who are in what is called "return to village status." They move back to their homes but still receive government help to help them get established. Beyond this, you can have a lot of arguments about who is a refugee even though not on the rolls. There are people in what are considered refugee camps but some portions of them are employed, have jobs and so on, but still are not able to return to their original villages. They have already used up their government support payments. We don't have any estimate on what that number is. It is probably in the order of magnitude of another 500,000 people.

As I say, some of those are employed and not refugees in the strict sense of the term.

DESERTION IN SOUTH VIETNAM

Mr. SHRIVER. Are desertion and draft evasion major problems for the South Vietnamese?

Mr. NOOTER. Bill, would you like to speak to that?

Mr. SULLIVAN. I think our military representatives should answer that. In essence, yes, those are still serious problems. I think they have been particularly tightening up on their draft evasion so we think that is in a much better shape than it has been.

On the question of desertion, one of the problems in quantifying this is that the statistics are based upon their standard for what constitutes a deserter, which is somebody, I think, Tom, who is absent for 2 weeks. Is that correct?

Fifteen days.

We say a man does not become a deserter until he is absent for 30 days. A lot of these fellows carried as deserters have just taken French leave to go home and see their families because they have had some worry about their families and they get back in the course of 3 weeks or so and the roll turns over.

As far as their figures are concerned, it is still appallingly high.

Do you want to talk to this further?

Mr. CONSTANT. There were 14,275 deserters during the month of March. This is not necessarily a loss from the total force structure because many of them will go back to their home districts and join up in the Popular Forces or Regional Forces and actually become a member of the armed forces again.

Mr. SHRIVER. Is this quite a bit more per month than in 1970?

Mr. CONSTANT. In 1970 we had a total desertion of 126,753, calendar year figure.

Mr. SHRIVER. According to the table that was put in the record on page 759 last year, the rate per month was 8,986 for——

Mr. CONSTANT. No; the rate for the month of March for the total Vietnamese armed forces, is 13.5 per thousand.

Mr. SHRIVER. That is a lot more than a year ago.

Mr. CONSTANT. Yes, sir.

Mr. NOOTER. One of the problems in this area is the economic one. In real terms, the Vietnamese soldiers are receiving perhaps two-thirds of the pay they were receiving 3 or 4 years ago. This is in large part the result of the inflation over the years. As in most countries, the people on fixed salaries suffer the most. They have brought their inflation under control now and therefore that situation hopefully is not getting any worse. Nevertheless, the soldiers are relatively low paid and while we can talk about making individual sacrifices, and there are a lot of them making that sacrifice, the fact is that when they are in the military not just for a 2-year hitch but indefinitely, and they do have their families and so on to worry about.

Mr. PASSMAN. Would you yield?

RATE OF INFLATION IN VIETNAM

I like that statement. I hope that you don't have to change it. You said that the Vietnamese had brought their inflation under control. You mean it just that way?

Mr. NOOTER. For the last 12 months their inflation rate has been about 9 percent.

Mr. PASSMAN. You mean they reduced it?

Mr. NOOTER. They have reduced it from something like 30 to 50 percent before that.

Mr. PASSMAN. Nine percent inflation is still substantial.

Mr. NOOTER. That is correct. For the past 6 months it has been more in the neighborhood of 5 percent annual rate. I don't——

Mr. PASSMAN. That is lower than ours?

Mr. NOOTER. Yes, sir, it is.

Mr. PASSMAN. Thank you.

Mr. NOOTER. I don't think they are going to be able to sustain those lower rates but if they manage their economy well and if they get a reasonable amount of outside resources they should be able to keep

it in the 10- to 15-percent range, which is a lot more acceptable than the 30 to 50 percent before.

DESERTIONS

Mr. SHRIVER. If you update the table we had last year on this, that would be helpful.

Mr. CONSTANT. Yes, sir.

(The information follows:)

DESERTIONS: THE DESERTION RATE WITHIN THE REPUBLIC OF VIETNAM ARMED FORCES

Year	Total	Rate per month
1967	77,714	6,476
1968	116,064	9,672
1969	107,942	8,995
1970	126,027	10,523
1971	[1] 46,799	11,700

[1] January–April.

WATER DISTRIBUTION PROJECT IN SAIGON

Mr. SHRIVER. In 1967, I began an inquiry each year to the operational status of the AID-financed water distribution project in Saigon. Each year, I have been told that our technical support for this project would be at an end. Is that completely over now?

Mr. NOOTER. Fiscal year 1971 is the last year we requested funds. We have no funds requested for 1972.

Mr. SHRIVER. Very good.

ADMINISTRATION OF ECONOMIC SUPPORT FUND

Would you tell us in a little more detail how you proposed to administer the new economic support fund of $150 million? If you don't need all the money, for various reasons, what will you do with it?

Mr. NOOTER. We won't obligate it or certainly we won't disburse it if it is not needed. However, we wouldn't have asked for it if we didn't think it was needed. This will be really a substitute for the Defense Department piaster purchases and it will be administered in a very similar way. It will be available for the importer of commodities on a untied basis, which is the way that Defense now makes these moneys available. We will be increasing the CIP to the maximum that we feel that we can tie because that is our first preference. There is a practical limit as to how far we can administer imports on a tied basis. Frankly, our biggest control over the use of those moneys will be in working with the Vietnamese on their overall economic policies.

I referred before to trying to move to open licensing and restraining money supply growth through the whole general structure of their budget and the handling of their central finances by their central bank. They have been doing very well in this respect during the past year, which is why inflation has been able to be manageable. We think with this fund we will be able to continue that record in the future and put them on a path where they will be able to begin having some economic development, which is so necessary for self-sufficiency eventually.

Mr. PASSMAN. Would the gentleman yield?

I believe that you said this $150 million you put over, so to speak, in a pot, is a dormant account? You will disburse funds out of it only if the need develops?

Mr. NOOTER. We will only obligate it in small amounts. It won't be sitting there as an actual pile of money. It would be disbursed on either a monthly or quarterly basis.

Mr. PASSMAN. Have I made a correct statement: It is $150 million that is put in this pot, remains dormant until the need is established?

Mr. NOOTER. That is correct.

Mr. PASSMAN. The South Vietnamese will requisition it as they need it, or can justify it?

Mr. NOOTER. That is correct.

Mr. PASSMAN. At this time you can not determine what part of of that may be needed? This is only a new program and this is only an estimate, is that correct?

Mr. NOOTER. It is an estimate based on our estimate of Defense Department piaster purchases.

Mr. PASSMAN. It is still an estimate, isn't it, as to the need?

Mr. NOOTER. That is right. It is an estimate that is fairly precise because of the Defense Department requirements. If the Defense Department withdraws faster than the basis of their estimate, then the requirement would be even greater.

IMPORT RESERVES IN VIETNAM

Mr. SHRIVER. Based upon current and anticipated import levels, how long could South Vietnam finance these imports with their present level of foreign exchange?

Mr. NOOTER. Their own foreign exchange earnings are minimal. They have about $15 million in exports and——

Mr. SHRIVER. How does this compare with last year's?

Mr. NOOTER. It is about the same.

Mr. SHRIVER. Mr. MacDonald testified last year it would go at least 5 months?

Mr. SULLIVAN. You don't have the reserves.

Mr. NOOTER. Their reserves are around $200 million which represents about——

Mr. SHRIVER. Is the situation better than it was a year ago?

Mr. NOOTER. The reserve level is lower today than it was a year ago. It has gone down from a high of around $360 million to around $200 million.

Mr. SHRIVER. What is going to happen; are we going to have to continue this forever?

Mr. NOOTER. Over the longer run their import requirement will depend to a large extent on how big their military budget will be. Their ability to finance a reasonable amount of their own imports will grow as they begin to expand exports. They have begun to work on this. They have security in the country now, and industry is beginning to revive. They now provide an exchange rate for exports which gives business an incentive to export. Over time we trust they will do what Korea did, which is to move in the export business in a way which will lead to self-sufficiency.

Mr. SULLIVAN. I think the record should show the level of their military expenditures is directly related to the degree of North Vietnamese aggression against them. If there were no aggression we wouldn't have this 1.1 million men mobilized of a population of 17½ million, which has created an enormous budgetary deficit. It also deprives them of a productive base and a tax base. I think that the question that is constantly and correctly asked—how much longer is this going to go on?—should be related to how long are the North Vietnamese going to keep on at their throats?

STEEL PURCHASE

Mr. SHRIVER. As you know, the House Committee on Government Operations issued a report in October 1970, regarding the steel purchased for the commercial barge construction program in Vietnam. The report was critical of the practices used in this contract. What is your reaction to this report, and what actions have been taken to correct these procedures?

Mr. NOOTER. The contract referred to in the report was an unusual step, taken as the best available way to salvage something out of an earlier error. Back in 1966, amid the manifold confusion as our AID mission was expanded rapidly under emergency conditions, the wrong steel was ordered, then delivered to Vietnam. The question then was how to put this steel to useful purpose. After lengthy consideration, we entered into a barter contract with a Vietnamese firm under which, in exchange for the steel, the firm would fabricate a portion into bridge parts and pontoons useful to the GVN as part of our AID program.

This is hardly our usual procedure. It was simply a way to make the best, or to salvage the best, we could out of an error made years before.

The contract has not gone as smoothly as we would have liked. We have been watching it carefully, but see no better alternative under the actual conditions.

REFUGEE COUNT

Mr. SHRIVER. In response to a Senate committee request, the Comptroller General looked into the programs of AID and the Government of Vietnam regarding the treatment of refugees and war victims. The report was issued on November 20, 1970. I will not go into all of the observations and recommendations, but would you comment on alleged discrepancies in the number of refugees? GAO reported there were many more of them than was being reported due to differences in counting methods.

The report also stated that the approximately one million refugees now in urban areas, primarily Saigon, were dependent on the presence of U.S. troops for their employment, but that no plans have been formulated to deal with these people when the troops withdraw. What is being done in this regard?

One other point raised was that the U.S. commodity support program, food, for these refugees is not distributed on the basis of need and therefore some inequities have resulted. Why are these commodities not distributed on the basis of need?

Mr. NOOTER. Our reporting of refugees only includes those who are registered and receiving benefits. There are, of course, others who may be considered refugees, but it is extremely difficult to define and to keep track of who should be so classified. The GAO was critical of what they assumed to be our inference that the only refugees were those persons who registered and received benefits. This was not our intention, and we have clarified our reporting to make explicit that we are only accounting for those persons receiving benefits.

Regarding potential unemployment after U.S. troops withdraw, we do not have any formal plan or study on this but we are watching it very carefully. So far, release of Vietnamese working for the U.S. Government has not resulted in any noticeable unemployment, and these persons have been assimilated very easily into the labor market which is still very tight. Our general assessment at this time is that future layoffs can also be assimilated but there may be pockets of unemployment which will require special assistance.

Our Public Law 480, title II food program in Vietnam is directed toward the needy. The practical difficulties of insuring that it goes only to the most needy are great. The number of needy persons in Vietnam is so large that it would require a vast bureaucracy to run individual means tests. It has been necessary to distribute these commodities on the basis of making certain groups eligible as groups because their members, by and large, constitute the most deprived segments of the population, i.e., war victims, refugees, orphans, residents of homes for the aged, disabled veterans, schoolchildren, and so forth. There are among the members of these groups some who are less needy than others. These are also persons who do not fall into one of the eligible categories, for whom we have no means of distribution.

TRANSFER OF HEALTH FACILITIES

Mr. SHRIVER. The GAO issued another report dated November 9, 1970, regarding the civilian health and war-related casualty program in Vietnam. This report stated that the Government of Vietnam is not planning to transfer excess Vietnamese military health facilities to the Ministry of Health following the hostilities. Why?

Mr. NOOTER. The GAO statement in 1970 was correct at that time. The Government of Vietnam lacked clear plans for eventual transfer of health facilities. However, steps have subsequently been taken to consider the conversion of these facilities for civilian use.

A joint U.S.-Vietnamese committee now reviews all excess military medical facilities which, of course, are largely U.S. military facilities at this stage. Civilian use, by the Ministry of Health, definitely is considered.

Mr. SHRIVER. I have received reliable reports from people on the scene about the deplorable condition of many of the Vietnamese health facilities, such as three to four people per bed, no doors or screens, and so forth. The Ministry of Health feels that 10 percent of its 1970 budget should be used for maintenance of such facilities, but the Vietnamese Government approved only six-tenths of 1 percent. Would you comment on this?

Mr. NOOTER. The 10 percent request by the Ministry of Health includes not only maintenance but renovation as well. The 1970 budget

allocated 3.16 percent (VN$125.2 million) of the total health budget for overall maintenance. This was increased to 3.3 percent of the budget (VN$157.4 million) in 1971. This is a limited maintenance program. The sums will have to increase. The problem is that this is true also of many other aspects of Vietnam's budget.

REDUCTION OF PERSONNEL COSTS

Mr. SHRIVER. Part of the justification presented through the years for the high salaries and benefits paid to U.S. technicians to get them to go to Vietnam has been the element of danger due to the war. Now that the war is winding down, do you anticipate any reduction in these costs?

Mr. NOOTER. Personnel assigned to Vietnam are paid the same salary as AID personnel assigned elsewhere, plus a 25-percent post differential. Determination of the 25-percent post differential in Vietnam, as for any other post, is based on the Overseas Differentials and Allowances Act. It is not based exclusively on war-related dangers, but on such other factors as extraordinarily difficult living conditions, excessive physical hardship, and notably unhealthful conditions.

Separate maintenance allowances, based on family size, are paid to married employees whose families are not permitted to accompany them to post. While some wives are permitted to reside in Vietnam, children will probably continue to be barred until all danger related to the war has disappeared, and appropriate education facilities can be provided. Husbands separated from their families also receive a travel allowance to cover periodic family visitation. As security is restored and wives and children can reside at post, these special allowances will be reduced or eliminated.

NGUYEN TRUONG TO SCHOOL

Mr. SHRIVER. For the vocational education project on page B–20 you say it was necessary to add nearly $600,000 in fiscal 1971 because the bids were higher than anticipated. Would you tell us more about this?

You also say that a cessation of hostilities may dictate the need for additional facilities with U.S. assistance to meet peacetime requirements. Why would peace dictate a need for additional U.S. assistance for this project?

Mr. NOOTER. When the Nguyen Truong To School was first planned, it was to be built at Petrus Ky in Cholon, Saigon. The 1968 Tet offensive at Saigon, however, resulted in the use of the Petrus Ky site for refugee relief housing. The site was accordingly changed to Thu Duc outside of Saigon. New site adaptation drawings had to be developed and these delays over a period of creeping inflation caused an increase in bid prices.

The larger part of the increase, some $450,000, is for the increased cost of construction. The lesser part, $140,000, is for a contractor to supervise construction on our behalf, which we think is a wise step. Industry has expanded rapidly in Vietnam despite the war. At the end of the war, a further expansion of the industrial base of the country will increase the demand for technically skilled manpower.

POSTWAR MANPOWER DEVELOPMENT

Mr. SHRIVER. With a view toward the ending of our involvement in the affairs of Vietnam, have any changes been made in the manpower development project on page B–24 to stress the training of Vietnamese to set up their own training programs after we are gone? This should be stressed in all of these projects.

Mr. NOOTER. One of our thrusts in this project is to train Vietnamese to be trainers in vocational skills. We are trying, with some success, to establish a Vietnamese skills training program for labor union members, refugees, and others who are unable to obtain formal vocational training in the schools.

The other main thrust is to help the Vietnamese Government to develop staff and organization to look at the broad problems of future manpower needs and training programs.

We are concerned in all our projects, not just this one which is called manpower, that we train Vietnamese to do the job. That is the primary objective of our technical assistance.

TELECOMMUNICATIONS

Mr. SHRIVER. The fiscal 1972 request for the Telecommunications project on page B–49 is $130,000. An AID press release dated April 21, 1970, mentions a contract with General Telephone and Electronics International, Inc., for $1,167,000 to develop a telecommunications system for Vietnam. The book shows that $145,000 was obligated in fiscal 1971. This G.T. & E. contract was to be for 18 months. Would you explain the difference between these figures?

Mr. NOOTER. The $145,000 obligated in fiscal year 1971 was for direct-hire AID personnel. The $1,167,000 amount was an estimate. The contract cost is $1,117,098 and was funded in prior years.

NATIONAL POLICE

Mr. SHRIVER. On page B–64, it is stated under the national police support project that the Prime Minister has ordered an additional 27,000 ARVN personnel transferred to the police during 1971. Now that American troops are pulling out of Vietnam, will these police-soldiers be transferred back to the armed forces?

Mr. NOOTER. The 27,000 ARVN personnel authorized for the police included only 5,000 from the present regular military forces. The remainder of the authorization represented options extended to draft age peoples self-defense forces and rural development cadre to join the national police rather than be drafted into military service. There are no present plans to transfer this group into ARVN at a later date.

Mr. SHRIVER. Mr. Chairman, I think that we better go and vote on this call.

Mr. PASSMAN. I want to make this one observation. We have no legal responsibility to dissipate our resources all over the world and we have to draw rather heavily upon our imagination to believe that it is our responsibility to sacrifice the youth of this land in a war some 12,000 miles away. The great majority of the people believe we should not have gotten into it. I hope that you people administering this eco-

nomic aid program will cut it down to actual need and not what these people want.

I have no positive assurance that the Congress is going to approve this aid bill this year. It is going to be touch and go. With these fantastically high increases across the board it is going to make it more difficult. Try not to get us involved any more than you have to. I really believe this committee is going to make some very drastic reductions in your request. I am going to try to. I think that you would have a better program with half the money that you are asking for.

We will take a short recess.

(A short recess was taken.)

Mr. PASSMAN. The committee will come to order. Mrs. Reid?

OIL EXPLORATION

Mrs. REID. Thank you, Mr. Chairman. Your statement indicates there has been much improvement in the economy of Vietnam. There have been reports about exploration for oil in and off the coast of Vietnam. Is this going on at the moment—and how might this affect the economy?

Mr. NOOTER. I understand that preliminary explorations have indicated the possibility of oil off the coast of Vietnam. Let me stress that this is only a possibility. No drilling has taken place as yet, hence no one knows whether there is in fact oil to be exploited, or, if there is oil, whether it is present in valuable quality and quantity and so on.

If, in time, offshore oil does prove to be a valuable resource for Vietnam, this should prove very helpful to the economy. It should, in time, reduce the need for external assistance, notably for economic assistance from the United States.

PARTICIPATION OF VIETNAM PEOPLE

Mrs. REID. What opportunities do the people of Vietnam, particularly those in rural communities, have to participate in shaping events that most directly affect their own situation?

Mr. NOOTER. Considerable opportunity now. Elected village governments are in operation, really for the first time in Vietnamese history. The second, or in some cases third, cycle of elections has taken place, and the considerable number of officeholders have been replaced. The elections have become highly competitive.

The Government of Vietnam has established a village self-development fund, with some U.S. help. It is available for village projects selected by the village, not by the central government. On the whole, this marks a major change from the days when village authorities were appointed by the central government and projects to improve life in the village, if any, were run by the central government.

VIETNAMIZATION—THE EFFECTS ON DEVELOPMENT

Mrs. REID. Could you detail for the record how the Vienamization program is contributing to the continuing development of Vietnam in regard to increased food production, increased educational activities, and improved health facilities?

Mr. NOOTER. Yes. Food production in Vietnam continues to increase from a low point in 1967, when it was necessary to import 750,000 tons of rice, to a record 1970–71 crop of 5.7 million tons and no importation of rice. This has been accomplished by new high-yielding varieties of rice and by the rice growers responding to the favorable pricing structure. Poultry production has been increased 15 percent and hog production 10 percent in each of the past 3 years using modern breeds, improved feeding, and disease control. Over 17 million doses of livestock vaccines were produced by the Vietnamese during 1970 and more than 800 trained vaccinators are licensed to treat livestock in the rural areas of Vietnam.

In the field of education, development is quite remarkable. The number of pupils in elementary schools has been increased from 400,000 in 1955 to more than 2.6 million in 1970, which represents 92 percent of all elementary school age children in Vietnam. To accomplish this, over 18,000 elementary school teachers were trained between 1963 and 1970 in 90-day accelerated courses, and more than 14,000 classrooms were constructed. Vietnam now has 10 pedagogical centers and 5 normal schools graduating some 2,000 elementary school teachers annually.

In secondary education, enrollments were increased from 53,000 to over 600,000 students between 1955 and 1970. To provide the required teaching staff, three schools of pedagogy with total enrollment of over 1,700 are operated as parts of the Universities of Saigon, Hue, and Can Tho. Technical and vocational skills are provided through four polytechnic schools, five trade schools, a system of 12 junior technical schools, and 10 vocational agricultural schools. Total enrollment is now in exces of 13,000 students.

Two new universities have recently been established by the Vietnamese making a total of seven institutions of higher learning with total enrollments exceed 48,000 students. This compares to one university with 2,900 students in 1955.

With assistance of the United States and other free-world nations, the Vietnamese have developed concurrently a medical and a health care program reaching all provinces of the country. The medical care program has been built on a system of provincial hospitals and district health centers, making maximum use of limited resources by joint use of military and civilian medical personnel. Medical and nursery schools have been developed to assure a continuing supply of trained medical personnel. In 1970, over 200 physicians and 50 dentists were graduated compared to 85 physicians and 16 dentists graduates in 1965. Eleven public nursing schools have been established in addition to three approved private schools of nursing which together graduate over 200 nurses annually. A national center for plastic and reconstructive surgery has been established with AID assistance and provides the most modern surgical treatment to more than 100 badly deformed children each month. The Vietnamese staff for the center is being developed and should assume full responsibility for the center by 1974. Similarly, a national rehabilitation institute has been developed and has grown from a single center in 1966 producing 50 prosthetic devices a month, to four such centers producing 850 artificial limbs and braces per month in 1970.

At the same time Vietnam, with the help of the United States and the World Health Organization, has developed a program of disease prevention, in spite of the difficulties caused by hostilities, national campaigns have been conducted against plague, smallpox, malaria, and other communicable diseases. A National Institute of Public Health has been authorized recently to become the base for training, research, and technical support needed for more decisive campaigns.

REFUGEE VOLUNTARY AGENCIES

Mrs. REID. How are voluntary agencies participating in the refugee assistance program in Vietnam? Would you supply for the record a list and description of those voluntary agencies which are now actively participating?

Mr. NOOTER. Yes.

(The information follows:)

U.S. VOLUNTARY AGENCIES IN VIETNAM

As of March 1971, the following American voluntary agencies and other private nonprofit organizations were operating programs in South Vietnam:

Agricultural Cooperative Development International.
AMA Vietnam medical school project.
AMA volunteer physicians for Vietnam.
American Dental Association.
American Friends Service Committee.
American National Red Cross.
Asia Foundation.
Asian-American Free Labor Institute.
CARE—Cooperative for American Relief Everywhere.
Catholic Relief Services—U.S.C.C.
Children's Medical Relief International.
Christian and Missionary Alliance.
Christian Children's Fund.
Church World Service (see Vietnam Christian Service below).
Committee of Responsibility.
Community Development Foundation.
Eastern Mennonite Board of Missions and Charities.
Foster Parents Plan.
International Educational Development.
International Rescue Committee.
International Voluntary Services.
Lutheran World Relief (see Vietnam Christian Service below).
Mennonite Central Committee (see Vietnam Christian Service below).
Project Concern.
Salvation Army.
Save the Children Federation.
Seventh-Day Adventist Welfare Service.
Summer Institute of Linguistics.
Unitarian Universalist Service Committee.
United Seamen's Service.
United World Mission—united welfare and relief services.
Vietnam assistance program—U.S.C.C.
Vietnam Christian (combined program of three agencies).
World Rehabilitation Fund.
World Relief Commission of the National Association of Evangelicals.
World Vision Relief Organization.
United Service Organizations, Inc.

Although three of the above organizations, the American Red Cross, United Seamen's Service, and United Service Organizations (USO) have programs primarily to serve U.S. civilian and/or military personnel, they also provide assistance to the Vietnamese people.

In addition to the voluntary agencies operating programs in South Vietnam, the following American voluntary agencies and private non-profit organizations are contributing to the support of various Vietnamese voluntary agencies and institutions, to programs operated in Vietnam by other American and international voluntary organizations or providing opportunities for Vietnamese to study abroad:

Aid for International Medicine.
American Dietetic Association.
American Foundation for Overseas Blind.
American Leprosy Missions.
American Society of Plastic and Reconstructive Surgeons, Educational Foundation.
American Women's Hospitals Service.
An Lac Orphanage.
Baptist World Alliance.
Bulova (Joseph) School of Watchmaking.
Carr Foundation.
Catholic Medical Mission Board.
Christian Reformed World Relief Committee.
Council of International Programs for Youth Leaders and Social Workers.
CUNA, Inc.
Darien Book Aid Plan.
Direct Relief Foundation.
Heifer Project.
Interchurch Medical Assistance.
International Social Servce—Ameriacn Branch.
King's Garden.
Mea'ls for Millions Foundation.
Medical Assistance Programs.
Medical Mission Sisters.
Medicines for Missions Division.
National 4–H Club Foundation.
National Vietnam Refugee and Information Services.
Population Council.
Project Polio Vietnam.
Rotary International.
Salesians of St. John Bosco.
Vaccines for Children International.
VITA—Volunteers for International Technical Assistance.
World University Service.

The nature and extent of the participation of these voluntary agencies and organizations varies considerably including material aid and technical assistance in such areas as emergency relief, refugee relief and resettlement, community development, health and medical care, child care and social welfare, education, vocational training, agriculture, and rehabilitation of the disabled.

COMPARISON OF U.S. AID

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. Our request for fiscal year 1972, if approved by the Congress, will mean that total economic resources from the United States remain at about the same level as in fiscal year 1971. Department of Defense spending for U.S. military operations in Vietnam is going down, of course. Parts of this generates economic resources for Vietnam, and the decline here will be about $150 million. AID is requesting a $150 million support fund. As we discussed before, this will be a shift from DOD to AID, but not an increase in U.S. resources going to Vietnam.

We expect the contribution of other countries to increase but, as I have said, we cannot put a firm figure on this at this time.

Mr. PASSMAN. Mr. Riegle?

DEFENSE CAPABILITIES OF VIETNAMESE

Mr. RIEGLE. Thank you, Mr. Chairman. At what point in the administration's troop withdrawal program do you see your AID representative being exposed to a VC or NVA attack because of the reduction of U.S. troops? How confident are you about the ARVN to defend your people against surprise attack?

Mr. NOOTER. I should say first, of course, that I am not an expert on the military security situation and what the future may hold here. Our basic assumption is that the security situation will stay about the same or, hopefully, continue to improve as it has over the past year or so.

Our AID people have worked widely throughout South Vietnam in the years since 1965. We have had a number of casualties, but only rarely have AID people been special targets of the VC or NVA. More often, AID people have been casualties when their vehicles ran over a mine or in some other fashion where the attack or incident was not directed specifically against them.

PHASE OUT OF PUBLIC LAW 480 PROGRAM

Mr. RIEGLE. If South Vietnam is, as you indicate, self-sufficient in rice production, why are we continuing the Public Law 480 program? Why can't we phase out this program?

Mr. NOOTER. We have phased out rice from the Public Law 480 program. We also supply a number of other commodities under Public Law 480, including tobacco, cotton, and processed milk. We plan to continue with these items, but not rice unless there is an unexpected need.

TRANSFER OF PERSONNEL

Mr. RIEGLE. As you draw down your manpower and other resources in South Vietnam, is provision being made to transfer these people and equipment to Laos, Cambodia, or Thailand or are they being sent home?

Mr. NOOTER. AID personnel, when they finish their assignments in Vietnam, go on to assignments elsewhere throughout our worldwide program, not just in Laos, Cambodia, Thailand. Equally, we find staff for Vietnam from our worldwide program. Some come back to Washington assignments; more go elsewhere, in Latin America, Africa, or elsewhere overseas.

While the U.S. military has a large program to dispose of equipment excess to its needs, AID is not in a similar situation. The equipment we provide goes to the Vietnamese, and title passes to the Government of Vietnam. U.S. military excess equipment is available to other countries, as well as to Vietnam.

CURRENCY USED BY OTHER ASSISTANCE DONORS

Mr. RIEGLE. Are the projects in which Germany, Japan, and the Asian Development Bank are participating, utilized in U.S. dollars or in their own foreign currencies?

Mr. NOOTER. German and Japanese assistance to Vietnam is in their own currencies, not in U.S. dollars. The Asian Development Bank loan, $2.5 million for fisheries development, is denominated in U.S. dollars.

WITHDRAWAL FROM VIETNAM

Mr. RIEGLE. If the Government controls 94 percent of the population, why can't we disengage from Vietnam faster? It would seem to me that from a practical standpoint, this is as high a ratio as they are ever going to attain.

Mr. CONSTANT. The Hamlet evaluation system rating is not the determining factor for our troop withdrawals or the measurement of success for our Vietnamization program.

Vietnamization has been defined as the process by which the major military, paramilitary and civil responsibilities that the United States has assumed in South Vietnam are transferred to the South Vietnamese in an orderly manner and within a reasonable time frame. It is aimed at allowing the people of South Vietnam to determine their own future by providing for their own defense, while removing U.S. troops from combat in Southeast Asia. Vietnamization is regarded as the first crucial step in implementing the Nixon Doctrine underscoring our expectation and insistence that defense responsibility be increasingly shouldered by the Asian nations themselves. Vietnamization is both a complement and an alternative to the Paris negotiations by providing both an additional incentive to Hanoi to negotiate and a means for U.S. troops to be withdrawn in an orderly manner without sacrificing our single objective—the right of self-determination for the people of Vietnam.

SUCCESS OF VIETNAMIZATION

Mr. RIEGLE. We hear a good deal of talk about the success of the Vietnamization program. Would you supply the committee with the reductions in manpower and money that we can expect this coming year as a result of the South Vietnamese assuming more of their own development?

Mr. NOOTER. The number of AID people in Vietnam will be about 1,540 this June 30. We expect this to be down to about 1,360 a year later, in June 1972. Our request for funds for projects, down from $101 million for fiscal year 1971 to $90 million in fiscal year 1972, reflects this decrease in U.S. staffing as well as reductions in equipment and other inputs to the project program.

STRATEGIC BOMBING SURVEY

Mr. RIEGLE. Are you aware of any strategic bombing survey that is being conducted similar to the one that was done after World War II to determine the impact of the bombing on the people, the villages, and the enemy's logistics?

Mr. CONSTANT. I am unaware of any survey of this nature being conducted by the Department of Defense.

TRANSFER OF KNOWLEDGE TO U.S. PROBLEMS

Mr. RIEGLE. In examining your own experiences in South Vietnam, do you think that you or the AID agency learned anything that could be used to redevelop our own urban and rural poverty areas?

Mr. NOOTER. I have no neat answer. We Americans take what experience and limited wisdom we have to Vietnam. Once there, we find that only some of our experience really is applicable to Vietnam, with its different culture and conditions. We learn a good deal, but perhaps largely about what will work in Vietnam. Hopefully, a number of our people who have served in Vietnam will find useful roles here at home. But I would judge that they again will have to adapt their experience, rather than just apply it in some simple fashion.

Mr. PASSMAN. This concludes this chapter. Thank you. Good luck.

Mr. NOOTER. Thank you, Mr. Chairman.

Mr. PASSMAN. The committee will adjourn until tomorrow at 1 p.m.

THURSDAY, JUNE 17, 1971.

ADMINISTRATIVE EXPENSES, DEPARTMENT OF STATE

WITNESSES

JOSEPH F. DONELAN, JR., ACTING ASSISTANT SECRETARY FOR ADMINISTRATION
RALPH J. McGUIRE, DIRECTOR, NATO AND ATLANTIC POLITICAL-MILITARY AFFAIRS, BUREAU OF EUROPEAN AFFAIRS
FRONTIS B. WIGGINS, ECONOMIC OFFICER, OECD, EUROPEAN COMMUNITY AND ATLANTIC POLITICAL-ECONOMIC AFFAIRS, BUREAU OF EUROPEAN AFFAIRS
HERMAN POLLACK, DIRECTOR, BUREAU OF INTERNATIONAL SCIENTIFIC AND TECHNOLOGICAL AFFAIRS
ROBERT B. WRIGHT, DIRECTOR, OFFICE OF EAST-WEST TRADE, BUREAU OF ECONOMIC AFFAIRS
CHRISTIAN CHAPMAN, DIRECTOR, OFFICE OF MILITARY ASSISTANCE AND SALES, BUREAU OF POLITICO-MILITARY AFFAIRS
RICHARD W. MURRAY, DIRECTOR, BUDGET PLANNING AND PRESENTATION
ANTHONY C. CHASTKA, BUDGET ANALYST

Mr. PASSMAN. The Committee will come to order.

We shall continue our examination of the requests for funds to finance the foreign operations program for fiscal year 1972. Today we shall hear from the Hon. Joseph F. Donelan, Jr., Acting Assistant Secretary for Administration, and the item to be considered is administrative expenses for the Department of State for $4,555,000.

I would assume, Mr. Donelan, that you have a statement that you would like to make to the Committee in behalf of this request?

Mr. DONELAN. Yes, Mr. Chairman.

Mr. PASSMAN. This being your first appearance before the Committee, would you provide a biographic statement for the record.

Mr. DONELAN. Yes, sir.

(The biographic statement follows:)

BIOGRAPHIC STATEMENT OF JOSEPH F. DONELAN, JR., ACTING ASSISTANT SECRETARY OF STATE FOR ADMINISTRATION

Born in New York on February 16, 1918, Mr. Donelan holds a bachelor of science degree in business administration from Georgetown University, and a master of arts degree in international affairs from George Washington University. He also is a graduate of the U.S. National War College.

During World War II, Mr. Donelan served as an ordnance officer, U.S. Army, and subsequently as a civilian management analyst with the U.S. Air Force, specializing in cost control work. He has been director of finance for the U.S. Department of State, and served as budget and management officer at the American Embassy in Paris. In addition he served as principal officer at the U.S. Consulate at Nagoya, and as Consul General at Tokyo. Thereafter he served as Counselor of Embassy for Administration at New Delhi.

He held the post of executive director of the U.S. Arms Control and Disarmament Agency for 3 years, until he was assigned to the U.S. Foreign Service Inspection Corps in June 1967. From January 1968 to August 1968 he was attached to the Office of the Under Secretary of State as a member of the task force established to effect reductions in staffing of missions abroad. From August 1968 to December 1969, he served on the NATO International Secretariat as Controller for NATO Infrastructure and chairman of the Council Committee on Infrastructure. He was appointed as Deputy Assistant Secretary for Budget and Finance on December 1, 1969, serving in that capacity until June 1 of this year when he was designated Acting Assistant Secretary of State for Administration. (Mr. Donelan's nomination has been confirmed by the Senate, but he has not yet taken his oath of office.)

Mr. Donelan has received the Department of State Superior Service Award "for outstanding performance and leadership" in the coordination of military and civilian assistance in disaster relief actions in Japan.

Mr. PASSMAN. You may proceed with your statement.

GENERAL STATEMENT OF THE ACTING ASSISTANT SECRETARY FOR ADMINISTRATION

Mr. DONELAN. Mr. Chairman and members of the committee, I appreciate this opportunity to appear before you to support the fiscal year 1972 appropriation request of the Department of State for activities financed and by the authority of section 637(b) of the Foreign Assistance Act of 1961, as amended, and section 305 of the Mutual Defense Assistance Control Act of 1951.

Mr. Chairman, the original budget proposal for 1972 forwarded with the President's budget in January requested $4,400,000 for the activities financed by this appropriation, a net increase of $96,000 over the amount then available for 1971. This increase, as shown in the justifications, was requested primarily to provide for mandatory salary increases, overseas wage and price increases caused by continued inflationary pressures and for the cost of five additional positions to strengthen the staff support rendered to the U.S. Missions to the North Atlantic Treaty Organization (USNATO) and the Organization for Economic Cooperation and Development (USOECD) and for our military assistance and arms supervision staff.

Subsequent to the preparation of the original 1972 estimates, Federal salary increases were authorized by Public Law 91-656, and a 1972 amendment containing a request for an additional $155,000 for this appropriation item was forwarded for congressional consideration (H. Doc. 92-93). Including this amendment we are now requesting $4,555,000 for fiscal year 1972.

As the committee is aware, there are four activities of the Department of State provided for in this appropriation request. These are:

(1) The United States Mission to the North Atlantic Treaty Organization (USNATO) which assists in the cooperative efforts of the 15 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 United States Mission to the Organization for Economic Cooperation and Development (USOECD) which assists in the coordination and presentation of the United States 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 61 per cent of world industrial production, and 65 percent of world trade.

(3) Programs conducted by the Department of State under the Mutual Defense Assistance Control Act (Battle Act) which 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 controling 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 foreign military sales programs and the improvement of the foreign policy control over the level and character of worldwide U.S. military assistance and arms sales.

U.S. participation in these activities will continue to be of major importance in fiscal year 1972 to fulfill our foreign policy objectives.

This concludes my statement, Mr. Chairman. My colleagues and I will be pleased to answer the committee's questions on this appropriation request.

Mr. PASSMAN. Thank you very much for your statement.

Now we have some questions that we would like to ask you with respect to the request.

I should like at this time to yield to the distinguished gentlelady from Illinois, Mrs. Reid.

Mrs. REID. Thank you, Mr. Chairman.

Mr. PASSMAN. That is a courtesy we extend to you throughout the remainder of the hearings.

Mrs. REID. Thank you, Mr. Chairman.

Mr. Secretary, I certainly want to welcome you here today. As you know, you replace a good friend, Mr. Meyer, who I feel has done an excellent job in this capacity in which you will be working. I certainly want to wish you well in your position.

Mr. DONELAN. Thank you very much, Mrs. Reid.

JUSTIFICATION FOR ADDITIONAL POSITIONS REQUESTED

Mrs. REID. I would just like to ask you a couple of questions at this time. Perhaps you could explain the duties required of the five additional positions to strengthen the staff support rendered the U.S. Mis-

sion to the North Atlantic Treaty Organization, Organization for Economic Cooperation and Development, and for military arms assistance and arms supervision staff.

Mr. DONELAN. If I may, Mrs. Reid, I would like to break the five down into three and two. Two of the positions offer the backstopping in Washington to the U.S. mission to the North Atlantic Treaty Organization (NATO). The third position is backstopping in Washington for the U.S. mission to the Organization for Economic Cooperation and Development (OECD) in Paris, and the other two positions are for a quite separate function—military assistance and arms sales program.

On the first three positions there are two officer positions and one secretarial. The reason for our coming before the committee and requesting these positions is the tremendous expansion in scientific, technological, and environmental activities not only in the United States but in the international sphere.

U.S. MISSION TO NATO

On the NATO side, at the initiative of our President in 1969, NATO set up a committee to meet the challenges of modern society. Last year we did not ask for any new positions for that function or to support it. Interestingly, in NATO this committee has done some very quick work and very, very fine work and we find that we do need some additional support for the activity overseas.

The one officer and the one clerical job would give us scientific support here in Washington for the work that they are doing.

On the NATO side they have already come a long way on one major accomplishment which has to do with the pollution of the oceans. They have a number of other pilot studies underway which involve inland water pollution, road safety, earthquake and flood hazards, urban affairs.

The NATO Committee on the Challenges of Modern Society (CCMS) is the scientific subcommittee also working on oceanographic research and radio meteorology. The fact is that on this side of the water we have many of the U.S. Government agencies engaged in scientific and technological affairs and environmental matters, all of which are in effect related to the NATO countries. I think it is extremely important that the Department of State have in this case the one officer and the one secretary to work with NATO in order to provide the backstopping for our people in NATO as well as to represent the other interests of the U.S. Government agencies and the people of the United States with respect to the work that is being done in these important fields in the international sphere.

U.S. MISSION TO OECD

The third job, the one in the OECD, is also a job here in Washington, an environmental officer. The OECD has a slightly different aspect on the scientific side. As you know, the OECD is the body that represents the Atlantic community and the industrial might of Europe and the United States and North America as well as Japan.

They have recently, I guess within the last year or so, been getting into the business of environmental matters as affected by industry so

that the OECD is designated as the clearinghouse for developmental matters and environmental affairs.

The one officer that we are requesting here again would provide a backstopping for the continuing work which will be going on in OECD in these areas as well as making sure that the efforts of the U.S. Government are coordinated in this area.

MILITARY ASSISTANCE AND ARMS SALES SUPERVISION

The other two positions that we are asking for, which is for the military assistance and arms sales supervision staff, are one officer and one secretary. The reason for this increase is simply the greater increase in the amount of work being done by this small organization.

As you may recall, it was formed in 1968 to better represent the foreign policy position with respect to military arms sales, grants, and credits. In effect, this office which is in our Bureau of Political and Military Affairs, represents the Secretary of State in dealing with the Department of Defense, Arms Control Agency, Treasury, all of the agencies of the Government on arms sales and disposal. In terms of the workload in effect last year we talked about the increase in the number of cases that we have for cash sales and at the time of the hearings last year the appropriations had not been passed with respect to military assistance programs, grants, and credit sales. In effect for this fiscal year there are for these two items $1.5 billion for grant and credit authorizations and another $1.1 billion for cash sales.

This very small office which now has eight people and for which we are requesting an increase, must in effect determine the position of the Department of State for the Secretary with respect to the foreign policy aspects of the grants and sales program. Obviously with the very large authority existing in these programs, the workload has increased to the point where we feel that these two positions are really justified and necessary to carry out the functions of the Department.

EFFECT OF RELAXATION OF TRADE WITH COMMUNIST CHINA

Mrs. REID. Approximately how much activity does the Department have now in monitoring the Mutual Defense Assistance Control Act, particularly with reference to our own recent relaxation of trade with Communist China?

Mr. DONELAN. First, if I may, Mrs. Reid, on the relaxation of trade with China. Essentially, that was a unilateral action by the United States. The list of trade items were nonstrategic items so this really does not affect the work being done in COCOM, the Coordinating Committee in Paris, and the work being done around the world to control the flow of strategic materials. It has not affected it. For instance, in the Paris side, I believe that the statistics are correct that the small group there actually examined shipments valued at something like $65 million last year which had to do with some instances with respect to strategic materials.

In effect, I think the China action certainly up until this time, has not affected this function. We are still as much interested as we ever have been with respect to the control of strategic materials. Of course, there has been some relaxation in the types of materials. Essentially the functions still continue and it is still quite important to us.

Mrs. REID. Thank you, Mr. Secretary.
Thank you, Mr. Chairman.
Mr. PASSMAN. Thank you very much, Mrs. Reid.

INCREASE REQUESTED FOR FISCAL YEAR 1972

Mr. PASSMAN. Administrative expenses for the Department of State is one segment of the total administrative expenses of operating the AID agency, is that correct?
Mr. DONELAN. Yes, sir.
Mr. PASSMAN. Your 1972 estimate is $4,555,000. That is an increase of $455,000 over fiscal year 1971?
Mr. DONELAN. Actually over the appropriation. In effect, it is an increase——
Mr. PASSMAN. I am talking about the appropriation. Your estimate is $4,555,000, which is $455,000 over the appropriation made by the Congress for fiscal year 1971?
Mr. DONELAN. Yes, sir.

FISCAL YEAR 1971 SUPPLEMENTAL AND ADJUSTED AVAILABILITY

Mr. PASSMAN. Does the $4,100,000 appropriation for fiscal year 1971 include supplementals, if any?
Mr. DONELAN. No, sir; it does not.
Mr. PASSMAN. Did you have any supplemental request?
Mr. DONELAN. Yes, sir; there was. We have the original appropriation of $4.1 million and there was a supplemental appropriation of $137,700.
Mr. PASSMAN. In reality then, the fiscal year 1971 amount was $4,237,000, is that correct?
Mr. DONELAN. Yes, sir. Then there was another change in the supplemental of $68,200 and there was an additional amount carried over from a prior year of $66,300.
Mr. PASSMAN. That we never take into account. It is the policy of this committee not to recommend any unobligated funds.
Mr. DONELAN. That is right.
Mr. PASSMAN. Your net increase after taking all supplementals to the original appropriation into account amounts to what?
Mr. DONELAN. Our net increase for 1972 is equal to $182,800.

SUPPLEMENTAL FUNDING ACCOMPLISHED BY TRANSFERS FROM OTHER ACCOUNTS

Mr. PASSMAN. This supplemental amount certainly increased the $4,100,000 substantially but it was transferred out of other accounts, is that correct?
Mr. DONELAN. Yes, sir; in effect these are essentially statutory pay act increases.
Mr. PASSMAN. I understand that perfectly, but you did not get an additional appropriation for the supplementals; it was transferred out of unexpended funds and other accounts. Is that correct?
Mr. DONELAN. That is correct.
Mr. PASSMAN. We have to make this record so that even though you transferred out other funds, as far as the administrative expenses of

the Department of State are concerned you did increase the amount over last year. Taking the original appropriation plus the supplementals and getting the total, your request in fiscal 1972 still exceeds by $182,800 your total for last year?

Mr. DONELAN. That is correct.

Mr. PASSMAN. Could you justify this increase inasmuch as you had absorbed all pay increases and related expenses in the total that you just gave us?

Mr. DONELAN. Yes, sir. Actually, Mr. Chairman, this net increase of $182,800 represents a net figure partially. We have some increases and some decreases. In effect, we had decreases in the amount of $60,300 and a total increase in the amount of $243,100, giving you the $182,800. Of the increased amount we are requesting, part of these increases are what we consider to be nondiscretionary.

NONDISCRETIONARY INCREASES REQUESTED FOR 1972

Mr. PASSMAN. What do you mean by that?

Mr. DONELAN. In the sense they are brought about by statutory changes.

Mr. PASSMAN. I would like to have them listed. Mr. Secretary.

Mr. DONELAN. All right.

(The information follows:)

Nondiscretionary Increases Requested in the Fiscal Year 1972 Budget

Item:	*Amount*
Annualization: 1971 Pay Act costs (Public Law 91-656)	$86,800
Within-grade salary increase	37,200
Extra day's pay	9,200
Health insurance	3,100
Overseas wage and price increases	38,300
Total	174,600

TOTAL AVAILABLE FUNDS, FISCAL YEAR 1971

Mr. PASSMAN. Go back again to this item. What was the total available funds to the Department of State in administering expenses for fiscal year 1971?

Mr. DONELAN. $4,304,000—excuse me, the total available is $4,372,000.

Mr. PASSMAN. Plus or minus?

Mr. DONELAN. $4,373,000.

Mr. PASSMAN. Even?

Mr. DONELAN. No, sir; I thought you wanted it rounded; no, sir, $4,372,200.

Mr. PASSMAN. This included all pay increases and other expenses that you had to take into account on account of legislation passed subsequent to the appearance before the committee last year of your predecessor?

Mr. DONELAN. That is correct.

ADDITIONAL ACTIVITIES BUDGETED FOR FISCAL YEAR 1972

Mr. PASSMAN. What additional activities will you have in fiscal year 1972 that you did not have is fiscal 1971 that necessitates an increase of $182,800?

Mr. DONELAN. The principal increase, Mr. Chairman——

Mr. PASSMAN. Get them all, Mr. Secretary.

Mr. DONELAN. All right.

We have the annualization of the 1971 Pay Act costs, $86,800.

Mr. PASSMAN. Didn't you also have that in 1971?

Mr. DONELAN. We had that. This is the annualization. We had part of it in 1971 and for that part of the year that was involved. This is the amount that annualizes it in 1972.

Mr. PASSMAN. How much in 1971? How many months did you finance the increased pay costs? Put that in the record.

Mr. DONELAN. All right.

(The information follows:)

Federal salary increases authorized by Public Law 91-656 were effective January 10, 1971, and will be financed for 5½ months in fiscal year 1971 at a cost of $68,200.

Mr. DONELAN. To go on with the increases, within-grade salary increases, $37,000.

Mr. PASSMAN. You have that every year, do you not?

Mr. DONELAN. Yes, sir.

Mr. PASSMAN. You had them last year?

Mr. DONELAN. That is right.

Mr. PASSMAN. I don't think you could hardly add an additional amount for increased salary increases. That is part of our regular operation. You had it last year and you had it the year before and the year before that, too.

Mr. DONELAN. Yes, sir.

Mr. PASSMAN. I know that you are going to have to make some kind of a justification for the increase, but what else?

Mr. DONELAN. The extra days' pay which is required in fiscal year 1972 and there is an amount of $3,100 for health insurance.

Mr. PASSMAN. Either one of us could absorb that much.

Proceed.

Mr. DONELAN. There is the overseas wage and price increases, $38,300.

Mr. PASSMAN. You didn't have that in fiscal year 1971?

Mr. DONELAN. That is correct. This results from the inflationary prices.

Mr. PASSMAN. Itemize all of them for the record.

Mr. DONELAN. All right.

(The information follows:)

Summary of increases requested for fiscal year 1972

Nondiscretionary American salary and overseas operating costs:	*Amount*
Within-grade salary increase	$37,200
Extra day's pay	9,200
Health insurance	3,100
Overseas wage and price increases	38,300
Annualization of 1971 Pay Act costs	86,800
Subtotal, nondiscretionary	174,600
Discretionary staff and support costs:	
North Atlantic Treaty Organization staff	22,700
Organization for Economic Cooperation and Development staff	15,400
Mutual Defense Assistance Control Act improved support	12,700
Military assistance and arms sales supervision staff	17,700
Subtotal, discretionary	68,500
Total increases	243,100

Mr. PASSMAN. Make a note that this is the pay increase. You know that in-grade pay increases you have every year. These other things, maybe they account for most of the requested increases. I guess that we would have to assume that you subscribe to the same philosophy as our AID Director, Dr. Hannah. You know what he said? Let's put it on the record we have an asking price and a taking price.

We assume that since you are part of the operation that the $4,555,000 at this time is the asking price. Is that right?

Mr. DONELAN. That is correct.

Mr. PASSMAN. We will arrive at the taking price later.

Mr. DONELAN. Yes, sir.

Mr. PASSMAN. You are quite fair about it. We learned that we do kid each other and I kid you and you kid me and your kidding is inflating these programs. Dr. Hannah said, get down to business, there is an asking price and a taking price. I am glad that you say this is your asking price, and subsequently we will arrive at the taking price and give you a little extra credit for being so forthright with your answer.

ALLOCATION OF 1972 REQUEST TO MAJOR ACTIVITIES

Would you please provide for the record a table showing the amount of the fiscal year 1972 request which will be allocated to each of the four activities?

Mr. DONELAN. Yes, sir.

(The information follows:)

Allocation of fiscal year 1972 request by activity

Activity	*Amount*
U.S. mission to the North Atlantic Treaty Organization	$1,921,000
U.S. mission to the Organization for Economic Cooperation and Development	1,195,000
Mutual Defense Assistance Control Act (Battle Act)	1,234,000
Military assistance and arms sales supervision function	205,000
Total	4,555,000

U.S. MISSION TO NORTH ATLANTIC TREATY ORGANIZATION (NATO)

Mr. PASSMAN. In connection with the U.S. mission to the North Atlantic Treaty Organization, NATO, could you tell us what the fiscal year 1972 request is?

Mr. DONELAN. As indicated in the submission, Mr. Chairman, we are requesting——

Mr. PASSMAN. Indicated in what?

Mr. DONELAN. In the justifications—we are requesting four domestic positions, 38 overseas American positions, and $1,921,000 in fiscal year 1972 to carry out the objectives of the mission.

PURPOSE OF NATO APPROPRIATION

Mr. PASSMAN. Please explain briefly what is accomplished with the NATO portion of this appropriation?

Mr. DONELAN. This appropriation finances the U.S. Government staff that assists NATO achieve its goals of providing adequate military and political solidarity to deter aggression and other forms of pressure directed against member countries. In addition, it assists the Alliance in carrying out the new initiatives proposed by President

Nixon and now being carried out by the NATO Committee on the Challenges of Modern Society (CCMS).

The CCMS was established to examine how to improve, in every practical way, the exchange of views and experience among members of the Alliance—and other interested countries—in the task of creating a better environment for their societies and to consider specific problems of the human environment with the deliberate objectives of stimulating action by members and associated governments.

In adding this third dimension to its sphere of activities, the Alliance has forged important new links with a broadening community of interest and concern for human problems and has identified itself as an energetic force in moving to solve these problems.

NUMBER OF EMPLOYEES FOR NATO

Mr. PASSMAN. How many employees are involved in this activity?

Mr. DONELAN. At the present time, Mr. Chairman, there are 40 employees—two are in the United States and 38 overseas. We are requesting an increase of two domestic positions in fiscal year 1972. One of these will be a policy officer who would be responsible for preparing the United States positions and coordinating and managing the contributions of the technical agencies of the Government responsible for executing the program aspects of the CCMS "Pilot Studies." He would not necessarily be technically trained but would be broadly experienced in policy formulation and in the administration of such programs. The second position would be to provide secretarial assistance.

IMPROVED COMMUNICATIONS FOR NATO

Mr. PASSMAN. Last year you requested funds for an improved communications capability between the mission and the Department of State and Defense. Has this improved communications capability been accomplished?

Mr. DONELAN. Yes, sir; the improved communications capability has been accompished. It provides the advantages to the U.S. mission to NATO, State and Defense of direct dialing, high quality transmission, multi-station conference capability and immediate service. It has also virtually eliminated the need for use of commercial facilities, particularly during ministerial meetings.

ADDITIONAL FUNDS FOR NATO

Mr. PASSMAN. Doesn't NATO receive additional U.S. funds from other sources?

Mr. DONELAN. Yes; from the Department as well as DOD.

Mr. PASSMAN. Could you tell us the total U.S. funds provided to NATO?

Mr. DONELAN. Mr. Chairman, the State Department, through its appropriation for contributions to international organizations, would expect to provide $5,200,000 in fiscal year 1972 for the U.S. share of the cost of operating the NATO civilian headquarters. It is my understanding that the DOD contribution to NATO is approximately $80 million.

NEED FOR ADDITIONAL POSITIONS

Mr. PASSMAN. Will the NATO staff be performing some service in 1972 they didn't perform in 1971?

Mr. DONELAN. Included in the budget, sir, is a request for two additional positions. This would be for two positions in Washington to support the activities in the scientific and technical field of the U.S. mission to NATO.

Mr. PASSMAN. Are we getting into the scientific and technical field in the administration of these accounts?

Mr. DONELAN. No, sir; except that this appropriation item includes the salaries for the people who would, in effect, do that type of work.

Mr. PASSMAN. Why aren't they paid out of the agencies they work with in their administrative expenses? You wouldn't say a scientist and technician can perform any service in your bookkeeping department, could you?

Mr. DONELAN. No, sir. This is a scientist and secretary who would work for the Department of State.

Mr. PASSMAN. What does the scientist do?

Mr. DONELAN. This actually would be a specialist, sir, in environmental and scientific affairs.

Mr. PASSMAN. In effect, this really is administrative expenses. We are not in the research and scientific field?

Mr. DONELAN. That is right. This is the salary and expenses for these two people.

Mr. PASSMAN. Bless your heart, you have said that.

What are you doing with a scientist and technician in this bookkeeping department?

Mr. DONELAN. In effect, these are authorized under the Foreign Assistance Act, these particular types of activities. The number of people involved varies and they perform various functions.

Mr. PASSMAN. I can understand that you need them and possibly in almost any agency you need scientists and you need money for research, but yours is strictly administrative, isn't it? Taking care of the accounts, allocation of funds, keeping the records straight? I am just wondering what kind of a scientist you have.

Mr. DONELAN. In effect, sir, these positions would provide Department of State support for the work of the U.S. mission to NATO.

Mr. PASSMAN. Aren't you getting out of the administrative field with this?

Mr. DONELAN. The salaries of these people are administrative costs to the Department of State.

Mr. PASSMAN. Do you have a scientist in this area?

Mr. DONELAN. That is the point, sir; that we feel that we need a scientist who would be ——

Mr. PASSMAN. In what area?

Mr. DONELAN. In environmental affairs.

Mr. PASSMAN. You don't get into that field in administering these accounts, do you?

Mr. DONELAN. In a sense we do, sir, because we support the budget we have before us which pays for the costs of the personnel of the U.S. mission to NATO. It also pays for the cost of people in Washington who backstop the operation of the U.S. mission to NATO. We have various types of political and economic and military specialists in the U.S. mission to NATO.

JUSTIFICATION FOR ENVIRONMENTAL SPECIALISTS

Mr. PASSMAN. Why do you need environmental specialists in NATO?

Mr. DONELAN. We need environmental specialists because in February 1969 the President, in his visit to NATO, proposed that the North Atlantic Treaty Organization should get into the field of challenges to modern society, so the NATO countries could use their expertise along with the United States in examining problems in the environmental field.

Mr. PASSMAN. For instance? What would be one of the problems that they would deal with?

Mr. DONELAN. One problem is the pollution of the oceans. Obviously this is an extremely important area and I am very pleased to report, sir, that although it was only started, in less than a year very considerable strides have been made in this particular field. I know that I was very surprised to learn that most of the ocean pollution by oil is intentional rather than accidental. When we hear of oil pollution of the ocean we tend to think of the big accidents that occur on occasion. The fact of the matter is that 90 percent of the oil pollution of the ocean has been caused by vessels following the usual bilge pumping practice of maritime nations for removing excess oil.

Mr. PASSMAN. That is all very good. You can discuss surgery here but you don't have anything to do with surgery and running hospitals. Why do you need a scientist when you are doing administrative work, keeping records and accounts?

I am not going to press it any further. I cannot understand why you need a scientist in the bookkeeping arrangement.

Mr. DONELAN. Actually it is really not in connection with the bookkeeping arrangement.

Mr. PASSMAN. This is what you do, your department keeps records and you are strictly administrative. You don't have anything to do with actually administering the program, do you?

Mr. DONELAN. Yes, sir; we do.

Mr. PASSMAN. To what extent?

Mr. DONELAN. In effect, we now have two positions in the Bureau of European Affairs who backstop the work of the U.S. mission to NATO——

Mr. PASSMAN. What do you mean "backstop?"

Mr. DONELAN. In effect, it provides to the mission the position of the Secretary of State on the various matters which are taken up in the North Atlantic Treaty Organization. For instance, sir, the most prominent at the present time is the activity going on in connection with the mutual balanced force reductions, proposals for economic security treaties.

Mr. PASSMAN. You are getting away from the environment.

Mr. DONELAN. The third factor which I was going to add is in the scientific and technological field.

Mr. PASSMAN. Get the controller to answer this question.

He supervises the administrative accounts. How many scientists does he have in his office?

Mr. DONELAN. I don't know how many. I doubt if he has any.

Mr. PASSMAN. I certainly hope not. I am shocked to learn that you are setting up a scientific bureau in your agency.

Mr. DONELAN. In effect, while these are the administrative expenses, the salaries of these people, the fact of the matter is that in terms of the U.S. mission to NATO itself, the salaries that we have here pay for the political, economic, staff members.

Mr. PASSMAN. I know that; I have been dealing with this for 17 years, but this is the first year that you have had a scientist, full-fledged scientist and a secretary carried in the administrative expenses of the State Department.

Mr. DONELAN. That is right.

Mr. PASSMAN. You wouldn't mind if we cut it out?

Mr. DONELAN. I would like to ask that the committee give it some consideration.

Mr. PASSMAN. We will give it consideration, I can assure you of that.

Mr. DONELAN. I think what I should say to you is that since 1969, at the instance of our President, NATO got into the environmental and scientific fields. They got into that field and developed this committee on the challenges to a modern society.

Mr. PASSMAN. What in the world is NATO doing in the scientific field?

Mr. DONELAN. Because of, in effect, such things as oceanographic research, radio meteorology; all have an important bearing with respect to defense matters and security matters.

Mr. PASSMAN. I don't want to consume too much time on this, but you wouldn't go out of business if you didn't get this scientist and this secretary, would you?

Mr. DONELAN. We feel, sir, that with the number of activities going on, for instance pilot projects which are going on in NATO in this environmental field, plus the great activities in the U.S. Government, the Department should have a representative who can coordinate and develop the U.S. positions in these areas.

Mr. PASSMAN. It is pretty hard for me to understand. I am trying to understand what you use a scientist for in your Department.

Mrs. REID. Mr. Chairman.

Mr. PASSMAN. Yes.

Mrs. REID. Of course, until recently we have not been really aware of these problems.

Mr. PASSMAN. They have other departments. This thing is so overlapping I would expect that you have 35 agencies getting in on this field. They run almost over each other, all of you down there. They are about to stop all drainage programs, channelization, and there is going to be an amendment next week to stop everything. No more flood-control projects, no more soil conservation or channelization. This amendment will be offered, I believe, to the agriculture appropriation bill. Everybody is getting into it. I certainly would like to know why a strictly administrative agency, which I think of as a recordkeeping department, would have a full-fledged scientist.

Mr. DONELAN. Mr. Chairman, if I may, I think that you probably provided the words that I was not able to provide; that is, that there is a tremendous activity going on in this field in the U.S. Government and in all of these agencies. These things are extremely important to us as a government. The same type of activity is going on in many of the NATO nations. What this one man will do for us in our Office of Scientific Affairs in the Department, is try to coordinate the ac-

tivities which are being developed in the U.S. Government which have an impact upon our relationship with the NATO nations. For instance, it is certainly to our advantage to see that oil pollution of the seas is cut down—is eliminated.

Mr. PASSMAN. I can understand that but I couldn't understand why the bookkeeping, the administrative part of it, the recordkeepers would have to get into that. I can understand why other agencies are dealing directly in this field. If the Post Office Department started trying to drill for oil; it would be just about as related. We are not going to belabor that. We have about five different items to question on.

Mr. SHRIVER. Would you yield?

Mr. PASSMAN. Yes.

Mr. SHRIVER. Are they doing any environmental work in the United Nations?

Mr. DONELAN. I don't know exactly.

Mr. SHRIVER. I am trying to see why they are doing it in NATO. This is the first I heard about it. If we are going to spend so much money in this area, the Appropriations Committee should have some knowledge of it prior to asking for it.

Mr. PASSMAN. I support that view. It would be like the Post Office Department drilling for oil; it is that far out.

What is the cost of the scientist and assistant and what does it take to support him; the total cost?

Mr. DONELAN. Yes, sir.

Mr. PASSMAN. This new Department—this is new, isn't it? I am talking about——

Mr. DONELAN. It is new with respect to this particular appropriation.

Mr. PASSMAN. That is what I am talking about, this particular appropriation. Heretofore and in the future it will be carried on in other agencies. This is an expansion of it. Would that be a fair statement?

Mr. DONELAN. In effect, with respect to supporting the work of the North Atlantic Treaty Organization, U.S. mission, we feel that the Department should have this particular position to provide the necessary backstopping.

Mr. PASSMAN. You don't want this in the administrative part of it?

Mr. DONELAN. In effect, these are administrative expenses but they represent the functions of the State Department.

Mr. PASSMAN. Some of these things sometimes confuse me. This is just how all these programs become overlapping and in every department of Government everybody wants to get into the deal. Of all the places that I wouldn't think you would need scientists it would be in the administrative expenses of the Department of State. Be that as it may, if this were over in the bilateral technical aid field, I could quickly say congratulations, something can be accomplished. But when you put it in the administrative expenses part, it is just a little confusing.

Gentlemen, I didn't mention this earlier but the committee is operating under rather strict rules in how we conduct the hearings. Each member is limited to 5 minutes in questions and answers until we have gone around the table and then we return and each member can consume all the time that he feels is necessary to make the points that he is working on.

Give complete answers but be as brief as you can. We find many times you get a 30-second question and a 6-minute answer. It might be necessary to place some of the information in the record. I am not going to ask any more questions on this one item.

I yield to Mr. Shriver.

PROSPECTS FOR U.S. TROOP REDUCTIONS IN EUROPE

Mr. SHRIVER. Thank you, Mr. Chairman.

Mr. Donelan, on page 4 of the justification you state that the European members of NATO have proposed a $1 billion 5-year program to improve their defenses. What does this mean in terms of additional European troop strength which might lead to reduced need for U.S. troops?

Mr. DONELAN. On the first part of that, Mr. Shriver, this represents an attempt to increase military efficiency and to come up with various projects which would improve the defenses of Europe.

With respect to the actual effect on American troops, I would like to defer to my colleague. Mr. McGuire, who is a specialist on NATO affairs.

Mr. MCGUIRE. The European defense improvement program is a program for improving the military efficiency of the NATO members. It was developed by a group of NATO countries in response to the President's suggestion that what we would like to see in Europe is an improved defense effort on the part of the European allies.

In response to this suggestion by the President, these NATO members got together and developed this program of an additional $1 billion expenditure over the next 5 years. That will be in two categories of expenses: One, NATO military infrastructure-type programs, such as improved communications system, shelters for aircraft and that sort of thing. The other half of the billion dollars is in the nature of national force improvements on the part of these various NATO countries in addition to those already planned.

This program in itself does not lead to any decrease in American forces in Europe. In fact, as the President said in his policy statement this year, we will maintain our present troop strength in Europe and improve it, provided our NATO allies do the same thing. This is part of their attempt to meet his desires in that field.

Mr. SHRIVER. This does not mean anying in connection with reduced need for U.S. troops even though it is 25 years after World War II and we still have 300,000 troops there with dependents in Europe?

Mr. MCGUIRE. Yes, sir.

STATUS OF BERLIN SETTLEMENT NEGOTIATIONS

Mr. SHRIVER. What is the status of the negotiations regarding the possible Berlin settlement? What are the NATO terms for the settlement?

Mr. MCGUIRE. The Berlin settlement, sir, is not a NATO operation. It is negotiations going on between, among the four powers that are responsible for Berlin following the war. The four powers being the United States, United Kingdom, Soviet Union, and France. Those negotiations are in progress at this time.

Mr. SHRIVER. What is the status of them?

Mr. MCGUIRE. The matter is under negotiation.

Mr. SHRIVER. You don't know whether anything is resulting or still stalemated?

Mr. MCGUIRE. I really find it difficult myself to characterize the status of the negotiations. They are proceeding. They are convening. It has proven difficult to arrive at an agreement.

NATO RESPONSE TO SOVIET MILITARY BUILDUP IN THE MEDITERRANEAN

Mr. SHRIVER. On page 5 you state that our European allies have noted the increasing potential security threat to the alliance posed by the Soviet military buildup in the Mediterranean. What in terms of additional ships and money are these allies proposing to do about this?

When?

Mr. MCGUIRE. What has been done so far in response to the Soviet threat in the Mediterranean has been the establishment of NATO command arrangements providing for increased surveillance of Soviet activities in that area. I am not aware of any specific measures for increases in naval strength on the part of the allies at the present time except for a decision on the part of the British to retain in service an aircraft carrier they had originally felt they were going to take out of service.

Mr. SHRIVER. I believe that is all, Mr. Chairman.

Mr. PASSMAN. Mr. Roybal.

JUSTIFICATION OF FIVE ADDITIONAL POSITIONS REQUESTED IN THE 1972 BUDGET

Mr. ROYBAL. Mr. Chairman.

I am interested in getting some clarification with regard to the five additional positions that are included in the budget and that are perhaps responsible to some extent for the increase of $96,000.

Mr. DONELAN. Yes, sir.

Mr. ROYBAL. Can you tell me what positions they are and how much each one is getting?

Mr. DONELAN. Of the total of five additional positions being requested, two positions are being requested for Washington support of the U.S. mission to the North Atlantic Treaty Organization. These two positions would cost $22,700 in fiscal year 1972. The one position is that of an environmental protection officer and the other is a secretary. The purpose of the officer position is to provide guidance and direction for U.S. participation in the scientific and technological program being carried on in NATO.

Mr. ROYBAL. What is the salary that he gets?

Mr. DONELAN. The annual salary of the officer would be $26,358.

Mr. ROYBAL. Is he in the category of a scientist?

Mr. DONELAN. Yes, sir. He would be an environmental protection officer.

Mr. ROYBAL. He is one of the scientists that you have under your employ?

Mr. DONELAN. That is correct.

The third position is for the OECD. This is for backstopping in Washington.

Mr. ROYBAL. What is the OECD?

Mr. DONELAN. The Organization for Economic Cooperation and Development in Paris. This also is a domestic position which would provide backstopping for scientific and technological programs of the OECD. The annual salary of that officer would be $16,760.

Mr. ROYBAL. That is net?

Mr. DONELAN. That is annual salary.

The amount required for 1972 would be $15,400. I am advised this is an annual rate and the requirement for 1972.

Mr. ROYBAL. Are these individuals subject to the payment of Federal income tax?

Mr. DONELAN. Yes, sir; these would be U.S. Government employees working here in Washington in the Department of State.

Mr. ROYBAL. They work here in Washington and do not work in Paris?

Mr. DONELAN. Paris or Brussels, yes, sir.

Mr. ROYBAL. They don't come under the category of international organizations?

Mr. DONELAN. No, sir; they do not. This is part of the backstopping work or support that the Department of State would provide to the respective missions overseas.

Mr. ROYBAL. They pay income taxes but don't get reimbursed by your Department for them as they do in some departments?

Mr. DONELAN. That is right. These would be U.S. Government employees subject to income tax.

Mr. ROYBAL. Is there anyone in your Department that gets reimbursed for income tax payments?

Mr. DONELAN. No, sir; no U.S. Government employee, no, sir.

Mr. ROYBAL. I am surprised that there is no one. Other organizations that deal internationally I understand have a system whereby the individual working for them pays Federal income tax and gets reimbursed for it. I wondered how I could get such a job.

Mr. DONELAN. I think, sir, those would be international staff members. They would be people working directly for and on the payroll of international organizations.

Mr. ROYBAL. You would not be considered an international staff if you work with the OECD, as an example?

Mr. DONELAN. No, sir; the positions that we have here for the OECD in Washington and Paris are U.S. Government employees and are fully subject to American taxes.

Mr. ROYBAL. What about the U.S. Mission to NATO?

Mr. DONELAN. Same thing.

Mr. ROYBAL. Is it also true of the Organization for Economic Cooperation and Development, which is the one you just cited?

Mr. DONELAN. Yes, sir; all of these people that we are talking about here are U.S. Government employees.

Mr. ROYBAL. Thank you very much.

Mr. PASSMAN. Mr. Hathaway.

Mr. HATHAWAY. I have no questions.

TREASURY DEPARTMENT REPORT OF U.S. DEFICIT POSITION

Mr. PASSMAN. I would like respectfully to call to your attention and, for that matter, other witnesses present: You are all taxpayers and you are just as interested in this country as I am.

I don't know whether any of you or all of you subscribe to this "Daily Statement" of the U.S. Treasury. Do you?

Mr. DONELAN. No, sir.

Mr. PASSMAN. I think you would consider it a great investment if you spent $3 and subscribed to this "Daily Statement" of the U.S. Treasury. It comes out daily and it shows the amount of intake for this fiscal year. It shows you the intake, the outgo, and the deficit for each Department. I notice that on June 10, 1971, we had a deficit of $31,461,147,170 for this fiscal year. Nothing like it in the history of any nation of the world.

I think every person that is appearing before a committee of Congress for increased appropriations should have a look at this "Daily Treasury Statement."

Where we thought we would have a surplus as of this date for 11 months and 10 days, we have a deficit of $31 billion. It looks like it is going to get worse rather than better. I respectfully recommend that you subscribe to this statement so that you have a look at it as we do each day to wonder where we get the money to fund all these programs.

I yield to Mr. Shriver for additional questions he may have on the State Department administrative budget.

Mr. SHRIVER. Thank you, Mr. Chairman.

I want to ask about the Battle Act.

ACTIVITIES UNDER THE MUTUAL DEFENSE ASSISTANCE CONTROL ACT3 (BATTLE ACT)

Do you supervise this activity?

Mr. DONELAN. Actually, Mr. Shriver, the economic area of the Department of State does supervise the work under the Battle Act.

Mr. SHRIVER. Concerning your activities under mutual defense assistance, were there any items included in the list recently proposed by the President to be eligible for export to Red China and the Communist bloc which are or have been on the list of prohibited items that you administer?

Mr. DONELAN. My understanding is that on the list which was published they are all nonstrategic items.

Mr. SHRIVER. Have you found it necessary to recommend a termination of foreign aid to any countries this past year, because they were in violation of that act?

Mr. DONELAN. No, sir; we have not.

OECD PROPOSAL FOR GENERALIZED TARIFF PROFERENCES TO LESS-DEVELOPED COUNTRIES

Mr. SHRIVER. On page 9, you say that the Organization for Economic Cooperation and Development is concentrating its attention on a proposed system of generalized tariff preference for the less-developed countries. Will you tell us about that proposal?

Mr. DONELAN. Mr. Shriver, if I may, I would like to call on Mr. Wiggins, our specialist in that field.

Mr. WIGGINS. The system of generalized tariff preferences for the less developed countries originated with a proposal from the United States some years back. The OECD in Paris, which contains all the major trading nations, is the place that we have worked out the details. The idea, to use the now very familiar adage, "trade, not aid," is to provide additional assistance to the less developed countries through improving their market access to the industrialized countries.

It is my understanding, sir, that at the present time the Department of State is consulting with Congress looking toward introduction of legislation which will permit the United States to be able to offer preferences under our scheme which has been developed. The idea of the OECD was to coordinate the different schemes of the various industrialized countries so there can be an equitable sharing of this program.

Mr. SHRIVER. Thank you, Mr. Chairman.

U.S. MISSION TO THE ORGANIZATION FOR ECONOMIC COOPERATION AND DEVELOPMENT (OECD)

Mr. PASSMAN. What is the fiscal year 1972 request for the U.S. mission to the Organization for Economic Cooperation and Development?

Mr. DONELAN. $1,195,000, sir.

Mr. PASSMAN. Explain briefly the operation of this activity.

Mr. DONELAN. The staff of the U.S. mission to the OECD in Paris serve as advisers to the high-level officials from Washington who represent the United States at major OECD policy meetings. Mission officers also participate in OECD meetings on behalf of the U.S. Government in their respective fields, and the mission provides continuing professional and administrative liaison between the OECD International Secretariat and U.S. agencies in Washington.

The recent redirection of effort and resources of the OECD in recognition of the interrelationship between science, technology, and economic policy and the mounting concern for related environmental matters has resulted in heightened Washington-based responsibility and activity.

The Environment Committee was established in July 1970 to take over and broaden the organizations' activities in this field. The mandate of the committee calls for: investigating the problems of preserving or improving man's environment, with particular reference to their economic and trade implications; reviewing and confronting actions taken or proposed in member countries in the field of environment, together with their economic and trade implications; preparing solutions for environmental problems that would, as far as possible, take account of all relevant factors, including cost effectiveness; and insuring that the results of environmental programs can be effectively utilized in the wider framework of the organization's work on economic policy and social development

Within this framework, particular effort has been focused on environmental problems associated with water, air, pesticides, urban development and transportation.

NUMBER OF EMPLOYEES FOR OECD PROGRAM

Mr. PASSMAN. How many employees are involved in this operation and please indicate how many are in the United States and how many overseas?

Mr. DONELAN. There are presently 33 employees in this activity, Mr. Chairman—two are located in the United States and 31 overseas. Of the 31 employees counted as overseas, eight are foreign nationals. We are requesting one additional employee in fiscal year 1972 who will prepare U.S. position papers to govern participation in the newly formed OECD Environmental Committee. The principal function of this new committee is to insure that economic and trade advantages do not result from governmental measures to protect the environment. This officer would also serve as the coordinator of the Inter-Agency Task Force which backstops the U.S. delegation to the Environment Committee. As such, he would provide policy guidance and prepare briefing papers for the OECD Committee and its subsidiary bodies. Additionally, he would be responsible for seeing that notifications of actions taken or planted by U.S. regulatory agencies involving the use of chemical substances covered by the recently enacted OECD early warning scheme are given to OECD as early as possible and that appropriate arrangements are made for consultations under the scheme, if requested.

Mr. PASSMAN. Doesn't AID also have personnel assigned to this mission which are paid out of AID funds?

Mr. DONELAN. Yes, sir. AID has eight Americans and one foreign national assigned to the U.S. Mission to the OECD.

Mr. PASSMAN. We were over at Paris this past winter and talked with our representatives to this organization. They indicated they were trying to talk other nations into giving their wealth away also. Do you know if they are having any success in this attempt?

Mr. DONELAN. The OECD Development Assistance Committee (DAC) is the primary instrument for the coordination and improvement of the assistance programs of the major free-world aid donors. The activities of the committee contribute to more effective aid programs in all donor countries and prevent duplication of effort among the various bilateral programs. Since its establishment, DAC has been very successful in persuading industrialized nations other than the United States to increase their flows of resources to the less developed countries and to improve their terms of aid, thereby sharing the worldwide burden of development assistance more equitably among all donor nations.

Mr. PASSMAN. Does this appropriation pay the salaries of our representatives to the OECD?

Mr. DONELAN. Yes, sir; it pays the salaries of the staff assigned to the U.S. Mission in Paris. This appropriation, however, does not pay the salaries of representatives from other agencies in Washington who travel to Paris for major OECD policy meetings.

Mr. PASSMAN. You indicate that other U.S. agencies have personnel assigned to the OECD. If that is the case, would you tell us what the total U.S. cost will be in fiscal year 1972 for this organization?

Mr. DONELAN. The total U.S. cost of the mission is estimated to be $1,767,000 in fiscal year 1972. This includes the cost to State, AID, Agriculture, and Treasury. In addition, Mr. Chairman, the U.S. contribution to the budget of the OECD, which is financed through the

State Department's appropriation for contributions to international organizations is estimated at $5,352,000 for fiscal year 1972. This adds to a total cost of $7,119,000.

MUTUAL DEFENSE ASSISTANCE CONTROL ACT (BATTLE ACT)

Mr. PASSMAN. What is the fiscal year 1972 request for the Mutual Defense Assistance Control Act (Battle Act) activity?

Mr. DONELAN. Mr. Chairman, we are requesting $1,234,000 for fiscal year 1972.

Mr. PASSMAN. Explain briefly the purpose of this activity?

Mr. DONELAN. The purpose of the Mutual Defense Assistance Control Act (Battle Act) activity is to prevent the shipment of strategic items to nations threatening the security of the United States. The Battle Act program enables the United States to cooperate effectively with the other major industrialized nations in the operation of an agreed system of controls over strategic exports to Eastern Europe, the U.S.S.R., Communist areas of East Asia, and Cuba.

NUMBER OF EMPLOYEES FOR THE BATTLE ACT PROGRAM

Mr. PASSMAN. What is the total employment requested for fiscal year 1972 and how many will be in the United States and how many overseas?

Mr. DONELAN. We are requesting 39 positions in fiscal year 1972, the same amount as presently authorized. The breakdown of that total is 20 positions in the United States and 19 positions overseas—including four foreign nationals.

TOTAL COST OF ADMINISTERING BATTLE ACT

Mr. PASSMAN. Are other U.S. agencies involved in administering the Battle Act?

Mr. DONELAN. Yes, sir; the Departments of Commerce and Defense and the Atomic Energy Commission, plus other agencies on specialized questions.

Mr. PASSMAN. What would be the total cost of administering the act?

Mr. DONELAN. Mr. Chairman, the total cost of administering the act is the $1,234,000 requested in this budget. The Department of Commerce will receive $260,000 of that amount, but the participation of other departments and agencies does not require special support.

MILITARY ASSISTANCE AND ARMS SALES SUPERVISION

Mr. PASSMAN. What is the fiscal year 1972 request for the military assistance and arms sales supervision function?

Mr. DONELAN. $205,000, Mr. Chairman.

Mr. PASSMAN. How many people are involved in this activity?

Mr. DONELAN. At the present time there are eight employees in this office. We are requesting an increase of two positions in fiscal year 1972.

Mr. PASSMAN. Are they all located in the United States?

Mr. DONELAN. Yes, sir.

Mr. PASSMAN. Explain briefly the purpose of this activity?

Mr. DONELAN. The functional responsibilities of this office, Mr. Chairman, are the supervision and direction of military assistance programs and foreign military sales; supervision of legislative proposals, congressional presentation and implementation of these programs; coordinating ship loan legislation; supervise certain logistic and joint production agreements; insure the maintenance of adequate controls over the transfer of U.S. military equipment; and coordinate the Department of State position on these programs with Defense, AID, Treasury, the Arms Control and Disarmament Agency, and the Office of Management and Budget.

Mr. PASSMAN. If I am not mistaken, this is where the generals of the State Department are located, is that correct?

Mr. DONELAN. The Office staff is made up of Foreign Service personnel, sir, who assist the Secretary of State in meeting his legislative responsibility for the continuous supervision and general direction of international security assistance programs.

ADMINISTRATIVE EXPENSE APPROPRIATION FOR THE PAST 5 FISCAL YEARS

Mr. PASSMAN. Would you place in the record at this point your administrative expense appropriation for the past 5 fiscal years?

Mr. DONELAN. Yes, sir.

(The information follows:)

Appropriations for the past 5 fiscal years

Fiscal year:	*Amount*
1967	$3,255,000
1967 supplemental	[1] 840,000
1968	3,255,000
1969	3,500,000
1970	3,700,000
1971	4,100,000

[1] To finance the cost of moving the U.S. Mission to NATO from France to Belgium.

NOTE.—The above figures do not reflect transfers of funds to this appropriation to cover Federal salary increases.

REPRESENTATION ALLOWANCE

Mr. PASSMAN. What is the total amount provided in this request for fiscal year 1972 for representation allowance?

Mr. DONELAN. $34,600, sir.

Mr. PASSMAN. Please break that down by activity?

Mr. DONELAN. Yes, sir. The amount for NATO is $22,400, OECD is $11,600, and the Mutual Defense Assistance Control Act is $600.

OFFICIAL RESIDENCE EXPENSES

Mr. PASSMAN. Last year you had funds listed as "Official Residence Expenses." Do you have a similar request for funds this year?

Mr. DONELAN. Yes, sir; we do.

Mr. PASSMAN. Would you please explain these expenses?

Mr. DONELAN. These expenses provide for the cost of operation and maintenance of official residences in which the principal U.S. representative is housed. He is required to occupy suitable quarters for properly representing the United States abroad by extending official hospitality to foreign dignitaries and important visitors. The amount is limited to cover the costs which exceed the usual household expenses the officer pays himself.

Mr. PASSMAN. Any additional questions by any of the members? Thank you, Mr. Secretary and gentlemen.

Mr. DONELAN. Thank you, Mr. Chairman and members of the committee.

Mr. PASSMAN. I still am wondering why you need a scientist in a strictly administrative agency. He is in there and this is the first time he has ever been in there. We are going to try to get him out for you.

Good luck.

Mr. DONELAN. Thank you, Mr. Chairman.

THURSDAY, JUNE 17, 1971.

ADMINISTRATIVE EXPENSES, AGENCY FOR INTERNATIONAL DEVELOPMENT, AMERICAN SCHOOLS AND HOSPITALS ABROAD, PROGRAM SUPPORT AND INTER-REGIONAL ACTIVITIES, AND OTHER PROGRAMS

WITNESSES

LANE DWINELL, ASSISTANT ADMINISTRATOR FOR ADMINISTRATION, AGENCY FOR INTERNATIONAL DEVELOPMENT

ARTURO G. COSTANTINO, DIRECTOR, AMERICAN SCHOOLS AND HOSPITALS ABROAD PROGRAM, OFFICE OF THE ASSISTANT ADMINISTRATOR FOR ADMINISTRATION

CHARLES F. FLINNER, CONTROLLER, OFFICE OF THE CONTROLLER, AGENCY FOR INTERNATIONAL DEVELOPMENT

JAMES E. WILLIAMS, DEPUTY CONTROLLER, OFFICE OF THE CONTROLLER, AGENCY FOR INTERNATIONAL DEVELOPMENT

JAMES F. CAMPBELL, DEPUTY ASSISTANT ADMINISTRATOR FOR ADMINISTRATION, AGENCY FOR INTERNATIONAL DEVELOPMENT

ALLAN R. FURMAN, DEPUTY DIRECTOR, OFFICE OF LEGISLATIVE AFFAIRS, AGENCY FOR INTERNATIONAL DEVELOPMENT

SUPPORTING ASSISTANCE

PROGRAM AND FINANCING (IN THOUSANDS OF DOLLARS)

	1970 actual	1971 estimate	1972 estimate
Program by activities:			
Supporting assistance:			
Country and regional programs	508,531	592,542	821,000
U.N. forces in Cyprus	6,000	6,000	6,000
Total obligations	514,531	598,542	827,000
Financing:			
Recovery of prior year obligations	−69,347	−51,774	−49,000
Unobligated balance available, start of year	−55,680	−768	
Unobligated balance transferred from other accounts		−40,000	
Unobligated balance available, end of year	768		
Budget authority	390,271	506,000	778,000
Budget authority:			
Appropriation	395,000	569,600	778,000
Transferred to other accounts	−4,729	−63,600	
Appropriation (adjusted)	390,271	506,000	778,000
Relation of obligations to outlays:			
Obligations incurred, net	445,184	546,768	778,000
Obligated balance, start of year	616,541	595,601	638,194
Obligated balance, end of year	−595,601	−638,194	−758,568
Outlays	466,123	504,175	657,626

Note.—Excludes $13,300,000 in activities of the United Nations Relief and Works Agency for Pakistan Refugees previously financed from: Supporting assistance, 1970, $13,300,000; 1971, $13,300,000.

INTERNATIONAL ORGANIZATIONS AND PROGRAMS

PROGRAM AND FINANCING (IN THOUSANDS OF DOLLARS)

	1970 actual	1971 estimate	1972 estimate
Program by activities:			
1. United Nations technical assistance and other programs	105,978	104,872	140,600
2. Indus Basin development, loans		6,980	12,275
3. Indus Basin development, grants	7,530	4,925	15,125
Total obligations	113,508	116,777	168,000
Financing:			
Recovery of prior year obligations	−40		
Unobligated balance available, start of year		−62	
Unobligated balance available, end of year	62		
Budget authority (appropriation)	113,530	116,715	168,000
Relation of obligations to outlays:			
Obligations incurred, net	113,468	116,777	168,000
Obligated balance, start of year	149,787	163,530	150,512
Obligated balance, end of year	−163,530	−150,512	−175,112
Outlays	99,724	129,795	143,400

Note.—Includes $13,300,000 in 1972 for activities of the United Nations Relief and Works Agency for Palestine Refugees, previously financed from: Supporting assistance, 1970, $13,300,000; 1971, $13,300,000.

GRANTS AND OTHER PROGRAMS

PROGRAM AND FINANCING (IN THOUSANDS OF DOLLARS)

	1970 actual	1971 estimate	1972 estimate
Program by activities:			
1. Technical cooperation	263,385	268,208	350,000
2. American schools and hospitals abroad	26,464	12,919	
3. Surveys of investment opportunities	185		
4. Administrative expenses, Agency for International Development	61,570	61,304	
5. Administrative and other expenses, State	4,036	4,166	4,400
6. Other programs			8,040
7. Transitional costs			65,000
Total obligations	355,640	346,597	427,440
Financing:			
Receipts and reimbursements from:			
Non-Federal sources	−46,252	−46,912	−49,080
Recovery of prior year obligations	−16,510	−16,866	−30,440
Unobligated balance available, start of year	−6,205	−22,911	−20,000
Unobligated balance transferred to other accounts	46,252	46,912	49,080
Unobligated balance available, end of year	22,911	20,000	20,000
Unobligated balance lapsing	1,097		
Budget authority	356,934	326,820	397,000
Budget authority	356,934	326,820	397,000
Budget authority:			
Appropriation	348,850	317,620	397,000
Transferred to other accounts	−45		
Transferred from other accounts	8,129	3,600	
Appropriation (adjusted)	356,934	321,220	397,000
Proposed transfer for civilian pay act increases		5,600	
Relation of obligations to outlays:			
Obligations incurred, net	292,878	282,819	347,920
Obligated balance, start of year	313,815	269,110	210,689
Obligated balance transferred	5,285		
Obligated balance, end of year	−269,110	−210,689	−209,854
Outlays, excluding transfer for pay increase supplemental	342,868	335,640	348,755
Outlays from civilian pay act supplemental		5,600	

DEVELOPMENT LOANS—PROGRAM AND FINANCING

[In thousands of dollars]

	Budget plan (loan commitments and expenses)			Costs and obligations		
	1970 actual	1971 estimate	1972 estimate	1970 actual	1971 estimate	1972 estimate
Program by activities:						
1. Capital outlay: Loans to less developed countries funded			934,400			790,417
Change in selected resources [1]						1,759,230
Adjustment in selected resources (loan obligations)						−1,615,247
Total capital outlay			934,400			934,400
2. Population grant program funded						57,591
Change in selected resources [1]						69,000
Adjustment in selected resources						−126,591
Total population grant program						
3. Operating costs funded			600			600
Total obligations			935,000			935,000
Financing:						
Receipts and reimbursements from: Non-Federal sources:						
Interest earned on loans			−83,730			−83,730
Loan repayments			−28,500			−28,500
Recovery of prior year obligations			−107,615			−107,615
Unobligated balance transferred from other accounts			−80,155			−480,155
Unobligated balance transferred to other accounts			20,000			20,000
Unobligated balance available end of year: For loan commitments outstanding						400,000
Budget authority			655,000			655,000
Relation of obligations to outlays:						
Obligations incurred, net						715,155
Obligated balance, start of year						1,816,752
Obligated balance transferred, net						
Obligated balance, end of year						−1,790,702
Outlays						741,205

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

CONTINGENCY FUND—PROGRAM AND FINANCING

[In thousands of dollars]

	1970 actual	1971 estimate	1972 estimate
Program by activities:			
President's foreign assistance contingency fund (costs—obligations)	20,966	21,300	101,300
Financing:			
Recovery of prior year obligations	−1,690	−1,270	−1,300
Unobligated balance available, start of year	−17,058	−3,530	
Unobligated balance transferred to other accounts	1,000	4,426	
Unobligated balance available, end of year	3,530		
Budget authority	6,748	20,926	100,000
Budget authority:			
Appropriation	12,500	22,500	100,000
Transferred to other accounts	−5,752	−1,574	
Appropriation (adjusted)	6,748	20,926	100,000
Relation of obligations to outlays:			
Obligations incurred, net	19,276	20,030	100,000
Obligated balance, start of year	47,801	34,101	28,178
Obligated balance, end of year	−34,101	−28,178	−82,187
Outlays	32,975	25,953	45,991

Mr. PASSMAN. Governor Dwinell, it is always a privilege to have you appear before this committee. You are a good administrator. Welcome back.

Mr. DWINELL. Thank you, sir.

Mr. PASSMAN. I believe you are going to testify this afternoon for the administrative expenses—AID, American schools and hospitals abroad, and also the program support and interregional activities areas. You are going to cover the entire field on these three?

Mr. DWINELL. I am.

Mr. PASSMAN. Do you have separate statements or one statement covering all three?

Mr. DWINELL. Mr. Chairman, the statement covers all three with subheadings for the respective areas.

Mr. PASSMAN. Proceed.

STATEMENT OF THE ASSISTANT ADMINISTRATOR FOR ADMINISTRATION, AID

Mr. DWINELL. Mr. Chairman, I am pleased to appear before the committee today to discuss with you our budget requests for 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 1972.

ADMINISTRATIVE EXPENSES

Our fiscal year 1972 administrative expenses request is $57,600,000. These funds are required for the direction and supervision of the AID program in Washington and overseas.

An additional $2,600,000 has been requested in the President's budget amendment of April 20, 1971, to cover costs of the pay raise which became effective for U.S. Government employees in January 1971. We propose to partially cover these additional pay costs through the use of carryover funds from fiscal year 1971 and prior years, which we estimate at $1 million. Providing we obtain authority to do so, we propose to absorb the remaining $1,600,000 out of other AID appropriations for fiscal year 1972. However, in the event that such authority is not obtained, we shall require an increase in our new obligation authority to cover these additional pay costs.

Our new obligation authority in fiscal year 1971 amounted to $51 million. An additional, $6,800,000 was transferred from other AID appropriations to cover pay raises. Combined with carryover funds of $1,100,000 our administrative expenses availability totaled $58,900,000 in fiscal year 1971.

In his message to the Congress on foreign aid, the President proposed that two objectives of the new bilateral assistance program would be to improve management by focusing on the major development assistance priorities of loans and technical assistance and separating security assistance from development assistance. In accomplishing these changes, the President stated that we would be able to reduce our overseas direct-hire staffing.

We believe that the funds requested for administrative expenses are essential to the achievement of both these objectives. The people

funded by this appropriation are the people who are involved in the overall management of the AID program: Those in Washington and overseas who establish program policies and standards; those who plan, supervise, and review the implementation of these policies; and those who provide such essential management services as accounting, inspection, auditing, personnel administration, management analysis, and administrative support.

Certain management areas such as the Auditor General continue to receive high priority attention. Our audit staff has increased from 180 in December 1969 to 212 in June 1971. We have persisted in our efforts to improve other financial and management functions.

We firmly believe our request includes only sufficient funds to maintain the hard-core management staff essential to the prudent conduct of our programs. We do not expect that reductions in the number of operating officials overseas will materially affect the total number of management personnel. While there will be some shifts from overseas to Washington central management staffs, we do not plan to change the worldwide total number of administrative-funded personnel substantially.

Because we consider it essential to maintain this staff of management people, we again propose to absorb the cost increases such as overseas wage and price increases, domestic price increases, and the periodic in-grade step increase for U.S. personnel within our request. We have no control over these cost increases. We cannot absorb further increases in such costs within our proposed availabilities without impairing management efficiency and effectiveness.

Mr. Chairman, AID's management job continues to be an arduous one. In this period of transition for the foreign assistance program, I expect it will be even more difficult to maintain and improve its management functions. We hope your committee will, through the approval of our request, help us in meeting this important objective.

PROGRAM SUPPORT AND INTERREGIONAL ACTIVITIES

The estimate for program support and interregional activities for fiscal year 1972 is $126,575,000. Expenses under this heading are for program implementation and for costs in the United States in support of field operations.

Programs funded under this category involve:

Technical cooperation activities, with major emphasis on population problems, development research, grants to U.S. research and educational institutions, and general technical services.

Participant training activities, centrally managed and funded because it would be impractical to charge the costs directly to individual country or regional projects or programs.

Coordination of private development assistance, mobilizing otherwise unavailable private resources and enabling the expansion of nongovernmental developmental assistance capabilities.

Program support activities, broadly defined as indirect overhead expenses for backstopping overseas AID operations.

AMERICAN SCHOOLS AND HOSPITALS ABROAD

Pursuant to section 214 of the Foreign Assistance Act, AID has administered grants to schools abroad founded or sponsored by U.S. citizens and serving as study and demonstration centers for ideas and practices of the United States. Assistance also has been furnished to hospital centers for medical education and research.

AID assistance is not intended to substitute for private support which we encourage all recipients to seek with vigor although we are aware of the difficulties involved. AID assistance is intended to provide institutions which genuinely reflect American approaches to education and medicine with that margin of support necessary to insure their effectiveness.

Although we believe it desirable that each project under section 214 contribute in a clear manner to the development of the country or region where it is located, we believe the essential objective of the section 214 program is human resource development, broadly conceived. Specifically, we would expect each recipient school to promote understanding of the American people and the constitutional system, political ideas, domestic and foreign policies of the United States. English language training should be an integral part of the curriculum. In secondary schools we would look for emphasis on the teaching of science, scientific method, and the value of free inquiry and critical analysis in contrast with other systems based on learning by rote. In advanced institutions, emphasis should be on those disciplines in which the United States has demonstrated particular excellence and which will provide training of special value to the country served, that is, business and public administration, the sciences, medicine and agriculture. The schools should reach a broad social and economic spectrum but should be aimed as accurately as possible at potential leaders in the countries and areas served.

Because the program for the past few years has encompassed a miscellany of activities, it is AID's desire, while taking into account the dependence of certain institutions on AID support, to restructure the current program into a system of wider geographic distribution which would link selected American secondary schools overseas into U.S. supported regional centers of higher education. The program has in the past been heavily concentrated in the Near East which has received approximately 86 percent of the total funds obligated. At this juncture AID has requested a high level panel to examine the current structure of the section 214 program to determine how it may best serve to support U.S. foreign policy. It should be noted, however, that changes necessarily will evolve slowly over a period of years.

None of the levels of support proposed in our fiscal year 1972 budget request provide as much assistance to the individual institutions as they have sought. Nor does our request encompass a number of institutions which have requested assistance which we do not believe qualified for consideration under the law or which have not demonstrated a need for additional support in fiscal year 1972. The schools and medical institutions listed in our presentation have without exception serious financial problems which we believe warrant assistance.

However, the estimated levels of support for each of these institutions within the total of $10,175,000 requested in the presentation for fiscal year 1972 represent AID's best estimates of needs at the time the

presentation was prepared. They will require some adjustment to reflect events which have modified our original estimates or to reflect negotiations with the institutions concerned during the course of fiscal year 1972. Nor does the presentation reflect AID's intention, as approved by Congress heretofore, to permit the American University of Cairo to draw on the corpus of the endowment fund created in fiscal year 1969 for operational requirements and for Egyptian pound costs in connection with construction of a library.

I should like to note here that H.R. 8961 introduced by the Chairman of the House Committee on Foreign Affairs on June 7, 1971, provides for a fiscal year 1972 authorization of $25 million for American schools and hospitals abroad. It is my understanding that this increased authorization is intended to facilitate grants to certain institutions overseas not included in the Agency's presentation.

I would recommend that if this committee seriously entertains and approves such grants that it concurrently provide AID with the necessary authority to make adjustments in the terms of such grants as circumstances and sound management considerations require.

I would welcome the opportunity to answer any questions the committee may wish to raise on the foregoing.

Mr. PASSMAN. Thank you for your statement. I am going to ask the clerk to be just as lenient with me as he possibly can and call time on me after I have consumed 5 minutes. We will ask brief questions and we want complete answers, but any great elaboration can be put in the record for later.

ADMINISTRATIVE EXPENSES, AID

Mr. PASSMAN. Governor, the fiscal year 1972 estimate for administrative expenses, AID, is $60,200,000?

Mr. DWINELL. Yes.

Mr. PASSMAN. Last year the regular appropriation and supplementals amounted to $57.8 million; is that correct?

Mr. DWINELL. Yes.

Mr. PASSMAN. You are asking for an increase of $2.4 million for fiscal year 1972?

Mr. DWINELL. Yes, Mr. Chairman.

Mr. PASSMAN. I would assume, supporting the Hannah philosophy of complete frankness, this is the asking price.

Mr. DWINELL. Mr. Chairman, may I explain that difference?

Mr. PASSMAN. Yes. We are going to ask you to explain it, but first, I would like an answer to the question. $60.2 million is the asking price, borrowing from Dr. Hannah's frankness in answering questions.

Mr. DWINELL. Mr. Chairman, it is all we are asking for.

Mr. PASSMAN. Yes.

Mr. DWINELL. But it is what we think is necessary.

Mr. PASSMAN. I knew you were going to say that. It is your asking price at this point.

Mr. DWINELL. Yes, it is.

Mr. PASSMAN. Thank you, very much.

Why the difference?

Mr. DWINELL. The difference is made up of $2.6 million to take care of the——

Mr. PASSMAN. Off the record.

(Discussed off the record.)

INCREASES IN THE REQUEST

Mr. DWINELL. We are asking for an increase of $2.6 million to take care of the pay increase for the full fiscal year 1972, the pay increase which went into effect in January 1971. That is being offset by $200,000 in decreased expenses.

We are also indicating, Mr. Chairman, that we have an expected carry-over of $1 million which can be used to help meet this increase.

Mr. PASSMAN. Last year, of course, you had unobligated funds which we reappropriated.

Mr. DWINELL. That is correct.

Mr. PASSMAN. It has been the practice of this committee in the past to make the recommendation that any unobligated available funds be carried over rather than to confuse the bookkeeping and have a duplication.

Now, the $6.8 million in fiscal year 1971 supplementals, a good part of that was handled by transfer from other spigots in the Department rather than a new appropriation; is that not correct?

Mr. DWINELL. Mr. Chairman, it was all handled by a transfer from other AID appropriations.

Mr. PASSMAN. Yes, that was the question.

Mr. DWINELL. It did not require new money for AID.

Mr. PASSMAN. You really ought to spank this committee a little. We thought we had taken most of the fat out, but we find all along the way that we left sufficient money in every spigot to where many expenses could be absorbed. Even though they absorbed these expenses out of the appropriation, they have funds left over.

ESTIMATED UNOBLIGATED BALANCE FOR ADMINISTRATIVE FUNDS

What would be your anticipated unobligated balance as of June 30?

Mr. DWINELL. $1 million.

Mr. PASSMAN. $1 million even?

Mr. DINGELL. That is the best estimate we can make at this time, sir.

Mr. PASSMAN. I see.

Mr. DWINELL. I think it has been our practice to inform the committee currently of our best estimate, and that is what it is at the present time.

Mr. PASSMAN. We are not quarreling with you, Governor. You are a good administrator. We are always very happy to have you come before this committee, but you would not want us sitting on this side of the table representing you and the other taxpayers, if we did not find out what you were going to do with this money, would you?

Mr. DWINELL. Certainly not.

Mr. PASSMAN. I am going to yield to Mr. Shriver. I may have to return at the end and ask some additional questions.

EFFECT OF REORGANIZATION ON ADMINISTRATIVE EXPENSES

Mr. SHRIVER. Thank you.

In your statement on page 3 you say:

> We do not expect that reductions in the number of operating officials overseas will materially affect the total number of management personnel. While there will be some shifts from overseas to Washington central management staffs, we do not plan to change the worldwide total.

What are you referring to there?

Mr. DWINELL. What we are saying there, Mr. Congressman, is the positions that are funded by administrative expenses, by this budget which is being presented here, are, to use our own terminology, the hard-core administrative type which are required as long as we are in business.

With respect to transfers from overseas or decreasing total employment overseas, I think it is fair to say that, by and large, administrative type personnel are the last to leave.

The mission director, the deputy, the controller, the accounting people, it is necessary to have those people even though programs are reduced and some program people come back, or if in some instances program work is performed on contract basis rather than on a direct-hire basis.

Mr. SHRIVER. What effect does the postponement of the reorganization have on your fiscal 1972 budget request for administration?

Mr. DWINELL. As far as the administrative expense budget is concerned, we see no difference in what could be required for fiscal 1972 from what would have been required had we been going through a reorganization.

Mr. SHRIVER. In that event, you would have a larger request here for administration?

Mr. DWINELL. No. I think it would have been the same.

Mr. SHRIVER. You think it would be the same?

Mr. DWINELL. We estimate it would have been the same.

Mr. SHRIVER. I think that is all I have, thank you.

Mr. PASSMAN. Mr. Roybal.

AUDITOR GENERAL

Mr. ROYBAL. Governor, I am interested in your statement on page 2 with regard to the accounting, inspection and auditing procedures and your indication of the fact that this has been increased from 180 in December 1969, to 212 in June of 1971.

I was just wondering why the increase in June of 1971.

Mr. DWINELL. I think we took those figures, Congressman Roybal, because December 1969 was about the time when we placed increased emphasis on auditing and the creation of the office of the auditor general took place. We use those figures to show the change that has taken place from the beginning of the auditor general concept to the present time.

Mr. ROYBAL. In other words, this increase took place from December 1969 to June of 1971?

Mr. DWINELL. That is correct.

Mr. ROYBAL. Not necessarily everything taking place in the month of June?

Mr. DWINELL. Oh, no, sir.

This has been a gradual increase.

One of the initiatives which Dr. Hannah took when he became the Administrator 2 years ago, was to create the office of auditor general and give more emphasis to the auditing function.

With that increased emphasis there has been a strengthening of the function and a resulting increase in personnel.

Mr. ROYBAL. Do you have auditing teams going out into the field, to various countries to examine some of the administrative books?

Mr. DWINELL. Very definitely, Mr. Roybal. In fact, we have a very substantial auditing capability. It is necessary, with the complexity of our operations.

Not only do we have people who go out from Washington, but we also have regional auditor general offices in different parts of the world, usually in proximity to our largest areas of operations.

COST OF AID ACCOUNTING PROCEDURE

Mr. ROYBAL. How much is the total amount spent in auditing, the regular bookkeeping procedures of the agency?

Mr. DWINELL. Well, if you mean just the auditing function——

Mr. ROYBAL. Yes, sir.

Mr. DWINELL (continuing). Which in our administrative parlance would be different from bookkeeping, because in one sense the auditor audits the bookkeeper, so they are separate functions. If you are talking about accounting and all the things that go with fiscal recordkeeping of all activities, that would include, of course, the office of the controller in Washington, the controllers' offices in all of our missions and it would include the auditors, also.

The auditors we are referring to here are those who look over the shoulders of the people who do our accounting as well as our program and operating people.

Mr. ROYBAL. Then I will restate the question.

How much does your accounting procedure cost?

Mr. DWINELL. I cannot give you that. I do not have that figure.

Mr. ROYBAL. Governor, I would like to have that figure if you would provide it for the record.

Mr. DWINELL. Yes.

(The information follows:)

Fiscal year 1971 estimated direct costs of accounting and audit activities

	Thousands
Controller function	$13,835
Auditor General audit function	6,734
Total estimated cost	20,734

These cost estimates for fiscal year 1971, include direct salaries and salary benefits of direct-hire American and foreign national staff; overseas differential, cost of living and education allowances, when applicable; overseas quarters allowance; estimated travel costs for both Washington and overseas personnel; and the estimated cost of transportation of personal effects for post assignment and other movement of foreign service personnel.

Mr. ROYBAL. It would be interesting to make a comparison between the accounting costs of a very large corporation versus that cost that you are at the present time incurring.

Mr. DWINELL. I think that is a very appropriate question, sir, and I am sorry we do not have it available but we will do our best to supply it for the record.

Mr. ROYBAL. Thank you very much.

Mr. PASSMAN. Before yielding, off the record.

(Discussion off the record.)

SCIENTISTS FUNDED BY ADMINISTRATIVE EXPENSES

Mr. PASSMAN. How many scientists do you have in your agency?

Mr. DWINELL. I cannot tell you exactly because I did not come prepared to answer that question. I can tell you that we do have a number because we are increasing the emphasis on science and technology in our technical assistance program.

Mr. PASSMAN. I thought we had a bilateral technical aid program where that type of service was furnished.

Mr. DWINELL. You are asking for the whole AID agency?

Mr. PASSMAN. No; just your agency administrative expense.

Mr. DWINELL. We have none in the administrative expenses budget.

Mr. PASSMAN. Thank you very much, Governor.

I yield to Mrs. Reid.

Mrs. REID. Mr. Chairman, I have no questions.

Mr. PASSMAN. Thank you. Mr. Hathaway?

Mr. HATHAWAY. Thank you, Mr. Chairman.

BREAKDOWN OF ADMINISTRATIVE EXPENSES

Would you supply for the record a little more detail or breakdown on the total amount so we could see the various areas into which it is going—salaries, what not?

Mr. DWINELL. Yes; you mean, for the administrative expense of which we are now talking about?

Mr. HATHAWAY. Yes.

Mr. DWINELL. Yes, sir.

(The information follows:)

Detailed on the proposed administrative expenses fiscal year 1972

Compensation and benefits	$48,150
Rents and other services	7,357
Travel and transportation	3,350
Supplies and equipment	703
Insurance claims and indemnities	40
Total estimated obligations	59,600

SUPPORT OF PROGRAM IMPLEMENTATION

Mr. HATHAWAY. On page 5, you say program support activities are broadly defined as direct overhead expenses for backstopping overseas aid operations. Can you tell me what that is all about?

Mr. DWINELL. Congressman Hathaway, you are referring to the third segment of my presentation which the chairman referred to.

At that point in my statement I was referring to the expenses for the support of program implementation; that is such people as program officers, contract officers, training officers, and the like, who implement programs but are not on the administrative budget.

Mr. HATHAWAY. Well, give me a specific example of some AID operation overseas.

Mr. DWINELL. Well, a good example in an AID mission overseas would be the contract officer; one who executes or who negotiates contracts for implementation of the program.

Another example is the training officer, who works on choosing and processing the applicants who come to this country under our participant training program.

Really, any official who is not in the strictly administrative field, such as the mission director, himself, or the controller, or the people who are in what we refer to as administration rather than program operation.

Mr. HATHAWAY. Thank you.

Mr. DWINELL. May I say we have a breakdown of a similar nature in Washington as well; I mean program people, program support by people in Washington, as well as those in missions overseas.

Mr. HATHAWAY. Thank you.

Mr. PASSMAN. Mr. Shriver?

Mr. SHRIVER. I have no more questions.

Mr. PASSMAN. Mrs. Reid?

Mrs. REID. I have no more questions.

ADMINISTRATIVE EXPENSES

Mr. PASSMAN. Well, then, I do have just a few more questions on administrative expenses.

I will be very brief.

Governor, in requesting $60.2 million for administrative expenses, AID, this is based upon full funding of all the requests that the budget calls for with respect to AID, is that correct?

Mr. DWINELL. I do not quite understand.

Mr. PASSMAN. Every year you have a budget request, but in some years the Congress has reduced it by $1 billion. I think the average reduction has been over 20 percent for some 17 years. So this is based upon full budget approval; then if there is a reduction in the amount of money appropriated for AID, then you would also look at a corresponding reduction, maybe not percentagewise, as high, but you would make some adjustments, would you not?

Mr. DWINELL. No, Mr. Chairman.

In looking at administrative expenses—and I think this is a fair statement—administrative expense is virtually a fixed expense regardless of the volume of activity undertaken by the Agency.

Mr. PASSMAN. You did observe I said you would not make a percentage cut in the like amount on this, but you would give some consideration, if the Congress in its wisdom should make substantial reductions?

I certainly recognize that if you cut the AID bill 25 percent, you could not cut the administrative expenses 25 percent, because you have these activities that are ongoing, but if the Congress in its wisdom should delete certain projects for which there will be no funding, certainly you would not have to operate administratively on projects that had been taken out?

I think if you look at the record, Governor, we have been abundantly fair on this in the past. I think the controller knows that. As a former

businessman, I recognize that you have certain expenses that you just cannot eliminate.

I am not talking about the full cut percentagewise, but I used the word "adjustments." Is that fair?

Mr. DWINELL. Yes; Mr. Chairman.

Mr. PASSMAN. Thank you.

Mr. DWINELL. We appreciate the fact that you have looked at it that way.

Mr. PASSMAN. The committee has been very fair about that.

DEVELOPMENT, EDUCATION, AND TRAINING RESEARCH INSTITUTE REPORT

Now, so that we may move along to some of the other items that you testify for, I would like to say this: It has come to my attention that the cost effectiveness of the Development Education and Training Research Institute reports may not be favorable.

Possibly these reports are not serving the purpose originally intended. Would you look into this situation and see if the reports are in fact serving a useful purpose and give us some information in the record.

Mr. DWINELL. We will, Mr. Chairman.

(The information follows:)

THE EFFECTIVENESS OF DETRI

Under Contract No. AID/csd-2865, the Development Education and Training Research Institute (DETRI) of The American University, Washington, D.C. conducts an "exit interview" of AID-sponsored participant trainees who leave the U.S. via Washington. The cost of the contract in fiscal year was $258,000.

The purpose is to give AID a better picture of training from the point of view of the participants themselves; it thus serves as a quality control instrument. A private contractor is employed so that a more objective response can be obtained.

DETRI reports deal with special problems, provide profiles of trainees from specific countries or handled by specific Federal agencies, and furnish a periodic overall picture of the participants' assessment of the program. Information from these reports is fed back to those who manage the programs and can institute changes.

We have found the DETRI reports to be very useful in assessing and improving both the management and the quality of the programs.

SUPPORTING ASSISTANCE FUNDS

Mr. PASSMAN. You indicate on page G–1 that $10 million of the fiscal year 1972 request is for the supporting assistance program. Will you continue to administer these funds for the supporting assistance program when it becomes a part of the overall security assistance package?

Mr. DWINELL. If the administration of the supporting assistance program is placed in some bureau or agency other than AID, this $10 million would be allocated to that entity and would not be administered by AID.

REIMBURSEMENT FROM OTHER AGENCIES

Mr. PASSMAN. What does the estimated $2 million in reimbursements from other agencies involve?

Mr. DWINELL. The source of the estimated $2 million in reimbursements is:

Department of State	$900,000
General Accounting Office	43,000
Veterans' Administration	57,000
Overseas Private Investment Corporation	300,000
Various Government agencies	100,000
Sales proceeds	600,000

The reimbursement from the Department of State covers salaries, allowances, travel, and transportation costs of AID personnel serving overseas in Embassy administrative management organizations.

Some $100,000 covers reimbursements under AID/General Accounting Office/Veterans' Administration agreements for providing housing for personnel of these agencies in Manila.

The Overseas Private Investment Corporation reimbursement covers audit, financial, and security services rendered by AID presonnel to OPIC.

The $100,000 covers reimbursements from other Government agencies for salary and other miscellaneous costs of AID employees detailed to those agencies.

Under present legislation, proceeds of sale of AID owned property are deposited to an AID budget clearing account. Funds deposited in the budget clearing account are transferred, as a reimbursement to the administrative expense appropriation, once a year. Proceeds from the sale of personal property are available during the fiscal year in which the sale is made and for fiscal year thereafter for obligation for the purchase of similar replacement items of personal property. This procedure covers the "Sales Proceeds" reimbursement of $600,000.

All other collections are also transferred to the administrative expense appropriation.

UNEXPENDED BALANCE

Mr. PASSMAN. What will be your estimated unexpended balances for this account as of June 30, 1971, and June 30, 1972?

Mr. DWINELL. We estimate at this time that the unexpended balances in this account will be as follows:

	June 30, 1971	June 30, 1972
Unobligated balance	$1,000,000	0
Unliquidated obligations	8,108,000	$8,000,000
Total unexpended	9,108,000	8,000,000

REPRESENTATION

Mr. PASSMAN. How much is in the fiscal year 1972 request for representation allowance and how does this compare to the last 2 fiscal years?

Mr. DWINELL. We have included $161,000 in the fiscal year 1972 request for representation allowances. Fiscal year 1970 actual obligations were $143,700 and fiscal year 1971 estimated obligations are $152,800.

REST AND RECUPERATION EXPENSES

Mr. PASSMAN. How much does the fiscal year 1972 estimate contain for rest and recuperation expenses and how does this compare to last year?

Would you please also explain what these expenses involve?

Mr. DWINELL. The fiscal year 1972 estimate contains $130,530 for rest and recuperation travel compared to the fiscal year 1971 estimated cost of $176,400.

Rest and recuperation expenses cover the cost of less than first-class air accommodations for eligible employees and/or members of their families, serving at posts specifically designated by the Secretary of State to be designated relief areas.

Per diem and miscellaneous expenses for unaccompanied or excess baggage are not allowed in connection with rest and recuperation travel.

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.

NUMBER OF PERSONNEL

Mr. PASSMAN. How many people are estimated to be financed by this appropriation in fiscal year 1972 and how does that compare to the current fiscal year?

Mr. DWINELL. Last June 30, 1970, the number of American and foreign national employees paid from these administrative funds was 2,866. At May 25, 1971, the number was 2,786. Our proposed budget estimates include funds to continue financing about this same level of employment during fiscal year 1972.

ADMINISTRATIVE EXPENSES—LATIN AMERICA

Mr. PASSMAN. Why is there such a large amount of the administrative expenses programed for the Latin American region in fiscal year 1972 as compared to the other regions?

Mr. DWINELL. The reason is that Latin America has a significantly higher number of missions and a greater diversification of activiites than other regions and, therefore, requires a greater number of administrative personnel.

USE OF LOCAL CURRENCIES

Mr. PASSMAN. You indicate on page G–2 that in addition to the fiscal year 1972 estimate you will also use local currencies to defray certain administrative costs. Would you tell us how much this will involve for fiscal year 1972 in order to get the total picture?

Mr. DWINELL. It is estimated that local currencies in the dollar equivalent of $4,562,000 will be used to defray certain administrative costs.

ADMINISTRATIVE COSTS—VIETNAM

Mr. PASSMAN. You also indicate that the administrative costs for Vietnam are included in that country's totals. Could you also tell us how much this would be so we can get the total administrative expenses for fiscal year 1972?

Mr. DWINELL. The amount included in the Vietnam country totals for administrative expenses for fiscal year 1972 to cover the expanded Vietnam program is $3,600,000, the same amount used for fiscal year 1971. This estimate is reflected on pages B–1 and B–8 of the fiscal year 1972 congressional presentation document entitled "International Security Assistance Program—Economic Supporting Assistance." The authority for the use of supporting assistance funds to cover the administrative costs of the expanded Vietnam program is contained in section 610(b) of the Foreign Assistance Act, which reads in pertinent part as follows:

> * * * Not to exceed $9 million of the funds appropriated under section 402 of this act for any fiscal year may be transferred to and consolidated with appropriations made under section 637(a) of this act for the same fiscal year, subject to the further limitation that funds so transferred shall be available solely for additional administrative expenses incurred in connection with programs in Vietnam.

INSPECTOR GENERAL

Mr. PASSMAN. You indicate that the Office of the Inspector General of Foreign Assistance operating costs are funded by allocations from economic assistance, military assistance, and Peace Corps appropriations. Could you tell us what total amount is provided from each of these three sources?

Mr. DWINELL. The sources and amounts of funding for the operating costs of the Office of Inspector General of Foreign Assistance are as follows:

	Actual, fiscal year 1970	Estimated, fiscal year 1971	Proposed, fiscal year 1972
Economic assistance	$919,000	$1,100,000	$1,100,000
Military assistance	174,000	175,000	175,000
Peace Corps	25,000	25,000	25,000
Total	1,118,000	1,300,000	1,300,000

LOCAL CURRENCIES

Mr. PASSMAN. Would you provide for the record the total estimated dollar amount of local currencies that will be spent by the AID program in fiscal year 1972?

Mr. DWINELL. It is estimated that local currencies in the dollar equivalent of $70,712,000 will be spent by the AID program in fiscal year 1972.

This amount does not include the $4,562,000 (dollar equivalent of local currencies) used to pay certain administrative expenses in local currencies.

TOTAL PERSONNEL

Mr. PASSMAN. What is the total number of people on the payrolls as of March 31, 1971, involved in any way whatsoever with foreign aid?

Mr. DWINELL. Sir, at March 31, 1971, there were 43,063 in economic and military assistance and 9,821 in Peace Corps. That is a total of 52,884.

PROGRAM SUPPORT, INTERREGIONAL ACTIVITIES, AND OTHER PROGRAMS

Mr. PASSMAN. We move to the program support, interregional activities and other programs.

Governor, I believe you are going to testify on this item also.

Now the program support, interregional activities and other programs fiscal 1972 estimate is $126,575,000.

Mr. DWINELL. Mr. Chairman, that is the amount that is in the original submission.

TRANSITIONAL COSTS

There is an item of $15 million for transitional cost which is included.

Mr. PASSMAN. I am going to ask those questions later.

I am trying to find out the grand total.

Mr. DWINELL. You are correct, $126,575,000.

Mr. PASSMAN. Against a 1971 program of $107,362,000.

Mr. DWINELL. That is correct.

Mr. PASSMAN. An increase of $19,213,000 in 1972 over 1971.

Mr. DWINELL. As shown in our original submissions, yes, sir.

Mr. PASSMAN. What do you mean original submission? Is not the $126,575,000 the total?

Mr. DWINELL. As included in this submission, yes, sir.

Mr. PASSMAN. Well, that submission means the estimate?

Mr. DWINELL. That is correct.

Mr. PASSMAN. So there is an increase of $19,213,000, then, fiscal 1972 over 1971?

Mr. DWINELL. As shown in this request, yes.

Mr. PASSMAN. Well, we are discussing this request. Your answers are so good I am confused.

Mr. DWINELL. The answer is "Yes."

Mr. PASSMAN. Thank you very much, Governor.

Now from the table on page D–63 it would appear that most of the $19.2 million increase is accounted for by the new request of $15 million for transitional costs. Now would you explain what is meant by transitional costs?

Mr. DWINELL. Yes, Mr. Chairman. I am sorry I tried to anticipate your question.

Mr. PASSMAN. I am guilty of the same thing about three times out of four. Think nothing of it.

Mr. DWINELL. Due to the likely deferment of the reorganization of the Agency for International Development, this transitional cost estimate, which was tied to that proposed reorganization, will not be required in view of the pending bill before the House Foreign Affairs Committee to extend AID in its present form for fiscal year 1972.

Mr. PASSMAN. So then the $15 million, at least that part, will reduce this request before taking into account the other cuts we may make?

Mr. DWINELL. I would prefer to put it this way——

Mr. ROONEY. The right way to put it is the reduction would be agreeable to you, is that correct?

Mr. DWINELL. Yes, sir.

Mr. ROONEY. You get credit for that, then?

Mr. PASSMAN. Thank you.

Off the record.

(Discussion off the record.)

Mr. PASSMAN. Now I am going to yield to the distinguished gentleman from New York.

Mr. ROONEY. I have no further questions at this point.

Mr. PASSMAN. Mr. Shriver?

Mr. SHRIVER. Are there any other items that would be changed in addition to the $15 million transitional cost, that you had in this justification as a result of the recent action of the Foreign Affairs Committee?

Mr. DWINELL. Mr. Shriver, there are none we can identify. The reason for this $15 million as a round figure estimate was that we intended it to encompass all the transitional costs that we could foresee at the time this request was prepared.

NATIONAL EDUCATION ASSOCIATION AND THE AMERICAN LIBRARY ASSOCIATION

Mr. SHRIVER. Under the general technical services program, you support the foreign programs of the National Education Association and the American Library Association, according to the justifications. What kind of foreign programs do these organizations have that you support?

Mr. DWINELL. Mr. Congressman, I do not have all the details of those programs.

Mr. SHRIVER. Put it in the record. They are private organizations that are supported by their memberships. I wonder why the AID agency would be providing funds for their foreign programs?

Mr. DWINELL. We will submit that, sir.

(The information follows:)

AID SUPPORTED FOREIGN PROGRAMS OF THE NATIONAL EDUCATION ASSOCIATION AND THE AMERICAN LIBRARY ASSOCIATION

A. THE NATIONAL EDUCATION ASSOCIATION

The foreign programs of the National Education Association, financed by the association's own funds, relate principally to teachers' organization in other countries. As a public service, with no reimbursement, the association also receives annually visits of hundreds of educators from other countries, many of whom are participants in AID or Department of State programs. For these visitors the association provides an orientation program, materials, advice, and other services and explains the NEA as it is organized and functions.

Since 1966, on the basis of a White House initiative, a small staff in the NEA's Committee on International Relations, funded by AID, has provided backstopping services for AID missions which participate in NEA's Overseas Teach Corps program. This program provides the LDC's, at their request, expert American teachers at the elementary and secondary level to conduct inservice teacher training workshops. The programs are frequently financed through host country contributions, mission funds, AID Washington support, and NEA contributions. American teachers serve in these workshops without pay on a regular per diem basis.

The NEA Teach Corps program has conducted inservice workshops for elementary school supervisors in Costa Rica, normal school students and student teachers in Honduras, junior secondary teachers and administrators in Jamaica, language teachers in Tanzania, science and social science teachers in Venezuela, primary and secondary teachers in Nepal. A complete list of the countries in which the NEA Teach Corps has operated follows:

Colombia	Kenya	Ethiopia
Dominican Republic	Sierra Leone	Venezuela
El Salvador	Costa Rica	Tanzania
Honduras	Jamaica	Nepal

During the past year the missions made 12 separate requests to the NEA for backstopping services. These included Teach Corps programs of 36 teachers to Ethiopia and 28 to Nepal, recruitment of experts in programed learning and functional literacy for Pakistan and India, a science education adviser for Venezuela, and several requests for professional educational materials.

B. THE AMERICAN LIBRARY ASSOCIATION

Since 1966, AID has supported, to a limited extent, those activities of the International Relations Office of the American Library Association which provide for technical assistance backstopping of library development projects in the LDC's. These activities are consistent with a provision in the charter of the ALA whereby one purpose of the association is promoting library interest throughout the world.

The International Relations Office (IRO) of the ALA is particularly charged with responsibility for:

(1) Offering professional assistance to foundations and government agencies to identify, develop, administer, and evaluate projects or plans involving libraries or library materials abroad and the international aspects of library programs at home, and in these terms giving professional assistance and counsel to other agencies, institutions, and individuals;

(2) Assisting in the promotion of the exchange of persons and facilitating the operation of exchange programs;

(3) Offering particular assistance to programs of library education and training either in the promotion of programs abroad or the utilization of U.S. training for librarians from overseas;

(4) Aiding selected programs for the distribution of library materials abroad;

(5) Disseminating, as appropriate, pertinent information abroad about the state of librarianship at home and particularly to all interested parties at home and abroad information about the international activities of the ALA; and

(6) Assisting the International Relations Committee in its work, including the proper coordination of related activities of other units of the association.

Due to the limited staff of IRO, the office is of necessity more of an initiator and coordinator of projects than an operating entity. The IRO works closely with the executive secretaries, committee chairmen, and ALA members who have expertise in the particular geographic areas, the types of libraries, and the type of activities being considered.

Since the ALA itself does not have funds for specific projects, IRO seeks financing from private foundations, government agencies, and other donor entities. The IRO sees its role as: (a) Sharpening the statement of a given project so that it can be understood clearly by nonlibrarians; (b) assuring potential donors as to the validity, importance, and feasibility of the project; (c) offering professional judgment in respect to details; (d) providing realistic budget estimates; and (e) serving as the responsible liaison agency between the potential donor and recipient.

The office is prepared to, and often does, administer projects that are funded by grants or contractual arrangements. For example, a foundation may decide to support an effort to strengthen a library school in Asia. The IRO will select the

necessary consultants and faculty and place them on its own payroll; it will aid in the selection of persons from abroad for training in the United States and will make arrangements for their travel and study; it will find the right persons to prepare manuals and textbooks when necessary and will supervise their production.

IRO presently administers several grants for private foundations, including Ford Foundation support to assist in the development of the Haile Selassie I University Library in Addis Ababa and a Rockefeller Foundation grant to help develop the program of library education at the University of Delhi. A Ford Foundation grant to assist in the rehabilitation of the University of Algiers and a Rockefeller Foundation-supported program for development of the libraries at the University of Brasilia were concluded during the past year.

Concerned with the role of books and libraries in economic development projects, AID effected a basic contract with the ALA which provides the agency with advice and technical assistance in this area. A small staff in the IRO works full time developing and implementing library programs in the LDC's. These programs or projects have included the following:

Venezuela

Provide consultant to assist the Instituto de Estudios Superiores de Administraction, in its library development program.

Purchase of library materials (1,000 titles).

Inservice training of Venezuelan librarians.

Recruit school library consultant to participate in library development seminar, Caracas; and university library consultant to assist the Universidad de Carabobo, Valencia.

Provide three library development advisers for development of university library service.

Thailand

Bibliographic service and procurement of books, periodicals, equipment and supplies for the Thai University Library project.

Indonesia

Provide services of two library consultants to assist the Ministry of Education and the Indonesian Academy of Science in planning phased programs of development for Indonesia university libraries and Indonesia's research institute libraries.

Ghana

Provision of bibliographic service and procurement of books for the Ghana Academy of Sciences.

Colombia

Assist the Ministry of Education in national education planning and higher education projects by recruiting: Textbooks preparation and distribution consultant; professional journal education consultant; audio-visual consultants (3); secondary school library consultant; and university library services consultant.

Worldwide

Preparation and publication of the monthly newsletter Libraries in International Development, distributed to institutions overseas. Thirty-five issues published to date.

DR. NORMAN BORLAUG

Mr. SHRIVER. I see on page D–65 that you support the work of Dr. Norman Borlaug in Mexico. What are Dr. Borlaug and his associates working on now? I ask that because he was recently here and testified before our Labor-Health, Education, and Welfare Appropriations Subcommittee on his work in connection with the Green Revolution and the accomplishments he and his associates have made.

Mr. DWINELL. My understanding is that Dr. Borlaug, who of course is a very distinguished man——

Mr. SHRIVER. Indeed, he is.

Mr. DWINELL (continuing). Is working on further research in various new seed varieties.

Mr. SHRIVER. Heretofore I thought his work was financed by the Rockefeller Foundation.

Mr. DWINELL. Now we and several other donors, including the Rockefellar Foundation, share the costs.

Mr. SHRIVER. I understand that you are primarily discussing costs of administrative expenses.

Mr. DWINELL. Yes.

Mr. SHRIVER. Will there be any other opportunity to examine these specific questions?

Mr. FLINNER. Dr. Hannah.

Mr. SHRIVER. I do not want to burden him with it.

Mr. DWINELL. Well, Mr. Shriver, the reason that I was testifying on these is because they cut across interregional lines and come under various offices in the agency. Certainly at the pleasure of the committee anyone who has the greatest expertise in any field could be made available. We will try to get you any information you desire.

Dr. Hannah, in his presentation—and he comes before the committee later—is quite familiar with many of these matters.

RESEARCH

Mr. SHRIVER. I think I have used up my 5 minutes. You are requesting a substantial amount for research to improve our foreign aid efforts.

Would you summarize some of the more important results of this research in the past and tell us how these results have shown up in our foreign aid program?

Mr. DWINELL. I think, of course as you are aware, our research over the years has been in many fields, particularly in agriculture.

Mr. SHRIVER. I am talking about research to improve the foreign aid program. Is that what you are referring to?

Mr. DWINELL. I thought you meant——

Mr. SHRIVER. Not specifically, but how you can improve this program overall.

Mr. COSTANTINO. I think the intention is by providing improved agricultural methods and techniques, seeds, and so forth to improve the effectiveness of the aid program overseas.

Mr. SHRIVER. I am especially interested in the results. On page D–71 of the justifications, you mention the analysis of strategies of economic development that tend to maximize popular participation. Would you comment on that?

Put that in the record.

Mr. DWINELL. We would like to.

(The information follows:)

ANALYSIS OF STRATEGIES OF ECONOMIC DEVELOPMENT TO MAXIMIZE POPULAR PARTICIPATION

Since the inception of title IX of the Foreign Assistance Act in 1966, which enjoins AID to place emphasis on assuring maximum participation in the task of economic development on the part of the people of the developing countries, AID has entered into three research contracts to learn more about how development can be carried out to this end.

The first, with Northwestern University, is largely completed. It found that in terms of economic participation (income distribution), the development process appeared to work to the relative disadvantage of the poorer segments of the population. It found, however, that development strategies which emphasized human resource rather than natural resource development, which had greater direct Government involvement in the economy, and which were supported by greater political participation, provided relatively better income distribution. The research also found that greater political participation was associated primarily with opportunities for social mobility and was often achieved after a period of social tension and unrest.

The second project, with Harvard University, seeks to look deeper into the effects on participation from rural-to-urban migration, changes in agricultural technologiy, land reform, and political development. It involves case studies of development change and participation in Pakistan, Colombia, Kenya, and Vietnam plus a number of cross-country studies. The project will be completed in fiscal year 1972. Results to date stress the lag in political consciousness among new urban migrants from the countryside but by contrast the importance of employment for older residents of the cities as these migrants arrive in large numbers; the importance of new political institutions to accommodate changes in economic conditions, particularly democratizing institutions which provide channels of influence for small farmers, lower middle class, students, and unemployed who receive less-than-equal shares of new economic gains; and the importance of land reform to both the economic and political participation of the mass of inhabitants in the rural sector.

The third project, for which additional funds are requested, is with Rice University. It will begin in fiscal year 1971 and be completed in fiscal year 1973. Drawing upon past research and country experience, it will seek to develop strategies of economic policy—in foreign exchange management, Government expenditure, industrialization, monetary and fiscal matters, and regional development—which can produce greater employment and a more equal distribution of income without a lowering of growth targets.

The research to date has already helped shape AID efforts to increase popular participation in development. Employment and income distribution are becoming important factors in project selection and analysis, and migration patterns and urban development are receiving more attention as well. AID has begun in fiscal year 1971 a program of technical assistance to legislatures, as one means to strengthen democratic institutional development, and is investigating the possibility of providing more assistance in the use of law and public educational institutions as means of expanding opportunities for equitable participation in development. Additional research will help in defining those economic policies and those institutions through which AID can be most productive in promoting this objective.

GUIDELINES ON LAND REFORM

Mr. SHRIVER. Would you explain the new guidelines on land reform which have been issued as a result of the AID review? In what countries have these programs been revised to meet these new guidelines?

Put that in the record, too.

Mr. DWINELL. I would like to. There has been a substantial land reform program in Southeast Asia.

Mr. SHRIVER. I know that.

(The information follows:)

NEW GUIDELINES ON LAND REFORM THAT HAVE BEEN ISSUED AS A RESULT OF THE AID REVIEW

Following the AID review on land reform, June 2–4, 1970, an airgram from Dr. Hannah dated February 4, 1971, was sent to all USAID Missions with a summary statement, "Findings and Implications for AID," AID–SR–LR–70–13. A few summary statements taken from that report are discussed below.

From page three of the summary report, the implications for AID were summarized as follows:

1. Land tenure is a significant dimension of a country's overall development, and should be considered in preparing future country field submissions or agriculture sector analyses.

2. Support of land reform need not be withheld for fear of adverse economic results of land distribution. On the contrary, the fact that production after land reform need not decrease must be made clear both to aid donor officials and to LDC governments.

3. Where a dominant indigenous political will for land reform is lacking, AID should take careful cognizance of what probable effects its assistance program may have on either prolonging or ameliorating existing inequities in land ownership and use. Particularly, AID should try to discourage (a) mechanization which is clearly labor substituting, and (b) further consolidation of land holdings in LDC's where factor costs are so different from those in the United States, and therefore "inefficiency" in U.S. terms is not applicable. (The problem of microfarms is a special case.) AID should try to assure that assistance reaches the small farmer.

4. AID should not support a "land reform" scheme which is basically just window-dressing.

5. When a dominant indigenous political will for land reform exists, external assistance may be constructively applied on many aspects of the reform. USAID's should let it be known that they are ready to consider proposals if asked, and orally encourage government and private land reform measures where appropriate.

6. The review was not equipped to decide how a land reform program should be carried out and when. It is difficult to generalize in this area. Each country has its own individual problems which do not yield easily to outside prescriptions. However, a few general observations are made in part III.

7. The above implications suggest that AID consider assigning appropriate staff, either direct hire or contract, to work on land reform problems.

Two additional extracts from the report included in concluding remarks at the review by E. Stern, suggest additional guidelines. On page 29 he stated:

"Land reform however is political change; it is political action. The country examples demonstrate that effective land reform has occurred when governments, voluntarily or otherwise, decided on a basic restructuring of society. Such a decision must be an indigenous responsibility. Once a country decides on a land reform program and seeks external assistance, donors should provide both technical and financial support. Support yes, promotion no."

Again on page 30 of his remarks, he noted:

"Much more needs to be done to identify situations in which land reform by legislation might be appropriate and to sharpen the analysis of the economic impact. Equally we need to advance the analysis of what tools might be available to achieve land reform gradually, through a variety of economic policies. We must also begin to treat land reform as an economic policy variable and be prepared to support policy changes—financially and technically in this area as we do in others."

AVERAGE COSTS FOR PARTICIPANTS

Mr. SHRIVER. On page D–75, you say the average cost per year for each participant in the training programs is $6,000 exclusive of transportation costs. How will that figure break down?

Mr. DWINELL. You mean as between subsistence, travel, and so forth? We would have to submit that.

Mr. SHRIVER. You may put that in the record, too.

(The information follows:)

BREAKDOWN OF AVERAGE COST/PARTICIPANT PER YEAR

With the understanding that the average number of months per participant "in-training" worldwide during a fiscal year is 5.6 months/participant, the approximate cost for 1 year would be as follows:

Subsistence allowance (360 days at $10)	$3,650
Travel in the United States of America	250
Training costs, tuition, fees and so forth	2,100
Total	6,000

ASIA FOUNDATION

Mr. SHRIVER. What about the Asia Foundation? You are asking $4 million for that.

Mr. DWINELL. That, Mr. Congressman, is a collaborative effort as far as AID is concerned. There is a substantial amount of private money that goes into that foundation. The purpose, in general, of the foundation is to carry on general people-to-people rather than government-to-government type programs throughout Asia.

Mr. SHRIVER. I think I will wait for Dr. Hannah on this.

Mr. PASSMAN. Thank you, Mr. Shriver.

Mr. Roybal?

PREVENTION OF DUPLICATION IN AGRICULTURAL PROGRAMS

Mr. ROYBAL. Governor, a total of $2.4 million is requested to implement interregional technical assistance activities in agriculture. Those activities I understand include assistance on soil and water management problems, they include also the use of seed, fertilizers, and other chemicals and they also include research that is done by universities.

Now I remember some time ago looking into the university program and we found some duplications. Does your auditing procedure look into the duplication of university grants as well as the duplication of the information year after year?

What I am asking is: How do you police the contracts that are given to universities so that the report they made 5 years ago, isn't dusted off, provided with a new look, and submitted as current.

Mr. DWINELL. Well, that is done in several ways, Congressman Roybal.

We have an evaluation staff which evaluates various aspects of our program operations. Certainly, whichever office is responsible for any university contract of the type that you specify, is also responsible for checking any duplication.

Any such duplication also show up in our program audits. In other words, what I am really saying, sir, is that we hope we have the mechanism to avoid any such duplication as you cite.

Mr. ROYBAL. Now in your program of agricultural and rural development, you serve, I suppose, very regionally. Is there any duplication in what you do in other countries?

For example, the direct program of the rural development in country A, is that being duplicated in any way under the amount of $2.4 million that is now being spent?

Mr. DWINELL. No, Mr. Roybal. Not within our agency.

Mr. ROYBAL. What about outside of your agency, are you doing something in your agency that perhaps some other agency is doing?

Mr. DWINELL. We certainly make every effort to coordinate any activities which we might have in a given area: not only here in Washington but particularly in the recipient countries. We also make every effort to see that there is no duplication between what we do and what other donor countries might be doing.

There is a great deal of collaboration with other donors to be sure there is no duplication.

WHY AN AGRICULTURAL PROGRAM IS DONE ON AN INTERREGIONAL BASIS

Mr. ROYBAL. Is $2.4 million the total amount spent by the United States in agricultural and rural development?

Mr. DWINELL. No. This amount is only that which is not allocated to a particular region. In other words, that which is done in Africa under the jurisdiction of the Africa Bureau would come under their budget. Likewise, any other region. But there are some programs which cut across regional lines. That is what we refer to when we talk about interregional technical cooperation.

It is those types of programs which cannot be pinpointed as applicable just to one bureau that are generally administered by our Technical Assistance Bureau.

For instance, the one referred to by Congressman Shriver, the operation in which Dr. Borlaug is engaged, has application on a worldwide basis. It is not the responsibility in AID of any one regional bureau.

Mr. ROYBAL. I was probably under the misapprehension that, in each region, whoever was in charge of the agricultural and rural development in that part of the world would also be in charge of developing the proper seed, proper fertilizer, making the net studies that were involved, and that they were solely responsible for that particular region.

Now, what is the situation?

Mr. DWINELL. Well, that would be true if there was some project which the Latin American Bureau, to use your example, wished to promote which would have primary a relationship to Latin America.

Now our Latin American Bureau would have the authority and the jurisdiction to initiate and conduct such a project. On the other hand, it would certainly be a duplication and also inefficient if there was a similar project which had application on a wider basis than Latin America, for instance, in the development of seeds which might have applicability not only in Latin America, but in some other region. Then we would feel it was more appropriate to have that done on a central basis rather than under the jurisdiction of any one bureau.

Mr. HATHAWAY. Would you yield?

Mr. ROYBAL. I yield.

Mr. HATHAWAY. You mean you would take a project away from Latin America and put it on an interregional basis so they would not do any more research on whatever it happened to be, if the project did not apply only to Latin America, but Asia as well?

Mr. DWINELL. That depends on what type of project it was and what arrangements were made within the agency.

Mr. HATHAWAY. Say it was the better way to roll certain grains like wheat, and you found it had a wider application than just Latin America, would you stop the wheat research program in Latin America and take it over yourself on an interregional basis?

Mr. DWINELL. No. All projects of an interregional nature are reviewed and cleared by all the regional bureaus. In other words, they know that this is going on.

Mr. HATHAWAY. Right.

Mr. DWINELL. To use a hypothetical case, if the Latin American Bureau had started something which was found to have worldwide

applicability and benefit, it would be decided within the agency and certainly with the permission of the Latin American Bureau, as to the best way to do it—should it be kept under their jurisdiction or should it be done on a centralized basis? In other words, what I am really saying, sir, is, we try to do it in a way that is most efficient and most productive for the work of the agency as a whole.

Mr. ROYBAL. The reason that I ask that question is because there are many rumors one gets with regard to this operation. Also, the fact that we have had testimony in another committee pointing out that there may be some duplications in this area.

Mr. DWINELL. You mean in this area of rural development.

Mr. ROYBAL. Yes, and agriculture. I just want to put it in the record. find out what your opinion may be with regard to it. I am interested in finding out whether or not there is any duplication, not only in Latin America, but any place else in the world. I do not think the $2.4 million should be spent by one agency if it is being done by somebody else.

Mr. DWINELL. You are quite correct.

Mr. ROYBAL. Yes.

Mr. DWINELL. We appreciate your comment, and certainly it is a further stimulus for us to review this matter to be sure that there is a minimum of duplication.

Thank you very much, sir.

Mr. ROYBAL. Thank you.

Mr. PASSMAN. Mrs. Reid?

Mrs. REID. Thank you, Mr. Chairman.

SHIPMENTS BY VOLUNTARY AGENCIES

Governor, I asked this question last year about shipments by voluntary agencies, and whether AID undertakes to finance whatever volume these agencies can provide or do you have to limit this for budgetary reasons?

You answered last year that in recent years you had more requests than you were able to finance, and you asked for an increase last year of around $5 million for this purpose.

What is the situation now?

Mr. DWINELL. Well, Mrs. Reid, we are still not in a position where we have all of the funds available that might be desirable We have to use some discretion, obviously, because, as you perhaps know, we have to screen the voluntary agencies that we do support to be sure that they are viable and responsible organizations.

I would say, however, that to my best knowledge we are not in a position where we have had to deny any substantial amount of support.

RESEARCH

Mrs. REID. I asked this also. It is rather a broad question: How is the research carried out under the Foreign Assistance Act fed back into the agency and what use would you make of this research?

Now if you would like to just provide this material for the record and update it in any way you choose, I would like to have this in the record.

Mr. DWINELL. I would prefer to do it that way.

Mrs. REID. Fine.

(The information follows:)

The research financed under Interregional Technical Cooperation funds of the Foreign Assistance Act is done by universities and other U.S. Government agencies, such as the Department of Agriculture.

The research institutions report annually to AID on the progress of the research and the results being achieved. These results are made known to AID Washington staff concerned with the field involved and to AID's overseas missions. The missions, in turn can inform the local research community of results which may contribute to their country's economic development.

Both in AID/Washington and the field missions, the type and character of current development projects can be modified to reflect the new knowledge developed through research.

In addition, through their own community of scientists and scholars working on a similar problem in various parts of the world, the American universities make known their research results so others may benefit from the new knowledge.

The dissemination and use of the research results is expedited by the requirement in each research contract for publication of the research results.

Mrs. REID. Thank you, that is all.

Mr. PASSMAN. Mr. Hathaway?

Mr. HATHAWAY. I want to follow up on what Mr. Roybal started. It seems to me it would be difficult not to avoid a lot of duplication here, say in the field of agriculture. Do we not here in this country grow just about every crop that is grown throughout the world and do we not have, through our university extension courses, through the Department of Agriculture, adequate research on just about every crop that is grown? It seems to me that the amount of research we need elsewhere would be minimal, especially when you have it going on in the area itself; plus you have an interregional research program on top of that.

It seems like there are three separate agencies doing the same thing.

Mr. DWINELL. Congressman Hathaway, the fact that some of this might be included in the budget of a regional bureau would not necessarily mean that the research work was actually performed in that region; if the competence is available in this country it is available to any of our regional bureaus. Is that the point of your question?

Mr. HATHAWAY. It may be available, but my question is: Are they actually using it?

Mr. DWINELL. Yes.

RICE

Mr. HATHAWAY. We grow rice in this country. Are they using the research and technology we have gained from growing rice in this country, in Vietnam, and other places?

Mr. DWINELL. We would be glad to submit more information on this subject, whatever you wish, sir. I believe that the rice experimentation is done and has been done in the Philippines to quite an extent.

I also believe, and again I am no expert in this, that because of climatic and various other conditions which prevail in different parts of the world, with growing conditions varying greatly from country to country, experimentation cannot necessarily always be done in a central location.

Mr. PASSMAN. Will the gentleman yield?

The Philippines have developed a new strain of rice that has almost revolutionized the rice growing in that section of the world. I would like to have you put something in the record on that.

We produce a lot of rice in my State, the largest rice-producing area in the United States, but they have perfected a new strain of

rice that almost triples the yield per acre, I understand. It has meant a great deal to that part of the world, as I pick up information on my travels.

So if you would do a little research on it. It is going to mean a tremendous boost to the people in that part of the world.

ASIA VEGETABLE AND DEVELOPMENT RESEARCH CENTER

If the gentleman will yield further, I worked with the AID agency in creating a payment formula in connection with the Asian vegetable project out in Taiwan. I think there are about seven of them who have contributed to this research agricultural program. I think it is going to accomplish an awful lot in that part of the world.

You are familiar with it, Mr. Controller. We should put something in the record on that.

(The information follows:)

NEW STRAIN OF RICE DEVELOPED BY THE PHILIPPINES

The strain of rice referred to is IR–8. It was developed in the Philippines by the International Rice Research Institute, an organization founded by the Rockefeller and Ford Foundations. IR–8 has had a major impact in many of the rice growing areas of Asia. It is high yielding, producing more than double if not triple the yields of ordinary varieties. It is a dwarf rice that can be heavily fertilized without falling, and it has narrow leaves and can be planted thicker than old varieties since it doesn't create as much shade.

The International Rice Research Institute (IRRI) is continuing to work on new rice varieties and will likely come out sometime with a variety that is better than IR–8. The IRRI works in collaboration with national researchers in many countries and has many Asian as well as U.S. scientists on its staff. Its program includes training of scientists from national research organizations.

ASIAN VEGETABLE RESEARCH AND DEVELOPMENT CENTER

The Asian Vegetable Research and Development Center is being established on Taiwan as a multilaterally funded regional project to help improve the nutritional levels of Asian people by promoting the production of vegetables. Specifically, the Center will:

(*a*) Conduct research on production and marketing programs and assist participating countries in developing their own adaptive research programs;

(*b*) Carry out training in production and marketing and assist participating countries in developing more efficient training and marketing programs;

(*c*) Develop and provide basic information on improved production and marketing for use in extension services in participating countries.

The donors include Japan, Korea, the Philippines, Thailand, the United States, Vietnam, Republic of China, and the Asian Development Bank. The United States has agreed to give sympathetic consideration to contributing up to 40 percent ($3 million) of the Center's $7,500,000 5-year program subject to the availability of funds. The United States has signed the charter and a letter of agreement obligating the first tranche of $675,000 in fiscal year 1971.

DEVELOPMENT OF THE MIRACLE RICE

Mr. HATHAWAY. Is that the Center that developed the strain of rice that you are talking about?

Mr. PASSMAN. No. That was in the Philippines. It was the Filipinos who developed this new strain of rice.

Mr. HATHAWAY. With their own resources or was it an American project?

Mr. PASSMAN. Evidently it was in cooperation and coordination with Louisiana State University at Baton Rouge. I think they worked with them on it.

Mr. DWINELL. The so-called miracle rice about which we hear so much was developed by the International Rice Research Institute in the Philippines.

Mr. PASSMAN. But they had the cooperation of many of the experts around the world and I think really it was one of the experts from Louisiana State University in Baton Rouge, who assisted them. I want to give the Filipinos credit for it, however, because evidently they started it.

RESEARCH IN AGRICULTURAL CROPS

Mr. HATHAWAY. Just to conclude: So I could pursue this further, would you supply for the record what research is going on in 10 different crops so we could check it out to see whether there is any duplication.

Mr. DWINELL. We will.

(The information follows:)

LIST OF 10 DIFFERENT CROPS BEING RESEARCHED

In designing its research projects AID has been very careful to avoid duplication and to take advantage of as much other research in the world as possible. This means working with other international agencies. It also means maintaining contact with other nations and their work and other U.S. researchers and their work. This is easier in plant breeding where the research product is seed, than it is in some other area of research.

There is now in existence an international group, the Consultative Group on International Agriculture, which is composed of donors to the international centers. The group keeps in very close contact with the programs of these centers and with other related programs. AID is a member of that Consultative Group and is in a good position to develop effective collaboration and to avoid duplication.

Where appropriate, AID research is done in collaboration with one or more of the four international research centers. These are the International Center for Corn and Wheat Improvement (CIMMYT) in Mexico, the International Rice Research Institute (IRRI) in the Philippines, the International Center for Tropical Agriculture (ICTA) in Columbia, and the International Institute for Tropical Agriculture (IITA) in Nigeria. These centers were initiated by the Rockefeller and Ford Foundations, but are now receiving support from the World Bank, the United States, and other more developed countries.

The crops in which AID has a research interest now are wheat, corn, sorghum, pulses, soybeans, and rice. Its activities vary by species.

Rice and spring wheat research is left almost entirely to the international centers. Some AID missions have projects with the centers for special services in countries to provide technical assistance to national entities with which the mission is cooperating.

AID has a research contract with Purdue University to work on high lysine corn, since Purdue scientists discovered the gene that makes it possible, and since CIMMYT is not emphasizing this element in its program. High lysine corn has about 60 percent more available protein than regular corn. However, Purdue researchers maintain close contact with CIMMYT.

So far the international centers have not done much work on sorghum, and AID has a contract with Purdue to see if the high lysine gene can also be bred into sorghum. Purdue scientists, as is the case with almost all plant breeding projects, are linked with work of plant breeders around the world. Purdue collects varieties, analyzes them for protein, sends seeds to trial stations in many countries, analyzes the material produced in the different locations, and circulates the reports.

The University of Nebraska is working on winter wheats in the same manner as described for sorghums. It works very closely with CIMMYT. Although CIMMYT's major interest is spring wheat, there is much interchange that is fruitful.

International centers are not doing much now in soybeans or in pulses, such as beans, peas and lentils. AID has financed research on soybeans with the University of Illinois, which has a contract with the AID mission in India part of which is devoted to soybean research, and a small project with AID in Washington.

Work in the pulses is being carried out for AID by scientists of the U.S. Department of Agriculture. Pulses present a difficult job because of the number of different species involved and the fact that in the past much less scientific work has been devoted to them in selecting and breeding work. Most of the USDA's work is in Iran, with some in Afghanistan. Later, some of the international centers may also work more intensively in this field at which time the AID program will be related to it.

OVERSEAS OCEAN AND FREIGHT VOLUNTARY SUPPORT

Mr. HATHAWAY. Thank you.

Thank you, Mr. Chairman.

Mr. PASSMAN. Would you please explain the request for the Ocean Freight-Voluntary Agency Support item of $5,024,000?

Mr. DWINELL. Yes, Mr. Chairman.

That is the support that our agency gives to 35 voluntary agencies registered with the advisory committee on voluntary foreign aid engaged in overseas relief and development and in the American National Red Cross.

Mr. PASSMAN. This represents only the freight on the contributions that may be made by individuals or by the Government.

Mr. DWINELL. It represents freight on donated contributions made by individuals and private firms in the United States to registered voluntary agencies and the Red Cross as well as a small quantity of U.S. excess property, about 1 percent. The 35 registered voluntary agencies and the American National Red Cross receive overseas freight reimbursement, Mr. Chairman.

Mr. PASSMAN. I know, but we provide for many foods, the Government pays for foods such as under Public Law 480. Does it include that?

Mr. DWINELL. No. This does not include the freight on Public Law 480 commodities.

Mr. PASSMAN. This represents the freight only on contributions of food and clothing made by individuals or organizations?

Mr. DWINELL. That is correct.

Mr. PASSMAN. No Government provision is provided in that one item?

Mr. DWINELL. No, sir.

Mr. PASSMAN. Would you place in the record at this point the amount allocated for this particular item for the past 5 years?

Mr. DWINELL. Yes, sir.

(The information follows:)

The following amounts were allotted for overseas freight in registered voluntary agencies' shipments:

Fiscal year:	*Millions*
1967	$5.5
1968	5.3
1969	5.0
1970	5.193
1971	5.024

Mr. PASSMAN. I assume these interregional requests are needed for programs that cannot be allocated to specific countries or geographical regions.

Mr. DWINELL. Mr. Chairman, that is the reason that we put them in the interregional category.

Mr. PASSMAN. That is the question.

Mr. DWINELL. That is correct, yes, sir.

PARTICIPANT TRAINING PROGRAM

Mr. PASSMAN. On page D–75, in connection with the participant training program, you indicate some training is provided in third countries.

What is the total amount of the participant training program?

Mr. DWINELL. In people or in number of participants it is——

Mr. PASSMAN. Speaking purely to the participant training program now.

Mr. DWINELL. Yes, but in number of participants.

Mr. PASSMAN. Number of participants first.

Mr. DWINELL. It is approximately, in round figures, 14,000 per year.

Mr. PASSMAN. 14,000 thousand participants?

Mr. DWINELL. Yes, sir.

Mr. PASSMAN. Now, do some of these people come to this country and some of them go to third countries?

Mr. DWINELL. The large majority of them come to this country. Some of them do go to third countries.

Mr. PASSMAN. What is the cost per participant per year?

Mr. DWINELL. The average cost per participant is about $3,000, but that is for an average of 6 months' training. That is the average——

Mr. PASSMAN. Let's keep it on an annual basis.

Mr. DWINELL. All right.

Mr. PASSMAN. It would be $6,000?

Mr. DWINELL. It would be $6,000 for a participant who had a full year's training.

Mr. PASSMAN. You would train some for 90 days each; you would train in other instances two of them for 6 months and others at 12 months. I am trying to get the yearly cost per participant.

Mr. DWINELL. Yes, sir.

(The information follows:)

YEARLY COST PER PARTICIPANT

The average yearly cost per participant is approximately $6,000 per year. This figure is furnished with the understanding that the average number of months "in training" worldwide during a fiscal year is 5.6 months/participant.

Mr. PASSMAN. Fourteen thousand. What would be the average period of time that they would be in a status of participant?

Mr. DWINELL. About 6 months.

Mr. PASSMAN. How many would be sent to a third country?

Mr. DWINELL. Of the 14,000, about 3,500. That would be about 25 percent.

Mr. PASSMAN. While they are in the status of a participant they get a monthly stipend, on the rolls at a fixed amount per month. Is that correct?

Mr. DWINELL. That is correct.

TRANSPORTATION OF PARTICIPANTS

Mr. PASSMAN. Who pays the transportation?

Mr. DWINELL. The transportation is paid partly from AID appropriations and partly by the foreign country, from host country trust funds.

Mr. PASSMAN. Why couldn't you have a rule that you are going to pay incidental expenses and you are going to give them a monthly stipend but let the country provide the transportation? In some parts of the bill along the way we have found some of the countries do provide the transportation because most of them have national airlines coming to this country and many times they are not filled. I wonder if we couldn t get all the participants we wanted if we added an ironclad rule that we would fund participants once they arrive here but their government would pay the transportation?

Mr. DWINELL. Again, Mr. Chairman, while this is not my particular area of responsibility, my understanding is that——

Mr. PASSMAN. You are asking for the appropriation to fund 14,000 participants. This is under your direct jurisdiction and that is why I am directing the question to you.

Mr. DWINELL. My answer, sir, is that I think it would be impractical and unwise to have an absolutely firm and fixed rule with respect to every country because the ability of countries to get foreign exchange, the question of whether or not the transportation is available in local currencies, would vary considerably.

Mr. PASSMAN. If they have a national airline and have planes coming to this country, couldn't they bring these participants here?

Mr. DWINELL. Those countries that have their own national airlines that do come to this country, sir, I think that that might be appropriate. There are many countries who may have national airlines which are rather local in nature.

Mr. PASSMAN. I am thinking, Governor, and I know that you read me loud and clear—about these countries that could provide transportation. I think that if we looked at the very fact that we are $31 billion overdrawn for this one fiscal year while some of the recipient nations are building up surpluses in their treasury, we should take a hard look at these things. I don't think there is anything wrong with being firm and having a fixed policy. At least you could have a policy if the airlines traveling out of some country comes as far as Geneva and they don't have an international flight to the United States, maybe there would be some justification for picking up that part from Geneva on. I think that we should not bear any expense of any of these participants from any country where that country has a national airline reaching either the United States or cities nearby.

Mr. DWINELL. Approximately 70 percent of all of the travel costs are now paid by the host countries.

Mr. PASSMAN. We are spending money we don't have for things we don't need, trying to be everything to everybody everywhere on borrowed money and at the expense of unborn generations.

In the interest of the overburdened, disgusted American taxpayer, place in the record at this point a breakdown of the 14,000 participants, what countries they come from and what countries they are going to. Give it to us by country. Also break down the costs for the participants, subsistence so much, travel so much, incidentals so much. Also be sure and include transportation costs with a little note from where and to where.

Mr. DWINELL. Yes, sir.

(The information follows:)

Breakdown of Participants' Origin, Destination, & Cost Data

See attached two tables showing "what countries participants came from and what countries they went to" during FY 1970. One table is for arrivals in the USA; the other is for arrivals in third countries.

Information on AID policy and who pays international transportation costs of AID participants is shown on attachment captioned "International Travel Costs, AID Financed Participants".

The $3,000 approximate average cost for six months of training for one AID participant breaks down as follows:

Subsistence Allowance	180 days at $10	$1,800
Travel in the U.S.A.		150
Training Costs (tuition, fees, etc.)		1,050
	Total	$3,000

Expanded to the 14,000 AID participants "in-training" worldwide this amounts to the following:

14,000 participants x $1800	=	$25,200,000
14,000 participants x $ 150	=	2,100,000
14,000 participants x $1050	=	14,700,000
	Total	$42,000,000

Attachments a/s

International Travel Costs AID Financed Participants

Policy

AID requires cooperating countries to pay the international travel costs of participants, but authorizes AID/W or the Mission Director to permit exceptions when justified by the Mission Director.

The AID directive, in part, reads as follows:

Cost Sharing

It is A.I.D. policy that the government of the cooperating country, or other sponsor, (a) pay the cost of international travel including incidental travel costs en route; and (b) be responsible for providing transportation between the participant's home city and the points of departure and return in the participant's home country.... Exceptions to this policy are permitted only when in the judgment of A.I.D./W, as covered in the substantive approval of the program, or under the flexibility authority granted to the Mission Director, there are justifying circumstances.

In March, 1970, the AID Office of International Training asked the USAIDs for information on the funding of such travel. The returns show considerable variation, but no clear regional patterns: A.I.D. paid all international travel costs for ten of the 42 countries that sent participants to the U.S. in FY 1969 - Peru, Uruguay, Afghanistan, Jordan, Congo (K), Kenya, Somalia, Indonesia, Laos, and Vietnam.

AID paid no part of these costs in fifteen - Argentina, Bolivia, Dominican Republic, Guyana, Jamaica, Paraguay, Venezuela, India, Pakistan, Turkey, Ethiopia, Nigeria, Tunisia, Korea, and Thailand.

The cost was shared in a variety of ways for the other seventeen - Brazil, Chile, Colombia, Costa Rica, Ecuador, El Salvador, Guatemala, Honduras, Nicaragua, Panama, Nepal, Chana, Liberia, Morocco, Tanzania, Uganda, and the Philippines.

FY-1970 A.I.D. PARTICIPANTS IN TRAINING IN THE U.S.

AREA AND COUNTRY OF ORIGIN	TOTAL
ALL AREA - TOTAL	10,141
AFRICA	2,197
EAST ASIA/VIET-NAM(SO.)	2,427
LATIN AMERICA	3,823
NEAR EAST, SOUTH ASIA	1,693
EUROPE	1
AFRICA:	
Botswana	8
Burundi	2
Cameroon	77
Chad	7
Central Africa Republic	2
Congo	128
Dahomey	2
Ethiopia	335
Gambia	6
Ghana	231
Guinea	3
Ivory Coast	18
Kenya	116
Lesotho	3
Liberia	85
Libya	12
Malagasy	6
Malawi	70
Mali	5
Mauritania	1
Misc. British Africa	26
Morocco	82
Niger	4
Nigeria	247

AREA AND COUNTRY OF ORIGIN	TOTAL
AFRICA - Con.	
Senegal	26
Sierra Leone	29
Somali Republic	112
South Africa Republic	2
Southern Rhodesia	4
Tanzania	82
Togo	10
Tunisia	156
Uganda	145
Upper Volta	3
Zambia	52
EAST ASIA/VIET-NAM (SO.):	
Burma	3
Cambodia	12
China, Republic of	84
Indonesia	453
Korea, Republic of	210
Laos	36
Malaysia	6
Philippines	131
Thailand	741
Vietnam (So.), Republic of	751
LATIN AMERICA:	
Antigua	3
Argentina	120
Bahamas	1
Bermuda	2
Bolivia	129
Brazil	1,212

AREA AND COUNTRY OF ORIGIN	TOTAL
LATIN AMERICA - Con.	
British Honduras	16
British West Indies	9
Chile	167
Colombia	550
Costa Rica	80
Dominica	2
Dominican Republic	204
Ecuador	116
El Salvador	90
Grenada	2
Guatemala	148
Guayana	66
Honduras	151
Jamaica	33
Mexico	46
Netherlands Antilles	1
Nevis	1
Nicaragua	104
Panama	134
Paraguay	50
Peru	193
St. Lucia	3
St. Vincent	2
Surinam	2
Trinidad and Tobago	6
Uruguay	58
Venezuela	122

*NOTE: Participants In-Training In Third Countries on attached table.

AREA AND COUNTRY OF ORIGIN	TOTAL
NEAR EAST, SOUTH ASIA:	
Afghanistan	163
Ceylon	3
Greece	6
India	476
Iran	14
Iraq	2
Jordan	91
Lebanon	4
Nepal	104
Pakistan	356
Saudi Arabia	34
Turkey	435
United Arab Republic	5

FY-1970 A.I.D. PARTICIPANTS IN TRAINING IN THIRD COUNTRIES
By Area and Country of Origin, By Country of Training

COUNTRY OF ORIGIN	Total Participants 1/	COUNTRY OF TRAINING: Ethiopia	Ghana	Kenya	Morocco	Nigeria	Sierra Leone	Togo	Tunisia	Africa Total	China, Rep. of	Japan	Korea, Rep. of	Philippines	Thailand	East Asia Total	Argentina	Bolivia	Brazil	Chile	Colombia	Costa Rica	Dom. Rep.	Ecuador	El Salvador	Guatemala	Honduras	Jamaica	Mexico	Nicaragua	Panama	Peru	Uruguay	Venezuela	Latin America Total	Afghanistan	India	Iran	Lebanon	Pakistan	Turkey	NESA Total	Other	TOTAL 2/
ALL AREAS	3639	2	4	22	16	6	7	39	12	108	473	1	154	264	616	1508	23	22	14	120	54	73	2	10	110	16	3	11	340	8	99	7	6	30	948	4	461	63	754	64	10	1356	4	3924
AFRICA	213	2	4	22	16	6	7	39	10	106	3	-	-	4	2	9	-	-	-	-	-	-	-	2	-	-	-	3	19	-	-	-	-	-	24	-	4	-	72	3	-	79	-	218
Cameroon	3						3			3																																	3
Chad	9							9		9																																	9
Congo/Kinshasa	2				2					2																																	2
Dahomey	1							1		1																																	1
Dem.Afr.Rep.	7							7		7																																	7
Ethiopia	30			11						11	3			3	2	8													1						1		2		13			15		35
Gabon	6							6		6																																	6
Gambia	2							2		2																																	2
Kenya	12																																						12			12		12
Liberia	11		1			6		2		9																													2			2		11
Libya	2																																						2			2		2
Malawi	14			10						10																		2							2		2					2		14
Morocco	59								10	10																			9						9				40			40		59
Niger	3							3		3																																	3
Nigeria	7		2				4			6				1		1																											7
Sierra Leone	7		1					6		7																																	7
Somali Rep.	5			1						1																		1							1					3		3		5
Sudan	3																																						3			3		3
Tanzania	4	2								2														2											2									4
Togo	6				6					6																																	6
Tunisia	14				5					5																			9						9								14
Upper Volta	6				3			3		6																																	6
EAST ASIA - VIET-NAM(SO.)	1289	-	-	-	-	-	-	-	2	2	466	1	142	174	593	1376	-	-	-	-	-	2	-	-	-	-	1	4	8	-	-	-	-	-	15	-	47	2	-	33	4	86	-	1479
Burma	2													2		2						1													1									3
Indonesia	108								2	2			39	31	18	88																					45			33	4	82		172
Korea, Rep. of	18										12			1	7	20												4							4									24
Laos	561											1		10	550	561																											561
Philippines	26										24		22			46						1							8							9									55
Ryukyus	122										122					122																												122
Thailand	237										206		73	43		322																										2		324
Viet-nam(So.)	214										102		8	87	18	215																					2					2		217
China, Rep.of	1																										1								1									1

FY-1970 A.I.D. PARTICIPANTS IN TRAINING IN THIRD COUNTRIES
By Area and Country of Origin, By Country of Training

| | | |

PARTICIPANTS RETURNING HOME

Mr. PASSMAN. Do you find that the participants brought to the United States are qualified and prepared to receive the training for which they were sent?

Mr. DWINELL. We do, sir.

Mr. PASSMAN. Do you have any difficulty with these participants wanting to remain in our country after they finish the course?

Mr. DWINELL. We are very conscious of that possibility and every effort is made to enforce the understandings that we have that these people will go back to their countries. They do it with very, very few exceptions.

Mr. PASSMAN. Governor, how much trouble have we had with these participants not wanting to go back home?

Mr. DWINELL. I understand there is very little of that. We would be pleased to submit any information that we have on that for the record.

Mr. PASSMAN. You have no information available now?

I notice a smiling controller. He looks like he is champing at the bit to give us some information on that.

Mr. FLINNER. I think our record, Mr. Chairman, is good except in cases where the participants marry American citizens. Then we have no jurisdiction over them. If they are here as aliens, I think the largest percentage of them go back when they finish their training even if they don't always want to go back.

Mr. PASSMAN. That was the question. Do you have any difficulty getting them to go back?

Mr. FLINNER. Mr. Furman says that over the years there has been less than 1 percent that don't go back.

ASIA FOUNDATION

Mr. PASSMAN. In connection with your request for $3,750,000 for the Asia Foundation, doesn't this organization also receive funds from other U.S. agencies?

Mr. DWINELL. At the present time, Mr. Chairman, it receives some funds through the State Department budget, and last year it received a small grant from the National Science Foundation but I understand that they received funds from no other government agency.

Mr. PASSMAN. If they get very much from the ones you named they wouldn't need any other agencies to fund them.

How much do they get from those agencies?

Mr. DWINELL. Last year, fiscal year 1971, it was $750,000 from the CU budget of State. The grant which I referred to from the National Science Foundation was a small grant. It was not substantial.

Mr. PASSMAN. Would you place in the record at this point the amount of money that we have given to the Asia Foundation for the past 5 years. Include that of the other agencies.

Mr. DWINELL. Yes, sir.

(The information follows:)

GRANT SUPPORT TO THE ASIA FOUNDATION, ALL USG AGENCY SOURCES, FISCAL YEARS 1967–72

[In millions of dollars]

	Fiscal year—					
	1967	1968	1969	1970	1971	1972 [1]
AID			2.1020	3.1164	[2] 3.8250	4.0
CU			.40	.50	.75	.85
NSF	.0185	.0164	.0156	.0126	.0180	.02
Total USG	.0185	.0164	2.5176	3.6290	4.5930	4.87

[1] Proposed.
[2] The dollar amounts for fiscal years 1969–71 include a total of $129,595 in Vietnamese piasters in support of three projects.

International Executive Service Corps (IESC)

Mr. Passman. You are requesting $3,500,000 for the International Executive Service Corps, abbreviated IESC. What is that outfit?

Mr. Dwinell. The International Executive Service Corps is an organization which we have supported in collaboration with private enterprise to make it possible for American business skills, techniques, and management experience to be made available to businesses in lesser developed nations. When requested by local businessmen overseas who pay a fee for the service.

Mr. Passman. Governor, this is the outfit where these tired businessmen want to vacation abroad partially at the expense of the Government and to go across and look for possibilities of investment and if they don't find them come home and are reimbursed for that percentage of the total traveltime?

I understand that there are seven of those outfits and this is only one. On this one, International Executive Service Corps, just what do these tired, weary executives do now? They stay home and advise or do they travel abroad and advise?

Mr. Dwinell. These competent and alert business executives, as I understand them to be——

Mr. Passman. I met some of them, very alert—when they get out of the chair on their crutches.

Mr. Dwinell. They are men who have developed considerable expertise in various specialties.

Mr. Passman. You are talking about one or all of them?

Mr. Dwinell. We anticipate that all of them are competent in some field or other.

Mr. Passman. You say they are competent. Where do they start from and where do they go?

Mr. Dwinell. They may have started from the bottom in their business or they may have come into the business——

Mr. Passman. There are about seven of these outfits and some of them will take these executives that want a vacation and go abroad—Chuck Flinner knows about it—and if they find an investment they pay their expenses. If they don't they come home and the AID agency reimburses them for that.

What does this one do, International Executive Service Corps? Where are they domiciled? Do they have an organization?

Mr. Dwinell. They are domiciled in New York.

Mr. PASSMAN. Do all of them stay and render their service in New York or branch out and go abroad?

Mr. DWINELL. They go abroad on request for short periods of time to provide advice on specific problems in which they have expertise.

Mr. PASSMAN. From whom?

Mr. DWINELL. From businesses in countries abroad who need their skills and their help in developing their own——

Mr. PASSMAN. This idea originated with these executives abroad or is this something thought up in the AID Agency?

Mr. DWINELL. This was originated, I believe, outside of our Agency.

Mr. PASSMAN. Was it foreign people who originated this idea or was it our people?

Mr. DWINELL. I believe it was our people. Two U.S. Senators Mr. Hartke and Mr. Javits, along with a group of American businessmen, presented the idea to AID 7 years ago.

Mr. PASSMAN. When these executives go abroad, who pays their expenses?

Mr. DWINELL. The organization itself, namely, the IESC.

Mr. PASSMAN. Is that organization under AID? Did they put up the money?

Mr. DWINELL. The International Executive Service Corps is a private organization which is funded partly by AID funds and partly by private funds. In fact, in 1972, when we were talking about $3.5 million of AID funds, it is also estimated there will be $2,900,000 of other funds.

Mr. PASSMAN. Out of other agencies?

Mr. DWINELL. No, from private contributions. The IESC annually receives funds from 200 American business corporations and 98 locally-owned businesses in the developing countries. There is also a substantial contribution from private foundations as well as the fees paid to——

Mr. PASSMAN. To drop the curtain on this particular part, you are going to utilize $3,500,000 for travel and expenses for executives going abroad?

Mr. DWINELL. That is correct.

Mr. PASSMAN. Tell us how many were sent abroad last year.

Mr. DWINELL. We had about 600 projects. I don't think that I have the exact number of executives who were involved. There are a large number available—IESC by the overseas businesses which receive their services. The IESC volunteer-businessman receives no compensation.

Mr. PASSMAN. This is going to be difficult to get and it may take a week of research and 50 pages in the record but we want the number of executives, what companies they came from, their names, where they left from and where they went to, when they came back, and what each one cost.

Mr. DWINELL. Yes, sir.

Mr. PASSMAN. We want also to know how many of these executives are presently active heads of companies, and the number of them who are retired, and making this wonderful service available to go abroad.

(The information follows:)

Number of Executives Sent Abroad Last Year;
Where They Came From, Went, Cost, Etc.

International Executive Service Corps

Managerial Assistance Projects

Completed in the Period July 1, 1970 to June 30, 1971

INTERNATIONAL EXECUTIVE SERVICE CORPS

Managerial assistance projects completed in the period July 1, 1970 to June 30, 1971

Karl F. Lehmann, retired Production Engineer-American Can Co., left Murray Hill, N.J. 3-31-70, began project in Iran for Chemico 4-2-70. Completed project & departed 7-1-70. Cost $8390

Eric Bulmer, Gen. Mgr. of Finance-Parks Canning Co., left Laguna Hills, Calif. 4-1-70, began project in Brazil for Compesca Companhia Brasileira de Pesca 4-2-70. Completed and departed 7-2-70. Cost $7999

David Tonff, retired Pres. Mars Dept. Stores, left Denver, Colo. 3-30-70, began project in Mexico for El Palacio de Hierro 3-31-70. Completed project & departed 7-2-70. Cost $6450

James Ewing, co-owner Keene Evening Sentinel, left Keene, N.H. 6-17-70, began project in Honduras for La Prensa 6-17-70. Completed project & departed 7-8-70. Cost $3045

Jas. Donaldson, retired Gen. Mgr.-Ball Bros. Co., Inc., left Pasadena, Calif. 4-9-70, began project in Brazil for Nadir Figueiredo 4-10-70. Completed project & departed 7-10-70. Cost $8015

Jas. Stroud, retired Foreman-Arabian American Oil, left Boca Raton, Fla. 4-10-70, began project in Nicaragua for Sovipe Ingenieros 4-13-70. Completed project & departed 7-11-70. Cost $6082

Donald Frazier, Mining Engineer now living in Singapore, began project there for Amco Metals Pte. Ltd. 6-15-70. Completed project on 7-14-70. Cost $2248

John Paul Stack, retired Mgr. Harvard Club, completed Continental Hotel project in Thailand 5-15-70, began Marakat Hotel project 5-16-70. Completed project & departed 8-15-70. Cost $4124

John Turner, retired Senior VP, Bibb Mfg. Co., left Macon, Ga. 5-15-70, began project in Greece for Antoniades-Thanassiades 5-19-70. Completed project & departed 7-15-70. Cost $5856

Thos. D. Clifford, retired Asst. to Chief Eng.-U.S. Steel, left Morrisville, Pa. 6-15-70, began project in Mexico for Aceros de Mexico 6-15-70. Completed project & departed 7-15-70. Cost $3172

K. M. Montgomery, retired Senior Partner of A. Andersen & Co., left Pt. Washington, N.Y. 5-26-70, began project in Indonesia for Madong Ent. Inc. 6-1-70. Completed project & departed 7-16-70. Cost $4283

Arnold Friedman, Architect-Robt. L. Bien Co., left New York, N.Y. 4-14-70, began project in Singapore for Hotel Merlin 4-17-70. Completed project & departed 7-16-70. Cost $4127

R. Bruce Wightman, retired VP-Falstaff Corp., left Naples, Fla. 4-25-70, began project in Cyprus for M. Chr. Platanis & Co. 4-27-70. Completed project & departed 7-16-70. Cost $7205

Arch Dixon, retired Plant Mgr.-American Can Co., left Neenah, Wis. 5-13-70, began project in Peru for Impreta El Candor 5-14-70. Completed project & departed 7-17-70. Cost $6169

W. W. Dreyfoos, retired Pres-Davison Paxon Co., left San Francisco, Calif. 4-15-70, began project in Brazil for Eletro-Radiobraz S.A. 4-16-70. Completed project & departed 7-18-70. Cost $8168

Geo. Westwood, retired Controller Amer. Insurance Co., left Chatham, N.J. 4-13-70, began project in Colombia for Seguros Bolivar 4-16-70. Completed project & departed 7-21-70. Cost $6619

Howard Dayton, owner H. Dayton Ent., left Daytona Beach, Fla. 6-22-70, began project in Panama for Coronado 6-22-70. Completed project & departed 7-23-70. Cost $3846

Colin Ward, retired Dir.-Shuflin & Curley, left Miami, Fla. 6-24-70, began project in Colombia for Integral, Ltda. 6-25-70. Completed project & departed 7-23-70. Cost $3061

Norbert Downs, retired Chief Financial Officer-Union Carbide Corp., left Fort Lauderdale, Fla. 5-3-70, began project in Panama for Envases Industriales S/A 5-4-70. Completed project & departed 7-24-70. Cost $6432

Elliott Owens, retired VP & GM-Owens-Illinois, left Hillsborough, Calif. 5-25-70, began project in Greece for Jioula S/A 5-26-70. Completed project & departed 7-24-70. Cost $6981

Valerie Boyer, retired Asst. Mgr.-Allentown Hospital, on completing another project in Greece, began project for Leto Clinic 5-23-70. Completed project & departed 7-24-70. Cost $2811

Frank Kostkowski, Professor of Food Science-Cornell University, left Ithaca, N.Y. 1-23-70, began project in Iran for Pars Cotton Ginning 1-28-70. Completed project & departed 7-25-70. Cost $13018

Wallace Allen, retired Mgr. Prod. & Inventory-Colgate Palmolive, left Burlington, Wis. 4-27-70, began project in Iran for Tolid Daru Co. 4-28-70. Completed project & departed 7-27-70. Cost $8899

R. Perez, Ind. Eng.-Bentley Knitwear Corp., left Forest Hills, N.Y. 7-19-70, began project in Panama for Tejidos & Confecciones 7-19-70. Completed project & departed 7-28-70. Cost $1888

Geo. Mourtzikos, Production Mgr.-Canandaigua Ind. Co., left Rochester, N.Y. 5-1 -70, began project in Greece for Brasserie Helenique 5-2-70. Completed project & departed 7-31-70. Cost $7001

John Voerman, retired Plant Mgr.-F. Jacobsen & Sons, left York, Pa.5-31-70, began project in Colombia for Fabrica Hildaldos 6-1-70. Completed project & departed 7-31-70. Cost $4681

Joseph Park, Prof. Chemistry-Colorado U., left Boulder, Colo. 6-13-70, began project in Korea for Korea Inst. Science & Technology 6-15-70. Completed project & departed 7-31-70. Cost $2873

K. H. Ostenfeld, retired Financial Analyst-Ford Co., completed refrigeracao project in Brazil 6-25-70, began project for Fios Ampara 6-26-70. Completed project 7-31-70 & started Nadir Fiqueriredo Industria project 8-3-70. Cost $3116

Sidney Wolf, retired Prof. N.Y. Univ., left Hillsdale, N.Y. 1-31-70, began project in Malaysia for Natl. Product. Centre 2-8-70. Completed project & departed 8-1-70. Cost $11317

Irving M. Roth, retired Project Mgr.-Slattery Const. Co., left Elmont, N.Y. 7-1-70, began project in Colombia for Ezequiel Pinski 7-2-70. Completed project & departed 8-1-70. Cost $3505

Victor Iborg, retired Ind. Eng.-Singer Sewing Machine Co., left St. Louis, Mo. 6-6-70, began project in Brazil for Industria de Roupas 6-8-70. Completed project & departed 8-1-70. Cost $5880

M. D. Kupler, retired owner of Marlee Fabrics, left New York, N.Y. 4-10-70, began project in Malaysia for Malaysian Government 4-16-70. Completed project 8-1-70 & departed for Singapore to undertake another IESC project. Cost $7547

Robert Steffen, retired Asst. V.P. Oprs.-Reuben H. Donnelley Corp., left Western Springs, Ill. 6-2-70, began project in Colombia for Publicar, Ltda. 6-3-70. Completed project & departed 8-2-70. Cost $5932

Walter Walkling, retired Chief Elect. Eng.-Ideal Cement, left Denver, Colo. 6-30-70, began project in Iran for Kerman Cement Co. 7-2-70. Completed project & departed 8-3-70. Cost $4356

John Wilson, retired Div. Mgr.-Erwin Mills, Inc., left Salisbury, N.C. 5-3-70, began project in Colombia for Fabrica de Hilados 5-4-70. Completed project & departed 8-3-70. Cost $5865

C. Morrisson, retired Adm. Mgr.-Gulf Oil Corp., left Austin, Texas 5-6-70, began project in Philippines for Paper Industries Corp., 5-7-70. Completed project & departed 8-3-70. Cost $6870

John Newton, retired Supt.-Dan River Mills, left Hendersonville, N.C. 5-3-70, began project in Singapore for Bingley Ltd. 5-6-70. Completed project & departed 8-5-70. Cost $5981

M. D. Kupler, retired owner of Marlee Fabrics, completed project in Malaysia 8-1-70 & began project in Singapore for Perfumes of Singapore 8-2-70. Completed project & departed 8-5-70. Cost $1448

Martin Shubik, active Prof. of Econ. of Organ.-Yale Univ., was already in Brazil and began project there for Fundacao Getulio Vargas 7-15-70. Completed project & departed 8-5-70. Cost $2879

George Booth, President-Geo. T. Booth & Son, Inc., left Tonawanda, N.Y. 7-7-70, began project in Iran for Iran Motor Oil Co. 7-10-70. Completed project & departed 8-6-70. Cost $5524

Nindo Louis Maino, retired VP of Operations-Greyhound Lines, Inc., left Vienna, Va. 4-7-70, began project in Colombia for Autobuses 4-8-70. Completed project & departed 8-7-70. Cost $7955

Esteban De Fedak, retired Dir. of Maint.-Inter. Hotels Corp., N.Y., left Caracas, Venezuela 7-7-70, began project in Colombia for Inversiones Promotora 7-8-70. Completed project & departed 8-10-70. Cost $3391

C.G.Krogness, retired VP-Robert Heller & Assoc., left Shaker Hgts., Ohio 6-10-70, began project in Colombia for FICITEC 6-11-70. Completed project & departed 8-11-70. Cost $5238

William Gamble, semi-retired Gen. Mgr.-Monarch Lumber Co., left Alemeda, Calif. 7-27-70, began project in Paraguay for Finap Financiera Piccolo 7-30-70. Completed project & departed 8-12-70. Cost $3071

Fred F. Birker, Pres.-Coast Machine Tool Co., left Newport Beach, Calif. 7-1-70, began project in Turkey for Dizelsan Dizel Pompa 7-6-70. Completed project & departed 8-12-70. Cost $5778

R. R. Arnstein, retired Research Specialst-Kaiser Alum., left Coolville, Ohio 4-11-70, began project in Malaysia for Century Plastics 4-13-70. Completed project 8-12-70 & began project for Poly-Paks. Cost $6064

Ralph Shaffer, retired VP-Sears, Roebuck & Co., left Phoenix, Ariz. 5-4-70, began project in Brazil for Gabriel Goncalves S/A 5-5-70. Completed project & departed 8-14-70. Cost $8856

M. S. Wigginton, retired Exec. VP-Genesco Inc., left Nashville, Tenn. 7-19-70, began project in Peru for Instituto Peruano de Administration 7-19-70. Completed project & departed 8-15-70. Cost $3949

Chas. Hood, retired VP Mfg.-Schmidt Lithograph, left Stuart, Fla. 5-29-70, began project in Greece for Aspioti Elka 5-30-70. Completed project & departed 8-17-70. Cost $7256

R. H. Pilson, retired Sales Engineer-Phelps Dodge, left Laguna Hills, Calif. 6-17-70, began project in Chile for Manufacturas de Cobre 6-18-70. Completed project & departed 8-17-70. Cost $6155

A. D. Burt, retired Mgr.-Radio Corp. of America, left Haddon Hgts., N.J. 6-17-70, began project in Colombia for Industrias Metalorna Electromotores 6-18-70. Completed project & departed 8-17-70. Cost $4396

Simon Collier, retired Dir. Qual. Cont.-Johns-Manville Corp., left 5-19-70, began project in Brazil for Asberit 5-20-70. Completed project & departed 8-19-70. Cost $7874

Lester Chandler, retired Professor Princeton Univ., left Atlanta, Ga. 6-3-70, began project in Iran for Ministry of Agric. Prods. 6-6-70. Completed project & departed 8-19-70. Cost $7846

Albert Nowak, retired Pres. of Nowak Warehouses, Inc., left Ft. Lauderdale, Fla. 7-17-70, began project in Guatemala for Industria y Comercio Textiles Rex 7-18-70. Completed project & departed 8-20-70. Cost $5374

Thos. Naylor, retired Prof. of Bus. Economics-Duke Univ., left Madison, Wis. 6-7-70, began project in Brazil for Funacao Getulio Vargas 6-13-70. Completed project & departed 8-20-70. Cost $6698

Lyman Thunfors, retired VP-Jenkins Bros., left Fairfield, Conn. 6-22-70, began project in Mexico for Fundicion Artisica 6-23-70. Completed project & departed 8-21-70. Cost $4733

Letson Coggan, retired Credit Mgr.-Sears, Roebuck, left Memphis, Tenn. 6-1-70, began project in Brazil for Eletro-Radiobraz 6-2-70. Completed project & departed 8-21-70. Cost $6854

H. A.J. Ralph, retired VP-Bank of America, left Atherton, Calif. 5-15-70, began project in Taiwan for First Comm'l Bank of Taiwan 5-22-70. Completed project & departed 8-21-70. Cost $7434

Dorothy Marsh, retired President-Marsh Tours, left N.Y., N.Y. 4-10-70, began project in Thailand for Tommie's Tourist Ag. 4-14-70. Completed project & departed 8-22-70. Cost $8476

H. W. Schmid, retired Gen. Mgr.-General Metals Corp., left Lakewood, Ohio 5-2-70, began project in Chile for Aceros Andes 5-4-70. Completed project & departed 8-23-70. Cost $7586

Harry Weber, Jr., VP-A.G. Becker & Co., left Hartsdale, N.Y. 7-25-70, began project in El Salvador for Financiero Roble 7-26-70. Completed project & departed 8-24-70. Cost $3108

Robt. Murphey, retired Pres.-Calif. & Western States Ins., left Palm Springs, Calif. 6-18-70, began project in Mexico for Seguros La Comercial 6-19-70. Completed project 8-26-70. Cost $5535

Jas. Aderhold, retired Tannery Mgr.-Interco, left Bolivar, Tenn. 5-27-70, began project in Turkey for Sumerbank Beykoz 5-29-70. Completed project & departed 8-27-70. Cost $7900

H. V. Appen, retired VP-J.A.Jones Const. Co., left Nashville, Tenn. 6-30-70, began project in Brazil for Construtora Jose Mendes Junior 7-1-70. Completed project & departed 8-27-70. Cost $5985

F. J. Berberich, VP-Amer. Standard, left Port Washington, N.Y. 7-14-70, began project in Lebanon for Lebanese Ceramic Inds. 7-16-70. Completed project & departed 8-27-70. Cost $4429

Tony N. Kom, Asst. Prof. Calif. State Polytechnic College, left L.A., Calif. 6-22-70, began project in Singapore for Ministry of Nat. Devel. 6-29-70. Completed project & departed 8-28-70. Cost $4226

Bert L. Hale, Former Dept. Mgr.-Litton Inds., in Singapore on other business, began project for Gammon South East Asia Berhad 6-29-70. Completed project & departed 8-28-70. Cost $5605

Harold Doster, retired Store Mgr.-Montgomery Ward, left Lakeland, Fla. 6-23-70, began project in Guatemala for Almacenes Paiz 6-24-70. Completed project & departed 8-30-70. Cost $5373

Jos. Dowling, retired Asst. VP-Johns-Manville, left Nutley, N.J. 8-2-70, began project in Honduras for Industria de la Construcion 8-3-70. Completed this project 8-30-70 & began a project for Empacadora Alus 8-31-70. Cost $3379

Junius Cooper, retired VP Finance-Delta Airlines, left Falmouth, Mass. 8-3-70, began project in Panama for Gillermo Tribaldos 8-17-70. Completed project & departed 8-30-70. Cost $1834

Douglas McArthur, Technical Engineer-Lockheed, left Sunnyvale, Calif. 7-31-70, began project in Peru for Instituto Peruana 8-1-70. Completed project 8-31-70 and then conducted 4-day seminar for Min. & Petrol, Soc. Cost $4438

Donald Caverly, retired President-Barth Engineering & Mfg. Co., left Old Saybrook, Conn. 4-19-70, began project in Malaysia for Indust. Devel. Authority 4-21-70. Completed project & departed 8-31-70. Cost $10506

Harold White, Pres.-Jas. P. White, left Palm Beach, Fla. 7-30-70, began project in Lebanon for St. Chas. City Center 7-31-70. Completed project & departed 8-31-70. Cost $3399

Robt. Baxter, Reg. Mgr.-Sheraton Corp., left Atlanta, Ga. 6-15-70, began project in Morocco for Samir Hotel 6-16-70. Completed project & departed 9-3-70. Cost $4763

K.H. Ostenfeld, retired Financial Analyst-Ford Co., completed Fios Ampara project in Brazil 7-31-70 & began project for Nadir Fiqueriredo 8-3-70. Completed project 9-4-70. Cost $3143

Ray Faltinson, retired Dir.Operations-Texas Highway Dept., left Austin, Texas 6-2-70, began project in Korea for Korea Highway Corp. 6-4-70. Completed project & departed 9-4-70. Cost $8540

Maurice Samsel, retired VP-Alco Gravure, left Elmhurst, Ill. 6-9-70, began project in Argentina for Compania General Fabril Dinanciera 6-11-70. Completed project & departed 9-4-70. Cost $7436

John Sherman, retired Researcher-Procter & Gamble, left Cape Coral, Fla. 5-29-70, began project in Korea for Lucky Chemicals 6-1-70. Completed project & departed 9-4-70. Cost $8337

Lenning Davis, retired Asst. Controller-PPG Ind., left Pittsburgh, Pa. 4-27-70, began project in Greece for Athens Paper Mill 4-28-70. Completed project & departed 9-5-70. Cost $9491

K. Welker, retired Chief Geologist-Cyprus Mines, left El Cajon, Calif. 5-17-70, began project in Philippines for Mineral Devel. Corp. 5-18-70. Completed project & departed 9-6-70. Cost $8519

Walter Herren, retired Dir. Ind. Eng.-Remington Rand, left Pompano Beach, Fla., 6-8-70, began project in Korea for Korean Traders Assoc. 6-10-70. Completed project & departed 9-8-70. Cost $8437

John Kress, retired Pres.-Purity Bakeries, left Tequista, Fla. 8-9-70, began project in Colombia for Panaderia Galleteria 8-9-70. Completed project & departed 9-9-70. Cost $3795

Harold Kiefer, retired Sr. VP-Aetna Insurance Co., left Old Saybrook, Conn. 6-23-70, began project in Panama for Cia Panamena de Seguros 6-24-70. Completed project & departed 9-9-70. Cost $6060

Philip Bear, retired GM-Sears, Roebuck, left Sun City, Ariz. 7-27-70, began project in El Salvador 7-28-70. Completed project & departed 9-10-70. Cost $4164

Harold Austin, retired Mgr.Auditing-Caltex, left Moraga, Calif. 6-9-70, began project in Korea for Samho Group 6-12-70. Completed project & departed 9-12-70. Cost $7789

C. A. Budnik, retired Sales Rep.-Ebasco Services, on completing Gammon Sendirian project in Singapore 4-13-70, began project for Gammon S.E. Asia 4-14-70. Completed project 9-13-70. Cost $8401

Carl H. Gans, Asst. VP-Pan Pacific Overseas Corp., left New York City 5-30-70, began project in Malaysia for Universal Veneer Prods. 6-15-70. Completed project & departed 9-15-70. Cost $5825

John Paul Stack, retired Mgr. Harvard Club, completed project for Marakat Hotel in Thailand 8-15-70, began project for Grace Hotel 8-16-70. Completed project 9-15-70 & began project for Sakol Hotel. Cost $2737

K. M. Montgomery, retired Partner-Arthur Anderson Co., completed Madong project in Indonesia 7-16-70 & began Dept. of Trade project 7-17-70. Completed project & departed 9-16-70. Cost $3498

Junius Cooper, retired VP Finance-Delta Airlines, left Surf City, N.C. 8-3-70, began project in Panama for Creditos y Servicios 8-3-70. Completed project & departed 9-16-70. Cost $3584

K. Kostenbader, retired Supt. of Foundries-Bethlehem Steel, left Bethlehem, Pa. 8-25-70, began project in Mexico for Cia Fundidora 8-26-70. Completed project & departed 9-17-70. Cost $2505

Karl Weber, retired Pres.-Weber Showcase & Fixture, left Rancho Santa Fe, Calif. 9-1-70, began project in Mexico for Productors Rogil 9-2-70. Completed project & departed 9-18-70. Cost $2746

K. C. Hardwicke, retired VP Technical Serv.-Libby, McNeil, left Vero Beach, Fla. 6-20-70, began project in Turkey for Vatan Konserve 6-25-70. Completed project 9-24-70. Cost $7412

George Patton, retired Head of Product Development for General Foods, left Red Bank, N.J. 6-23-70, began project in Guatemala for Alimentos y Conservas 6-24-70. Completed project & departed 9-24-70. Cost $4525

Leo Kogan, retired Dir. Mfg.-Monsanto, left Los Angeles, Calif. 7-16-70, began project in Brazil for Companhia Carioca 7-20-70. Completed project & departed 9-26-70. Cost $5684

Wm. Schaum, retired GM-Punta Alegre Sugar Corp., left Sarasota, Fla. 7-8-70, began project in Mexico for Impulsora de La Cuenca 7-9-70. Completed project & departed 9-26-70. Cost $4394

Robt. Kyle, retired Exec. VP-Amer. Chicle Co., left Manhasset, N.Y. 8-16-70, began project in Peru for Instituto Peruano 8-17-70. Completed project 9-26-70. Cost $3297

John McKiernan, retired Pres.-National Coffee Assoc., left N.Y.C. 8-16-70, began project in Peru for Instituto Peruano 8-16-70. Completed project & departed 9-11-70. Cost $4192

Jas. Larrimore, retired Asst. to Pres.-Sunshine Biscuits, Inc., left Gt. Neck, N.Y. 7-19-70, began project in Peru for Productos Chipy 7-19-70. Completed project & departed 9-26-70. Cost $6192

Jos. Dowling, retired Asst. VP-Johns-Manville, on completing project in Honduras for Industria Construcion 8-30-70, began project for Empacadora Alus 8-31-70. Completed 2nd project 9-28-70. Cost $2731

Robert Chandler, retired, left Bend, Oregon 8-10-70, began project in El Salvador for Editora "El Mundo" 8-11-70. Completed project & departed 9-28-70. Cost $4831

John Barnett, Computer Technologist, left Steamboat Springs, Colo. 7-19-70, began project in Brazil for Artex Fabrica 7-21-70. Completed project & departed 9-28-70. Cost $6395

Frances Carpenter, retired Cotton Technologist, left Clemson, S.C. 6-1-70, began project for Philippine Textile Research Inst. 7-16-70. Completed project & departed 9-29-70. Cost $4603 (Visited Japan enroute at own expense.)

W. A. Graham, retired Technician-Revere Copper & Brass, left Wilmette, Ill. 7-12-70, began project in Argentina for Guillermo-Decker 7-13-70. Completed project & departed 9-29-70. Cost $7387

Ruby Worner, retired Research Specialist-So. Utilization Research, left New Orleans 6-30-70, began project in Philippines for the Textile Research Inst. 7-2-70. Completed project 9-29-70. Cost $5333

Festus Smith, retired Supt. Maintenance-Georgia Pacific, left Willsboro, N.Y. 7-7-70, began project in Greece for Athens Paper Mill 7-8-70. Completed project & departed 9-30-70. Cost $7191

John Paul Stack, retired Mgr. Harvard Club, completed Grace Hotel project in Thailand 9-15-70 & began Sakol Hotel project 9-16-70. Completed project & departed 9-30-70. Cost $2048

R.S.Ruth, retired Systems Analyst-Rem. Rand, left Sylvania, Ohio 5-1-70, began project in Chile for Banco de Credito 5-4-70. Completed project & departed 9-30-70. Cost $8024

Roger Johnson, retired Marketing Dir. Singer Co., resident of Singapore, began project there for Siong Hoe Confectionery 7-15-70. Completed project 9-30-70. Cost $4873

Lee Nemlich, VP-Regan Furniture, left Croton-on-Hudson, N.Y. 8-17-70, began project in Brazil for Sudeste 8-18-70. Completed project & departed 10-1-70. Cost $7084

Herbert Rothschild, retired Merchandise Mgr.-Helene Curtis, left Rochester, N.Y. 6-12-70, began project in Peru for Produtos Favel 6-13-70. Completed project & departed 10-14-70. Cost $7567

Alvin Fleishman, retired Supt. of Printing-Specialty Papers Co., left Miamisburg, Ohio 4-7-70, began project in Peru for Peruplast 4-8-70. Completed project & departed 10-3-70. Cost $12065

Edward W. Hill, retired VP-Majestic Iron & Steel, left New York City 8-20-70, began project in Brazil for Companhia Metropolitana 8-21-70. Completed project & departed 10-21-70. Cost $4841

George Solomon, retired VP-United Merchants & Manufacturers, left Buenos Aires, Argentina 7-26-70, began project in Turkey for Mensucat Santral 7-28-70. Completed project & departed 10-8-70. Cost $6394

Frank K. Savage, Owner of own business, left Kalamazoo, Mich. 7-14-70, began project in Turkey 7-16-70 for Boru Sanayii Anonim Sirketi. Completed project & departed 10-15-70. Cost $7352

Stanley Brockington, retired Chief Chemist-Quaker Oats, left Barrington, Ill. 6-20-70, began project in Philippines for Universal Corn Products 6-23-70. Completed project & departed 10-10-70. Cost $8598

Joseph Marriott, retired Regional Administrator for CAA, left Escondido, Calif. 7-3-70, began project in Indonesia 7-8-70 for Merpati Nusantara Airlines. Completed project & departed 10-18-70. Cost $7928

Ralph Morgen, retired Dir. of R&D-Purdue University, left Delray Beach, Fla. 7-14-70, began project in Colombia for the University of Bogota 7-15-70. Completed project & departed 10-14-70. Cost $6450

Emery Kleinman, retired Chairman-Majestic Specialties, left N.Y.C. 9-14-70, began project in Colombia for Leon Kadoch & Cia 9-15-70. Completed project & departed 10-7-70. Cost $2385

Arnold Friedmann, retired Proj. Architect-Robert L. Bien Co., already in Singapore, began project for Polon Enterprises 7-17-70. Completed project & departed 10-16-70. Cost $5588

Horace Palmer, retired Sr. VP-Philip Carey Corp., left Mt. Dora, Fla. 8-1-70, began project in Colombia for Laminas del Caribe 8-2-70. Completed project & departed 10-31-70. Cost $6176

Julius F. Price, retired Asst.Gen.Supt.-American Crystal Sugar Co., left Denver, Colo. 8-31-70, began project in Colombia for Manuelita 9-1-70. Completed project & departed 10-26-70. Cost $4810

Howard Oldham, retired Gen. Mgr.-Horn & Hardart Co., left Raleigh, N.C. 9-1-70, began project in Colombia for Gran Cadena de Almacenes 9-2-70. Completed project & departed 10-31-70. Cost $4819

George Fazio, Pres. own company, left Fort Washington, Pa. 10-15-70, began project in Costa Rica 10-16-70 for Compania Immobiliaria Las Jardines. Completed project & departed 10-26-70. Cost $1954

Cecil R. Moss, Pres.-Moss Construction Co., left Beverly Hills, Calif. 6-15-70, began project in Nicaragua for General Construction Contractors 6-20-70. Completed project & departed 10-30-70. Cost $8546

Auxilius Schnyder, retired Consulting Engr.-George F. Hardy, left Teaneck, N.J. 10-4-70, began project in Mexico for Celulosa de Chihuahua 10-5-70. Completed project & departed 10-18-70. Cost $2208

Frederic Gray, retired Prod. Mgr.-Sunshine Biscuit Co., left Dayton, Ohio 8-10-70, began project in Philippines for Consolidated Foods Corp. 8-12-70. Completed project & departed 10-30-70. Cost $6401

Julius Torok, retired Engr.-Owens Illinois, left Toledo, Ohio 7-18-70, began project in Philippines 7-20-70 for Union Glass & Container. Completed project & departed 10-21-70. Cost $7243

Olaf Rove, retired Chief Geologist-Union Carbide Corp., left Riverside, Conn. 9-7-70, began project in West Malaysia for Lombong Magu Sendirian Berhad 9-11-70. Completed project & departed 10-10-70. Cost $7971

L.C. Robertson, retired VP-Newport News Shipbuilding, left Newport News, Va. 7-30-70, began project in Singapore for Westbank Shipyard 8-1-70. Completed project & departed 10-31-70. Cost $8050

George Clark, retired Pres.-Southern Pacific Transport, left Houston, Tex. 8-1-70, began project in Indonesia for Masayu Trading 8-1-70. Completed project & departed 10-5-70. Cost $8251

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R.D. Satterley, retired Gen. Mgr.-Inland Steel, left Ishpeming, Mich. 9-1-70, began project in Tunisia for Compagnie des Phosphates 9-2-70. Completed project & departed 10-1-70. Cost $4380

Volsin Montie, retired Gen. Mgr.-John Deere Co., left Atlanta, Ga. 8-30-70, began project in Guatemala for Tecnica Universal 9-1-70. Completed project & departed 10-30-70. Cost $4840

Homer Garrison, retired Chief Metallurgist-Oklahoma Steel Castings, left Tulsa, Okla. 9-27-70, began project in Mexico for Grupo Acero Hylsa 9-28-70. Completed project & departed 10-30-70. Cost $3174

E. Bryon Davis, retired VP-Ideal Roller & Mfg. Co., left River Forest, Ill. 8-29-70, began project in El Salvador for Industrias Mike 8-30-70. Completed project & departed 10-26-70. Cost $4861

J.F. Sheehan, retired Treas.-United Piece Dye Works, left Rutherford, N.J. 8-3-70, began project in Costa Rica for Mfa. de Mantas y Sacos 8-4-70. Completed project & departed 10-2-70. Cost $3514

Alfred Burgess, Gen.Mgr.Mfg.-Dominion Textile Co., left Plymouth, Mass. 9-17-70, began project in Mexico for Sedas Real 9-18-70. Completed project & departed 10-24-70. Cost $3767

Robt. Hoffman, retired Dir. Public Rel.-Brisacher, Wheeler & Stapp, left San. Fran., Calif. 3-17-70, began project in El Salvador for Ministry 3-18-70. Completed project & departed 10-16-70. Cost $10403

Wm. Decker, retired Pres. Corning Glass, left Corning, N.Y. 9-13-70, began project in Mexico for Grupo Cydsa 9-14-70, Completed project & departed 10-1-70. Cost $2257

Jos. Woppman, Plant Mgr.-Garlock Inc., left Lakeworth, Fla. 7-13-70, began project in Korea for Kyungsung Spinning Co. 7-16-70. Completed project & departed 10-16-70. Cost $8467

Eugene Cohen, Pres. Pittsburgh Aluminum Alloys, left Murraysville, Pa. 9-25-70, began project in Greece for Viohalco Aluminum 9-28-70. Completed project & departed 10-19-70. Cost $4392

James Gara, retired Engineer-Sears Roebuck & Co., left Norfolk, Va. 9-1-70, began project in Iran for Foroushgahe Bozorge Iran Co. 9-5-70. Completed project & departed 10-30-70. Cost $6834

J. Palmer Camm, retired Engineer-Universal Atlas Cement, left Scarsdale, N.Y. 9-15-70, began project in Turkey for Batl Anadolu Cimento 9-18-70. Completed project & departed 10-30-70. Cost $4866

Stanley Weir, retired Mgr.-St. Louis Packing Co., left Palo Alto, Calif. 6-29-70, began project in Argentina for Corp. Argentina de Productores 6-30-70. Completed project 10-4-70. Cost $8661

John Seaman, retired Group Operations Mgr.-Gen. Foods Corp., left Mt. Vernon, Wash. 9-25-70, began project in Yugoslavia for Poljoprivredni Kombinat Beograd 9-26-70. Completed & departed project 10-30-70. Cost $4963

Leland H. Logue, Engineer, left Denver, Colo. 10-7-70, began project in Turkey for Turkiye Sise Fabrik. 10-8-70. Completed project & departed 11-3-70. Cost $3100

Dwight Palmer, retired Pres.-Archer Mills, left Largo, Fla. 10-7-70, began project in Guatemala for Nylontex 10-8-70. Completed project & departed 11-5-70. Cost $3127

John Green, retired VP Mfg.-P.H. Hanes Knitting, left Winston-Salem, N.C. 7-16-70, began project in Philippines for Universal Tricot Mills 7-23-70. Completed project & departed 11-10-70. Cost $9024

Arnold Jensen, retired from own business, left Leonardo, N.J. 10-14-70, began project in Costa Rica for Cinta Azul 10-15-70. Completed project 11-10-70 & departed. Cost $3426

Geo. S. Hill, retired Project Engineer-Gen. Electric, left Anchorage, Ky. 8-21-70, began project in Iran for S.S. Pars America 8-22-70. Completed project & departed 11-10-70. Cost $7845

Marvin Lasky, Ch. of Bd.-Capitol Brands, left Indianapolis, Ind. 10-13-70, began project in Panama for Distiladora Nacional 10-14-70. Completed project & departed 11-11-70. Cost $3510

George Gribbin, retired Ch. of Bd.-Young & Rubicam, left Greenwich, Conn. 10-9-70, began project in Taiwan for Tatung Engr. 10-12-70. Completed project & departed 11-11-70. Cost $5030

Carl Hickerson, retired Pres. Permian Brine Sales & Service, left Martha, Okla. 1 -27-70,began project in Colombia for Concesion de Salinas 1 -28-70.Completed project &departed 11-12-70. Cost $7420
(Project was recessed from 3-23-70 to 10-7-70)

James Gahan, retired VP-Production-Metro Glass, left Union, N.J. 9-14-70, began project in Turkey for Turkiye Sise ve Cam Fabrikalai 9-16-70. Completed project & departed 11-13-70, Cost $5323

Monroe Green, retired VP-New York Times, left Palm Beach, Fla. 9-9-70, began project in Israel for Yedioth Ahronot 9-14-70. Completed project & departed 11-13-70. Cost $7292

Walter Schimmel, retired Owner-Lassen Motor Hotel, left Wichita, Kans. 9-9-70, began project in Brazil for Hoteis Othon 9-10-70. Completed project & departed 11-14-70. Cost $5790

Edward Triebe, Chairman-Kingsport Press, left Kingsport, Tenn. 9-14-70, began project in Colombia for De Bedout Del Valle 9-15-70. Completed project & departed 11-14-70. Cost $3301

Jerome Darrow, retired VP-Young & Rubicam, left Brooks, Me. 9-2-70, began project in Nicaragua for Producciones Empresariales Publicitarias 9-3-70. Completed project & departed 11-15-70. Cost $6130

Clarence Hardie, retired Mgr.-Lawrence Warehouse Co., left Walnut Creek, Calif. 8-14-70, began project in Taiwan for Kaohsiung E port Processing 8-17-70. Completed project & departed 11-15-70. Cost $7114

Warren Lothrop, retired VP of R&D-Armour & Co., left Wilmette, Ill. 10-8-70, began project in Argentina for Corp. Argentina de Productores 10-8-70. Completed project 11-16-70. Cost $4947

Francis Finn, retired VP Intl. Dept.-Marine Midland Grace, left Upper Montclair, N.J. 10-5-70, began project in Mexico for Banco Nacional de Comercio 10-6-70. Completed project & departed 11-19-70. Cost $4618

C. V. Scarich, VP Sales-American Express, in Europe at own expense, began project in Greece for Vianyl 9-1-70. Completed & departed project 11-20-70. Cost $5186

Wm. Robertson, retired VP Riegel Textile Corp., left Greenville, S.C. 10-26-70, began project in El Salvador for Safie Hermanos 10-27-70. Completed project & departed 11-20-70. Cost $3079

Charles Van Way, retired Dean of Students-American University, left Washington,D.C. 7-22-70, began project in Thailand for Thanawat Business School 7-25-70. Completed project & departed 11-21-70. Cost $9781

Howard E. Whitaker, retired Pres.-Mead Corp., left Chillicothe, Ohio 9-16-70, began project in Mexico for Duraplay de Parral 9-17-70. Completed project & departed 11-22-70. Cost $3246

Berchal Monteith, G.M.-Tillamook Veneer, left Marysville, Wash. 9-15-70, began project in Malaysia for Sandakan Plywood 9-18-70. Completed project & departed 11-24-70. Cost $7678

Harry H. Landes, Partner-Landes & Landes, left Wooster, Ohio 8-13-70, began project in Singapore for Development Bank of Singapore 8-15-70. Completed project & departed 11-25-70. Cost $8378

Marion Farmer, retired Exec. VP-Abbey Unit, left L.A., Calif. 9-16-70, began project in Lebanon for Les Fils de Raffoul Boutros 9-18-70. Completed project & departed 11-26-70. Cost $7741

Kenneth Arthur, Area Mgr.-Int. Minerals & Chem., left Rapid City, S.D. 11-9-70, began project in Mexico for Arcillas Industriales 11-10-70. Completed project & departed 11-26-70. Cost $2914

Wm. McKinley, retired VP-Metro. Life, left Darien, Conn. 8-24-70, began project in Tunisia for Societe Tunisienne 9-1-70. Completed project & departed 11-27-70. Cost $6807

Carl Clausen, retired Dir. of Mfg.-Portland Cement Assn, left Croton-on-Hudson, N.Y. 7-26-70, began project in Indonesia for P.T.Semen Gresik 7-31-70. Completed project & departed 11-27-70. Cost $6578

Ray Graves, retired Plant Mgr.-Universal Atlas Cement, left Waco, Tex. 8-10-70, began project in Indonesia for P.T.Semen Gresik 8-12-70. Completed project & departed 11-27-70. Cost $6323

Robert S. Young, retired VP Mfg.-Hammermill Paper, left Erie, Pa. 8-30-70, began project in Greece for Athens Paper Mill 9-1-70. Completed project & departed 11-28-70. Cost $7321

George F. Wiley, retired VP-Engr.-Ideal Cement, left Wheat Ridge, Colo. 9-1-70, began project in Philippines for Filipinas Cement 9-3-70. Completed project & departed 11-28-70. Cost $7552

B. J. Bland, retired Group Mgr.-Burlington Ind., left Charlotte, N.C. 10-1-70, began project in Guatemala for Passarelli y Cia 10-2-70. Completed project & departed 11-28-70. Cost $5051

Dean Ziegel, retired Dir. of Operations-A&P Co., left Brighton, Mich. 10-15-70, began project in Costa Rica for La Gran Via 10-16-70. Completed project & departed 11-28-70. Cost $3152

Wilfred Groves, retired Ind. Eng.-Eaton Yale & Towne, Inc., left Stamford, Conn. 6-14-70, began project in Brazil for Metalurgica 6-15-70. Completed project & departed 11-28-70. Cost $11485

James Tyrrell, retired Pres.-Pacific Inland Express, left La Quinta, Calif. 9-30-70, began project in Colombia for Carvajal & Cia 10-1-70. Completed project & departed 11-28-70. Cost $4946

Robert Gibbons, retired Supt. of Plant Engrg.-General Motors, left North Olmstead, Ohio 10-18-70, began project in Mexico for Disenos e Implementos 10-19-70. Completed project & departed 11-29-70. Cost $3267

Irving Vogel, retired VP of Chase Manhattan, left Passaic, N.J. 10-17-70, began project in Honduras for Banco Financiere Hondurena 10-18-70. Completed project & departed 11-29-70. Cost $4179

Owen T. Jones, retired Senior VP-Wells Fargo Bank, left San Mateo, Calif. 8-28-70, began project in Taiwan for Chang Hwo Commercial Bank 9-1-70. Completed project & departed 11-30-70. Cost $7095

Chas. Wood, retired VP Mfg.-Schmidt Lithograph, left Stuart, Fla. 10-2-70, began project in Greece for Aspioti Elka 10-5-70. Completed project & departed 11-30-70. Cost $5892

Charles Cooper, Polymer & Paper Technologist-Batelle Memorial Inst., left Worthington, Ohio 10-10-70, began project in Peru for Envolturas Industriales 10-11-70. Completed project & departed 11-30-70. Cost $5186

Joseph Norton, retired Pres.-Pacolet Industries, left Gaffney,S.C. 9-21-70, began project in Hong Kong for South Sea Textile Mfg. 9-30-70. Completed project & departed 11-30-70. Cost $7089

Lester Bettes, retired VP-Production-Societe Candy Co., left Seattle, Wash. 8-29-70, began project in Korea for Tong Yang Co. 9-1-70. Completed project & departed 11-30-70. Cost $7823

A. D. Carlson, Sec.Treas.-Rathburn Molding Co., left Salamanca, N.Y. 8-18-70, began project in Costa Rica for La Artistica 8-19-70. Completed project & departed 11-30-70. Cost $7109

Herloff Braaten, retired Design Engr.-Masonite Corp., left Laurel, Miss. 10-20-70, began project in Colombia for Laminas del Caribe 10-22-70. Completed project & departed 11-30-70. Cost $2750

Leo Kogan, retired Pres.-Ryko Products, left Los Angeles, Calif. 11-14-70, began project in Colombia for Grifos & Valvulas 11-15-70. Completed project & departed 11-30-70. Cost $2326

Sumner Eshelman, retired VP-Sales-H.H. Keim Co., left Nampa, Id. 8-3-70, began project in Brazil for Eletro-Radiobraz 8-4-70. Completed project & departed 11-30-70. Cost $9592

Robt. Fox, retired Dir. of Personnel-Stauffer Chemical, left Walnut Creek, Calif. 8-30-70, began project in Korea for Samho Group 9-3-70. Completed project & departed 12-1-70. Cost $8329

Frank Moran, retired VP-S.E. Nat'l. Bank of Chicago, left Indianapolis, Ind. 6-10-70, began project in Malaysia for United Malayian Banking 6-13-70. Completed project & departed 12-2-70, Cost $12085

M. R. McCorkle, retired VP-Armour Ind. Chem. Co., left Oswego, Ill. 9-29-70, began project in Iran for Kaf Co. 10-1-70. Completed project & departed 12-2-70. Cost $7013

B. E. Brooks, retired VP-Olin Kratt, left W. Monroe, La. 8-20-70, began project in Taiwan for Prov. Fed. Fruit Mktg. Coops 8-21-70. Completed project & departed 12-3-70. Cost $8428

Albert Lehman, retired Supt.Melting Dept.-Bethlehem Steel Corp., left Center Valley, Pa. 11-2-70, began project in Mexico for Grupo Acero Hylsa 11-3-70. Completed project & departed 12-3-70. Cost $3409

John A. Ratekin, retired Plant Mgr.-Holly Sugar Co., left Fremont, Calif. 10-4-70, began project in Iran for Ghazvin Sugar 10-6-70. Completed project & departed 12-3-70. Cost $7494

Henry C. Miller, retired VP Operations-Emerson Electric Co., left Forsyth, Mo. 11-4-70, began project in Argentina for Siam di Tella 11-6-70. Completed project & departed 12-4-70. Cost $4498

Jos. Hannan, retired Exec. VP-Bank of New York, left New York, N.Y. 8-24-70, began project in Indonesia for Bank of Negara 8-31-70. Completed project & departed 12-4-70. Cost $9130

Harry Pence, retired VP Overseas Affairs-Deere & Co., left Moline, Ill. 10-26-70, began project in El Salvador for Quinonez Hermanos, 10-27-70. Completed project & departed 12-4-70. Cost $3899

L. S. Frantz, retired VP-Loblaw Inc., left Hamburg, N.Y. 9-19-70, began project in Peru for Scala 9-20-70. Completed & departed project 12-4-70. Cost $6007

James W. Warren, retired Dir. of Mfg.-AMF, left Saco, Me. 10-3-70, began project in Brazil for Brasinca-Ferramentaria-Carrocerias-Veiculos 10-4-70. Completed project 12-4-70. Cost. $6316

Alvin Blount, retired Nat'l. Sales Mgr.-Safeway Stores, left Walnut Creek, Calif. 8-4-70, began project in Brazil for Supermercados Pao de Acucar 8-5-70. Completed project & departed 12-4-70. Cost $9615

Chas. Knobeloch, retired Foundry Eng.-R. Lavin & Sons, left Lake Havasu City, Ariz. 10-5-70, began project in Brazil for Oficina Zanini 10-6-70. Completed project & departed 12-4-70. Cost $6500

E. W. Wilson, retired Pres. Armour & Co., left River Forest, Ill. 11-5-70, began project in Yugoslavia for PKB 11-6-70. Completed project & departed 12/5/70. Cost $3587

H. T. Allen, retired VP-Forsythe Mills, left Macon, Ga. 10-18-70, began project in Peru for Sociedad Anonima Fabrica 10-18-70. Completed project & departed 12-5-70. Cost $5572

Otto Berwind, retired Store Mgr.-Sears, Roebuck & Co., left Pittsburgh, Pa. 9-20-70, began project in Peru for Scale 9-21-70. Completed project & departed 12-5-70. Cost $6654

John Spence, retired CPA of Atlanta, Ga., on completing one project in Singapore, began project for Inland Revenue Dept. 6-7-70. Completed and began another 12-6-70. Cost $9121

T. D. Clifford, retired Asst. Chief Eng.-U.S.Steel, left Morrisville, Pa. 10-19-70, began project in Brazil for Siderurgica Riograndense 10-21-70. Completed project & departed 12-7-70. Cost $5122

Ernest Krafft, retired Plant Engr. for Viko Furniture, left Olean, N.Y. 10-25-70, began project in Mexico for Industrias y Artesanias 10-26-70. Completed project & departed 12-7-70. Cost $4012

W. T. Clarke, retired Chief Chemist-Rockwood & Co., left Hershey, Pa. 8-28-70, began project in Korea for Tong Yang Confectionery 8-31-70. Completed project & departed 12-8-70. Cost $6318

T. S. Wood, retired VP-Corning Glass, left Corning, N.Y. 10-7-70, began project in Panama for Viorios Panamenos 10-7-70. Completed project & departed 12-8-70. Cost $5679

A.E. Hackbarth, retired Compt.-St. Regis Paper, left Wilmette, Ill. 10-13-70, began project in Panama for Papeleras Consolidadas 10-13-70. Completed project & departed 12-9-70. Cost $5246

John Gates, retired Dir. of Sales-TRW, Inc., left San Diego, Calif. 10-13-70, began project in Brazil for Auto-Asbestos 10-14-70. Completed project & departed 12-9-70. Cost $6521

J. G. Mathias, Pres. Delaware Paving Corp., left Williamsville, N.Y. 10-20-70, began project in Nicaragua for Sovipe Ingenieros 10-21-70. Completed project & departed 12-9-70. Cost $4350

D. J. Glenister, retired Dir. Purchasing-Armour & Co., left Chicago, Ill. 10-13-70, began project in Panama for Papeleras Consolidadas 10-13-70. Completed project & departed 12-10-70. Cost $4032

E. A. LaGrelius, retired Plant Mgr.-Eastern Stainless Steer, left St. Petersburg, Fla. 9-9-70, began project in Korea for Hankook Co. 9-11-70. Completed project & departed 12-11-70. Cost $8328

Geo. Douglas, retired Operating Executive-Mead Corp., left Escanaba, Mich. 9-12-70, began project in Korea for Kye Sung Paper 9-14-70. Completed project & departed 12-11-70. Cost $8311

Ronald Manuel, retired VP-Frigorifico Wilson de Brazil, left Walnut Creek, Calif. 11-20-70, began project in El Salvador for Mataderos de El Salvador 11-21-70. Completed project & departed 12-11-70. Cost $3137

C. W. Kaufman, retired Pres. of R&D-Kraftco, left Tucson, Ariz. 9-4-70, began project in Colombia for Lacteos Colombranos 9-4-70. Completed project & departed 12-11-70. Cost $7402

John F. Lux, retired VP Mfg.-Buffalo China Co., left Buffalo, N.Y. 9-14-70, began project in Colombia for Lorina Colombiana 9-15-70. Completed project & departed 12-11-70. Cost $5499

E. H. Ryer, VP-Jos. J. Lacy, Inc., left Glyndon, Md. 9-9-70, began project in Korea for Hankook Machine Ind. 9-11-70. Completed project & departed 12-11-70. Cost $8720

Oscar Wederbrand, retired Sales Mgr. -Rohm & Haas, left Haddonfield, N.J. 9-13-70, began project in Greece for E. N. Sourlanges, Ltd. 9-15-70. Completed project & departed 12-12-70. Cost $6846

Carroll B. Strohm, retired Pres.-Breeko Industries, left Nashville, Tenn. 9-30-70, began project in Mexico for Presforzados Mexicanos 10-1-70. Completed project & departed 12-12-70. Cost $6123

R. R. Arnstein, retired Research Specialist-Kaiser Alum., completed Century Plastics project in Singapore 8-12-70 & began Poly-Pans project 8-13-70. Completed project & departed 12-12-70. Cost $10478

Louis Unfried, retired Pres.-Steck Co., left Austin, Tex. 9-3-70, began project in Argentina for Compania General Fabril Financiera 9-5-70. Completed project & departed 12-13-70. Cost $8036

Wm. C. Skarda, retired Operations Super.-Lever Bros., left Whittier, Calif. 11-10-70, began project in Israel for Teth Beth 11-16-70. Completed project & departed 12-14-70. Cost $5393

Cass A. Budnik, retired Construction Eng., on completing project for Gammon SE Asia 9-13-70 in Singapore, began project for Gammon Sendirian 9-14-70. Completed project & departed 12-14-70. Cost $5855

W. S. Smith, retired Engineer-West Point-Pepperell, left West Point, Ga. 10-21-70, began project in Brazil for Artex Fabrica 10-23-70. Completed project & departed 12-14-70. Cost $5281

A. D. Burt, retired Mgr.-RCA, left Haddon Hgts., N.J. 10-20-70, began project in Colombia for Ind. Metalorna Electromotores 10-20-70. Completed project & departed 12-14-70. Cost $4636

Jas. Stradley, retired Asst. Mgr.-E.I.DuPont, left Cumming, Ga. 9-12-70, began project in Korea for Korean Traders Association 9-15-70. Completed project & departed 12-15-70. Cost $8339

Mason Hinkle, retired Prod. Mgr.-Mead Corp., left Chillicothe, Ohio, 9-9-70, began project in Taiwan for Taiwan Pulp & Paper 9-11-70. Completed project & departed 12-15-70. Cost $7175

Geo. Harvey, retired Chief Admin. Officer-Tampa Tribune, left Tampa, Fla. 11-24-70, began project in Mexico for Television Independiente 11-25-70. Completed project & departed 12-15-70. Cost $2621

Jos. Jones, retired Product Mgr.-So. Dyestuff, left Charlotte, N.C. 8-25-70, began project in Philippines for Lirag Textile Mills 8-28-70. Completed project & departed 12-15-70. Cost $8517

Chas. Hutchins, Elec.Eng., left Bradford PA 8-30 began project in Tunisia for SACEM 9-1-70. Completed project & departed 12-15-70. Cost $8201

Jas. Parker, retired Div. Compt.-Int'l. Harvester, left Evanston, Ill. 9-14-70, began project in Korea for Korea Highway Corp. 9-17-70. Completed project & departed 12-15-70. Cost $8131

R.M. Grinstead, retired owner of Grinstead Co., left Sarasota, Fla. 11-16-70, began project in Colombia for Inversiones Promotora Irot. 11-16-70. Completed project & departed 12-16-70. Cost $3256

A. Friedman, retired architect-Robt. L. Bien Co., on completing project for Merlin Hotel in Singapore 7-16-70, began project for Polon Enterprises 10-17-70. Completed project 12-15-70. Cost $3624

Glenn Von Otteren, retired Sec.-Furniture City Upholstery, left Grand Rapids, Mich. 10-22-70, began project in Guatemala for Camas y Muebles Siesta 10-23-70. Completed project 12-17-70. Cost $4363

M. I. Speert, retired Pres.-Stadium Mfg., left Baltimore, Md. 10-16-70, began project in Guyana for Briana Mfg. 10-16-70. Completed project & departed 12-17-70. Cost $4466

Chas. Vaughan, retired Prod. Mgr.-Nabisco, left Dennis, Mass. 10-15-70, began project in Iran for Pars Industrial 10-17-70. Completed project & departed 12-17-70. Cost $4451

Victor Iborg, retired Industrial Engineer-Singer Co., left St. Louis, Mo. 10-12-70, began project in Turkey for Sumerbank Gen. Directorate 10-13-70. Completed project & departed 12-17-70. Cost $6209

Dennis Warters, retired Chief Exec.-Bankers Life Co., left Des Moines, Iowa 7-1-70, visited Hong Kong at own expense, began project in Thailand for Muang Thai Life Assurance 7-23-70. Completed project 12-17-70. Cost $7065

Ivan Cunningham, retired controller-Std. Oil of N.Y., left Coral Gables, Fla. 11-12-70, began project in Turkey for Turkiye Petrolleri 11-16-70. Completed & departed project 12-18-70. Cost $3024

Geo. deBecze, retired Chemist, left Laurenceburg, Ind. 9-17-70, began project in Brazil for Drury's 9-18-70. Completed project & departed 12-18-70. Cost $7927

H. P. Johnston, retired Plant Mgr.-Modine Mfg., left Andersonville, Tenn. 11-6-70, began project in Chile for Distribuidora e Industrial 11-7-70. Completed project & departed 12-18-70. Cost $4891

M. G. Leonard, retired Engineer-Westinghouse Elec., left Fowler, Ohio 10-13-70, began project in Colombia for FICITEC 10-13-70. Completed project & departed 12-19-70. Cost $4890

R. S. Gould, retired Pres.-Buffalo China Inc., left Wash., D.C. 11-18-70, began project in Chile for Fabrica Nacional de Loza 11-19-70. Completed project & departed 12-20-70. Cost $4128

Albert Moller, retired Dir. of Sales-Gristede Bros., Inc., left Hartsdale, N.Y. 9-20-70, began project in Brazil for Supermercados Pao de Acucar 9-21-70. Completed project 12-20-70. Cost $7627

Paul Johnson, retired Pres.-Berks County Motors, left Reading, Pa. 9-30-70, began project in Brazil for Mesbla 10-2-70. Completed project & departed 12-22-70. Cost $7052

H. C. McFarland, retired Mgr.-U.S. Plywood, left Dallas, Tex. 11-11-70, began project in Philippines for Bialig Bay Lumber 11-14-70. Completed project & departed 12-22-70. Cost $3753

C. C. Willsey, retired Gen. Mgr.-Sterling Park Devel. Corp., left Osterville, Mass. 9-26-70, began project in Malaysia for Mosbert Berhad 9-30-70. Completed project & departed 12-25-70. Cost $5842

J. G. Lichty, retired Mgr. Rubber R&D-Goodyear Tire, left Stow, Ohio 9-29-70, began project in Korea for Hankook Tire 10-2-70. Completed project 12-29-70. Cost $8417

Paul Pair, Sr. Staff Consultant-Control Data Corp., left Evanston, Ill. 11-24-70, began project in El Salvador for La Constancia 11-25-70. Completed project & departed 12-29-70. Cost $3818

Frank Anliker, retired Sr. Plant Eng.-Goodyear Tire, left Akron, Ohio 9-18-70, began project in Korea for Hankook Tire 9-21-70. Completed project & departed 12-29-70. Cost $8670

Chas. McDermott, retired Sr. VP-Winthrop Labs., left Ridgefield, N.J. 9-18-70, began project in Korea for Chang Kun Dang 9-22-70. Completed project & departed 12-30-70. Cost $8782

Shores Walker, retired Asst. GM-Service Dept.-General Motors, left St. Petersburg, Fla. 9-13-70, began project in Panama for Colpan Motors 9-14-70. Completed project & departed 12-31-70. Cost $7896

W. H. DeCou, retired Sales Mgr.-Upjohn Co., left Kalamazoo, Mich. 9-22-70, began project in Iran for Darou-Paksh Welfare 9-26-70. Completed project & departed 12-31-70. Cost $6367.

H. Goldstein, retired Pres.-American Velour Mills, left Bound Brook, N.J. 12-6-70, began project in Chile for Industries Luxo Tex 12-8-70. Completed project & departed 12-31-70. Cost $3989

M. T. Brant, retired Eng.-Proctor & Gamble, left Cincinnati, Ohio 11-3-70, began project in Colombia for Centrales de Serv. Corona 11-3-70. Completed project & departed 12-31-70. Cost $4726

K.H. Ostenfeld, retired Financial Analyst-Ford Motor Co., left River Edge, N.J. 10-24-70, began project in Brazil for Fabricadora de Pecas 11-2-70. Completed project & departed 12-31-70. Cost $6243

James T. Bain, retired Dir. of Engr.-Air Canada, left Waquoit, Mass. 10-7-70, began project in Korea for Korean Air Lines 10-9-70. Completed project & departed 1-5-71. Cost $7998

Ellsworth Swartz, retired Gen. Mgr.-Crane Co., left Bushkill, Pa. 11-5-70, began project in Brazil for Morganti 11-7-70. Completed project & departed 1-8-71. Cost $5780

Ross Miller, retired Pres.-Wm. Freihofer Baking Co., left Alexandria, Va. 11-27-70, began project in Chile for Productos Alimenticios Ideal 11-28-70. Completed project & departed 1-8-71. Cost $3596

Donald Whittemore, retired Sr. Mgt. Engr.-Port of NY Authority, left Annapolis, Md. 10-6-70, began project in Kuwait for Kuwait Transportation Co. 10-10-70. Completed project & departed 1-12-71. Cost $8324

Carter Willsey, retired VP-Sterling Park Devel. Corp., already in Singapore, began project in Malaysia for Po Hing Enterprises 12-26-70. Completed project & departed 1-13-71. Cost $2281

Walter Kalmeyer, retired Pres.-Leader Iron Works, left Sun City, Calif. 11-15-70, began project in Costa Rica for Traversa 11-16-70. Completed project & departed 1-14-71. Cost $6571

Robt. Stafford, retired Chairman-Knox Reeves, left Wayzata, Minn. 10-14-70, began project in Iran for S.S. Vitana 10-16-70. Completed project & departed 1-14-71. Cost $8810

Stuart Golding, Pres.-Stuart Golding, Inc., left Tampa, Fla., 12-19-70, began project in Dominican Republic for Centro Popular 12-20-70. Completed project & departed 1-16-71. Cost $2846

Bertram Reibel, retired Dir. of Mdse.-Revlon Int'l., left Chapaqua, N.Y. 10-19-70, began project in El Salvador for Laboratories Lafar 10-20-70. Completed project & departed 1-19-71. Cost $6419

John Brennan, Pres.-Brennan Chemical Co., left Richmond Hgts., Mo. 10-31-70, began project in Guatemala for Felix Montes 11-1-70. Completed 1st phase 11-10-70, began 2nd phase 1-9-71. Completed project 1-21-71. Cost $3147

Fred Starbuck, retired Asst. Treas.-Grace Line, Inc., left Scottsdale, Ariz. 8-15-70, began project in Indonesia for Perusahaan Pelajaran 8-19-70. Completed project & departed 1-23-71. Cost $13845

John Jurrius, retired Plant Mgr.-Celanese Corp., left Narrows, Va. 9-12-70, began project in Philippines for Atlas Fertilizer Corp. 9-22-70. Completed project & departed 1-24-71. Cost $6634

Eli Abodeely, owner of a Howard Johnson Motel, left Cedar Rapids, Iowa 1-11-71, began project in Morocco for La Societe Marocaine Hotelliere 1-12-71. Completed project & departed 1-27-71. Cost $3443

D. D. Edmunds, retired VP-Equitable Life, left N.Y.City 10-23-70, began project in Greece for Inter-American Ltd. 10-24-70. Completed project & departed 1-29-71. Cost $7617

Armand Petito, retired Production Mgr.-Ronzoni Macaroni, left Northport, N.Y. 10-18-70, began project in Turkey for Bema Besin Maddeleri Sanayii 10-19-70. Completed project & departed 1-29-71. Cost $7720

V. C. Leiker, retired Pres. Tabloid Lithographers,left Atlantic Highlands, N.J. 1-19-71, began project in Costa Rica for La Nacion Sociedad 1-20-71. Completed project & departed 1-29-71. Cost $1973

Russell Hunsinger, retired Pres.-Emporium Dept. Store, left Oceanside, Calif. 10-26-70, began project in Brazil for Imcosul 10-30-70. Completed project & departed 1-30-71. Cost $7326

Henry Arnold, Sup. Design Projects-Dan Kiley & Partners, left Burlington, Vt. 10-2-70, began project in Singapore for Ministry of Nat'l. Devel. 10-5-70. Completed project & departed 1-31-71. Cost $10026

Aubrey Frazier, Owner/Pres.-Houston Lithography Corp., left Leander, Tex. 10-14-70, began project in Philippines for Carmelo & Bauermann 10-19-70. Completed project & departed 1-31-71. Cost $8810

Myron Jones, retired Sales Mgr.-Proctor & Gamble, left Poway, Calif. 10-25-70, began project in Thailand for Standard Chemicals Co. Ltd. 10-29-70. Completed project & departed 1-31-71. Cost $8311

Rudolf Bauhof, retired Partner-Ernst & Ernst, left Cleveland, Ohio 11-16-70, began project in Iran for Melli Industrial Group 11-19-70. Completed project & departed 1-31-71. Cost $7701

Bert Simon, retired VP-Volkswagen Sales & Service, left Dover Point, N.H. 11-5-70, began project in Panama for Colpan Motors 11-6-70. Completed project & departed 2-1-71. Cost $6612

Wm. Sautter, retired Compt.-Morley Bros., left Debray, Fla. 10-26-70, began project in Brazil for Cia. Distribuidora de Tejidos 10-27-70. Completed project & departed 2-1-71. Cost $8000

E. R. Habicht, retired Dir.-DuPont Co., left Wilmington, Del. 9-28-70, began project in Thailand for Thai Plastic & Chemical 10-1-70. Completed project & departed 2-2-71. Cost $9894

Melvin S. Stein, retired Pres.-Maas Bros., left Tampa, Fla. 11-18-70, began project in Brazil for Mesbla 11-23-70. Completed project & departed 2-3-71. Cost $6901

Oswald Ondol, retired Dir.Quality-General Mills, left Minneapolis, Minn. 11-11-70, began project in Peru for Arturo Field 11-13-70. Completed project & departed 2-5-71. Cost $5782

Stanley Rider, retired GM-Lake Erie Rolling Mills, left Butler, Pa. 1-6-71, began project in Mexico for Grupo Acero Hylsa 1-6-71. Completed project & departed 2-6-71. Cost $3486

William Steers, retired Chairman-Needham, Harper & Steers, left Hartsdale, N.Y. 1-5-71, began project in El Salvador for Publicidad Rumbo 1-6-71. Completed project & departed 2-6-71. Cost $3571

Earl Heard, retired VP-R&D-West Point Pepperell, left West Point, Ga. 11-3-70, began project in Malaysia for Allied Malaysian Devel. 11-7-70. Completed project & departed 2-8-71. Cost $9935

Boyce Eidson, retired Pres.-Eaton Oil Works, left Rancho Sta Fe, Calif. 1-15-71, began project in Honduras for Sierra y Asociados 1-16-71. Completed project & departed 2-8-71. Cost $3682

Harry Sudmeier, retired Auditor-USAF, left Cincinnati, Ohio 11-6-70, began project in Malaysia for Saw Brothers Realty Sdn Bhd 11-9-70. Completed project & departed 2-8-71. Cost $8557

Wm. Dennis, retired Mg. Dir.-Allied Stores, left Montserrat Island, B.W.I. 1-11-71, began project in El Salvador for Almacenes Siman 1-12-71. Completed project & departed 2-10-71. Cost $3753

Frank Reagle, retired Prod. Mgr.-Charbonneau Co., left Montreal, Que. 11-2-70, began project in Philippines for M. Y. San Biscuits 11-4-70. Completed project & departed 2-10-71. Cost $8150

Ralph Herr, retired Plant Mgr.-Sterling Varnish, left Pittsburgh, Pa. 1-4-71, began project in Iran for Rangsazi Iran Co. 1-7-71. Completed project & departed 2-13-71. Cost $5852

James Hartzog, retired GM-Matagorda County Navigation, left Bay City, Tex. 1-18-71, began in Guatemala for Centro Nacional de Desarrollo 1-19-71. Completed project & departed 2-15-71. Cost $3431

John Paul Stack, Mgr.-Harvard Club, left New York, N.Y. 12-16-70, began project in Mexico for Tres Vidas en La Playa SA de CV 12-17-70. Completed project & departed 2-17-71. Cost $3015

Andrew Mautner, retired R&D Mgr.-Lowenstein & Sons, left Short Hills, N.J. 11-5-70, began project in Ethiopia for Bahr Dar Textile Mills 11-9-70. Completed project & departed 2-17-71. Cost $6939

Howard M. Shaw, retired Store Mgr.-J.C.Penney, left Modesto, Calif. 1-19-71, began project in Colombia for Almacenes Mas 1-20-71. Completed project & departed 2-17-71. Cost $2889

E. F. Douglass, retired Mgr.-Appleton Wire Works, left Appleton, Wis. 10-13-70, began project in Hong Kong for W. Waking Inds. 10-20-70. Completed project & departed 2-19-71. Cost $5712

Frank Woodruff, Accountant-TWA, left Prairie Village, Kans. 11-27-70, began project in Korea for Korean Airlines 11-30-70. Completed project & departed 2-19-71. Cost $7548

Leo Kogan, retired Pres.-Ryko Products, left Los Angeles, Calif. 1-5-71, began project in Indonesia for P.T. Berlina 1-9-71. Completed project & departed 2-19-71. Cost $3596

Geo. Spiedel, Zoo Director-Millwaukee County Zoo, left Milwaukee, Wis. 12-6-70, began project in Colombia for Empressas de Servicios 12-7-70. Completed project & departed 2-19-71. Cost $3560

Jas. Austin, retired Sr. VP-Irving Trust Co., left Scarsdale, N.Y. 1-3-71, began project in Peru for Comision Nacional de Valores 1-4-71. Completed project & departed 2-19-71. Cost $3670

T. J. Fiebich, retired VP-A & P Co., left Chase, Mich. 8-15-70, began project in Philippines for Rustan Commercial Corp. 8-19-70. Completed project & departed 2-21-71. Cost $11963

Richard Blum, retired Corp.Dir.-Suitomat Corp., left Tampa, Fla. 2-2-71, began project in Dominican Republic for M. de J.S. Tavares Sucs. 2-3-71. Completed project & departed 2-22-71. Cost $3009

Alan Decker, retired VP-Eng.-Dunham-Bush, Inc., left Cape Elizabeth, Me. 11-25-70, began project in Brazil for Cia Eletro Metalurgica 11-28-70. Completed project & departed 2-22-71. Cost $8095

L. Belhorn, retired Exec. VP-City Nat'l. Bank & Trust, left Columbus, O. 1-12-71, began project in El Salvador for Banco Capitalizador 1-13-71. Completed project & departed 2-23-71. Cost $4203

Chas. Bodemann, retired Mgr. Int. Division-Owens-Illinois, left Fort Lee, N.J. 11-8-70, began project in Indonesia for P.N. Iglass Co. 11-12-70. Completed project & departed 2-25-71. Cost $6563

Hugo F. Sill, owner of Ford Agency, left Bloomfield, N.J. 2-1-71, began project in Cyprus for Motovia 2-2-71. Completed project & departed 2-25-71. Cost $5082

T. Mouellan, Sr., retired Prod. Mgr.-Stauffer Chemical, left Levittown, Pa. 1-13-71, began project in Colombia for Stanton & Cia. 1-15-71. Completed project & departed 2-27-71. Cost $4210

Allan Elder, retired Treas.-Wash. Water Power Co., left Spokane, Wash. 9-23-70, began project in Colombia for Empresas Municipales 9-24-70. Completed project & departed 2-27-71. Cost $9637

Robt. Daniel, VP-Invest. Committee-Anchor Corp., left Westfield, N.J. 10-30-70, began project in Singapore for first Life Insurance Co. 11-2-70. Completed project 2-28-71. Cost $8416

John Jurrius, retired Plant Mgr.-Celanese Corp., on completing Atlas Fertilizer project in Philippines 1-25-71, began project for Paper Industries Corp. 1-26-71. Completed project 3-2-71. Cost $2710

L. C. Thunafors, retired VP Mfg.-Jenkins Bros., left Fairfield, Conn. 2-1-71, began project in Mexico for Fundicion Artistica 2-2-71. Completed project & departed 3-2-71. Cost $3362

Herbert Levine, retired Pres.-Tucker Garment Co., left East Longsmeadow, Mass. 2-3-71, began project in Colombia for Confeciones Lord 2-4-71. Completed project & departed 3-3-71. Cost $3503

Bernard Caro, retired from own business, left Villanova, Pa. 1-8-71, began project in Panama for Madurita 1-9-71. Completed project & departed 3-5-71. Cost $4913

Edward Clifford, Executive-Fed. Home Loan Bank Board, left Arlington, Va. 1-17-71, began project in Iran for Mortgage Bank of Iran 1-21-71. Completed project & departed 3-7-71. Cost $6300

L. N. Johnson, retired Controller-Roy L. Blair Co., left Spokane, Wash. 1-22-71, began project in Nicaragua for Acquitectura y Construcion 1-23-71. Completed project & departed 3-8-71. Cost $4524

C. S. Yerian, retired Mgr. of Quality Control-Gen. Electric Co., left Syracuse, N.Y. 2-4-71, began project in Brazil for Semp Radio e Televisao 2-5-71. Completed project & departed 3-8-71. Cost $4474

Robt. Parrett, retired VP-American Hardware, left Santa Ana, Calif. 12-5-70, began project in Indonesia for Djapanan Match Ind. 12-9-70. Completed project & departed 3-9-71. Cost $6513

Dorman Israel, retired VP-Emerson Radio Co., left Harrison, N.Y. 9-8-70, began project in Iran for Lord Electronic Corp. 9-10-70. Completed project & departed 3-10-71. Cost $13246

Geo. Barnwell, retired Exploration Mgr.-Standard Vacuum Oil, left Port St. Lucie, Fla. 1-8-71, began project in Singapore for Analytical Laboratories 1-11-71. Completed project & departed 3-10-71. Cost $7308

Ernest Stern, retired GM-Whitehall Leather Co., left Sun City, Ariz. 1-26-71, began project in Colombia for Liscano Hermanos 1-26-71. Completed project & departed 3-11-71. Cost $4664

Norman Tarnoff, retired GM-Assoc. Merchandising, left Greenwich, Conn. 1-24-71, began project in Brazil for Prosdocimo Importacao 1-26-71. Completed project & departed 3-11-71. Cost $4873

J.J. Koppe, Plant Mgr.-Leros Co., left Venezuela 9-15-70, began project in Brazil for Companhia Industrial Novopan 9-16-70. Completed project 3-11-71. Cost $11748

Walter Graham, retired Technical Advisor-Revere Copper & Brass, left Wilmette, Ill. 1-12-71, began project in Mexico for Cuprum 1-12-71. Completed project & departed 3-12-71. Cost $4039

Wm. Creech, retired Sales Executive-Westinghouse, left Hilton Head, S.C. 12-9-70, began project in Taiwan for Tatung Engineering 12-12-70. Completed project & departed 3-12-71. Cost $7969

Sidney Quam, retired VP-Sugar Creek Foods, left Riverside, Ill. 1-13-71, began project in Chile for Dos Alamos 1-13-71. Completed project & departed 3-12-71. Cost $4960

Alan Weissinger, retired Gen. Foreman-American Steel & Wire, left Southboro, Mass. 1-12-71, began project in Guatemala for Aceros de Guatemala 1-14-71. Completed project & departed 3-12-71. Cost $4366

Jas. White, retired Pres. Hayes Int'l. Corp., left Birmingham, Ala. 1-30-71, began project in Panama for Rodelag 2-1-71. Completed project & departed 3-12-71. Cost $3756

C. Wylie Allen, retired owner and general manager of three hotels and former manager of other hotels and motels. left Evanston, Ill. 2-19-71, began project in Barbados for Marine Hotel Ltd. 2-20-71. Completed project & departed 3-13-71. Cost $3222.

J.F. Brossart, retired VP-Loblaw, Inc., left Naples, Fla. 1-11-71, began project in Brazil for Joaquim Oliveira 1-19-71. Completed project & departed 3-13-71. Cost $5881

Jas. Donaldson, retired GM-Ball Bros., left Pasadena, Calif. 1-12-71, began project in Morocco for Siege Social/CATIC 1-15-71. Completed project & departed 3-13-71. Cost $3364

Robt. Sheeks, Reg. Mgr.-COMAC-Asia, took leave from his work in Asia to do project in Singapore for Sabah Tapioca Milling Sdn. Bhd. (1-15-71 to 3-14-71). Cost $4903

Jas. H. Lavenson, Pres.-Sonesta Int'l. Hotel, left New York,N.Y. 2-15-71, began project in Morocco for Hotel Tour Hassan 2-16-71. Completed project & departed 3-15-71. Cost $2163

Robt. Hill, retired VP-Sherwin Williams Co., left New Castle, Del. 2-17-71, began project in El Salvador for S.W. de C. 2-17-71. Completed project & departed 3-15-71. Cost $3421

Jos. E. Enich, retired VP-Wm. S. Moore, Inc., left Newark, Ohio 1-21-71, began project in Panama for Almacen de Lima 1-21-71. Completed project & departed 3-16-71. Cost $4861

A. E. Bryson, Mgr. & Part Owner-Van Port Panel Co., already in Malaysia, began project in Malaysia for Lahad Datu Plywood 2-17-71. Completed project & departed 3-16-71. Cost $2609

Jos. D. Park, Professor of Chemistry-Univ. of Colo., left Boulder, Colo. 12-18-70, visited Honolulu at own expense, began project in Korea for Korea Inst. Science 1-21-71. Completed project 3-16-71. Cost $3866

Albert Crockett, Transportation expert, left Saddle River, N.J. 2-17-71, began project in Lebanon for Trans-Medit. Airways 2-19-71. Completed project & departed 3-16-71. Cost $3016

J. J. Stolz, retired VP Engr.-Tool Steel Gear & Pinion Co., left Cincinnati, Ohio 1-20-71, began project in Panama for Cia de Productos de Arcilla 1-20-71. Completed project 3-17-71. Cost $5128

Roman Weller, retired Asst.Controller-R.H. Macy & Co., left Voluntown, Conn. 1-17-71, began project in Mexico for Letran 1-18-71. Completed project & departed 3-17-71. Cost $3658

H. L. Dayton, retired Hotel Executive, left Daytona Beach, Fla. 1-16-71, began project in Philippines for Balesin Corp. 1-20-71. Completed project & departed 3-17-71. Cost $6461

Horace Dean, retired VP Engr.-Campbell Wyant Foundry, left Muskegon, Mich. 1-12-71, began project in Iran for Iran Malleable Co. 1-15-71. Completed project & departed 3-17-71. Cost $7461

Lloyd R. Sorenson, retired VP-Newport News Shipbuilding, left Newport News, Va. 11-16-70, began project in Colombia for Colombiana de Astilleros 11-18-70. Completed project 3-18-71. Cost $7135

E. H. Rubin, retired VP-Diamond Shoe Co., left Framingham, Mass. 4-8-70, began project in Guatemala for Calzado Coban 4-9-70, completed 1st phase 6-2-70 & returned to U.S.; 2nd phase begun 11-29-70 & completed 3-19-71. Cost $10431

Wallace Allen, retired Mgr. Prod. & Inventory-Colgate Palmolive, left Burlington, Wis. 1-16-71, began project in Iran for Tolid Daru Co. 1-19-71. Completed project & departed 3-19-71. Cost $6864

John L. Held, retired Dir.Product Devel.-Tri Valley Growers, left Los Altos Hills, Calif. 3-3-71, began project in Cyrprus for Viagrey Canning 3-4-71. Completed project & departed 3-19-71. Cost $2432

C. R. Anderson, retired Dir. R&D-Munsingwear, left Minneapolis, Minn. 1-10-71, began project in Peru for Manufactures de Encages 1-11-71. Completed project & departed 3-19-71. Cost $6259

Richard Walton, retired Pres. Walton Plywood, interrupted Sharikat United project in Malaysia to do project in Singapore for Singapore Plywood(3-15-71 to 3-20-71). Cost $1306

B. K. Roecker, retired Dir. of Production-St. Regis Paper, left Dallas, Tex.2-19-71, began project in Chile for Cia Man. de Papeles 2-20-71. Completed project & departed 3-20-71. Cost $4730

Melvin C. Allen, retired VP-Geo. Weston, Ltd., left Santa Cruz, Calif. 1-28-71, began project in Iran for S.S. Vitana 1-31-71. Completed project & departed 3-21-71. Cost $6673

Albert Copelan, retired Supt.-Burlington Industries, left Mooresville, N.C. 2-20-71, began project in Costa Rica for Acabados Nacionales 2-22-71. Completed project & departed 3-23-71. Cost $3600

Robt. Trimble, retired Colonel, USAF, of Troy, N.Y., already in Taiwan, began project for Min. of Communications 9-25-70. Completed project & departed 3-24-71. Cost $7319

H. Wayne Aden, retired Treas.-Link Belt Co., left Winnetka, Ill. 12-15-70, began project in Panama for Creditos y Servicios 12-16-70. Completed project & departed 3-24-71. Cost $6444

Robt. Corgin, Mgr. Product Planning-Eastman Kodak Co., left Los Altos, Calif. 1-22-71, began project in Korea for Hankook Color Movie Lab. 1-26-71. Completed project & departed 3-25-71. Cost $6096

Melvin C. Allen, retired VP-Geo. Weston, Ltd., on completing project in Iran 3-19-71, began project in Turkey for Ulker Biskuvi 3-21-71. Completed project & departed 3-26-71. Cost $1410

George McRoberts, retired Sales Exec.-Whitan Machine Works, Inc., left Charlotte, N.C. 11-21-70, began project in Honduras for Centro Cooperativo 11-22-70. Completed project & departed 3-26-71. Cost $8549

LeRoy Binder, Food Specialist, left Beverly Hills, Calif. 1-28-71, began project in Guatemala for H. Olivero y Nelson Compania 1-29-71. Completed project & departed 3-27-71. Cost $5197

John Murphy, retired Asst. Secy.-Manufacturers Hanover Trust, left Sarasota, Fla. 1-19-71, began project in Thailand for Thai Farmers Bank 1-25-71. Completed project & departed 3-27-71. Cost $7200

Mildred Andrews, retired Asst. to the Pres.-American Textile Machinery Assoc., left 11-14-70, began project in Honduras for Centro Cooperativo 11-15-70. Completed project & departed 3-28-71. Cost $5767

Donald Cupp, retired Constr. Eng., Merritt-Chapman-Scott, left Silver Springs, Md. 9-23-70, began project in Indonesia for P.T. Pembansunan Jaya 9-27-70. Completed project & departed 3-29-71. Cost $14847

Jas. Moran, retired Asst. Dir. Sales, General Mills, left Minneapolis, Minn. 7-11-70, began project in El Salvador for Adoc 7-12-70. Recessed project 8-20-70, resumed 2-15-71, completing this project and a project for Cerca (El Salvador) 3-30-71. Cost $8353

Aloysius Schmidt, retired Terminal Mgr.-Jones Motor Co., left Lincoln Park, Pa. 1-12-71, began project in Guatemala for Transportes Centroamericanos 1-14-71. Completed project & departed 3-30-71. Cost $5725

Curtis Abel, retired VP-Young & Rubicam, left Delray Beach, Fla. 1-13-71, began project in Lebanon for Trans-Mediterranean S.A.L. 1-16-71. Completed project & departed 3-31-71. Cost $7888

Lee Desmond, retired VP Sales-Chrysler Corp., left Newport Beach, Calif. 1-8-71, began project in Brazil for Eletro-Radiobraz 1-9-71. Completed project & departed 3-31-71. Cost $7200

Lester Larsen, retired Production Mgr.-Procter & Gamble, left Cincinnati, Ohio 2-27-71, began project for Detergentes 3-1-71 in Colombia. Completed project & departed 3-31-71. Cost $3650

Jas. Patterson, VP & Dir.-Chief Joseph Lumber Co., left Vancouver, Wash. 10-5-70, began project in Thailand for Thai Chipboard Co. 10-12-70. Completed project & departed 3-31-71. Cost $11700

Richard Downing, retired Chief Indust. Engineer-U.S.Steel, left Pittsburgh, Pa. 10-10-70, began project in Taiwan for Nan Yo Plastics 10-12-70. Completed project & departed 3-31-71. Cost $11219

Robt. Daniel, VP-Invest.Committee-Anchor Corp.,on completing First Life Ins. project in Singapore 2-28-71, began project for Central Properties 3-1-71. Completed project 3-31-71. Cost $2743

D. C. Meyer, retired Mgr. Eng.-R.R. Donnelly & Sons, left Laguana Hills, Calif. 1-10-71, began project in Peru for Ibrina 1-11-71. Completed project & departed 4-2-71. Cost $6736

Rodney Lauer, retired G.M.-Air Cond.-Westinghouse, left Naples, Fla. 2-1-71, began project in Greece for G.P. Gounaras 2-2-71. Completed project & departed 4-2-71. Cost $6278

H. M. Mereness, retired VP-All State Ins. Co., left Jefferson, N.Y. 1-7-71, began project in Brazil for Seguradora Ind. 1-8-71. Completed project & departed 4-2-71. Cost $7455

David Weisberg, retired Senior Project Eng.-Raybestos, left Aromas, Calif. 1-7-71, began project in Turkey for Erka 1-11-71. Completed project & departed 4-2-71. Cost $7381

Carl E. Miller, retired Dir. Market Research-Combustion Engineering, left Bloomfield, Ohio 2-22-71, stopped over for 2 weeks in Brasilia at own expense, began project in Argentina for Mellor 3-6-71. Completed project 4-2-71. Cost $4165

Warren S. Butler, Plant Mgr.-Resistol, left San Antonio, Tex. 1-5-71, began project in Korea for Sang Mi Ind. 1-8-71. Completed project & departed 4-2-71. Cost $7405

R. A. Bergsten, retired Dir. Trade Promotions-Dept. of Commerce, left Green Valley, Ariz. 2-12-71, began project in Korea for Korea Trade Promotion Corp. 2-16-71. Completed project 4-3-71. Cost $6993

Irving Roth, Project Mgr.-Slattery Construction Co., left Elmont, N.Y. 3-3-71, began project in Colombia for Ezequiel Pinski 3-3-71. Completed project & departed 4-3-71. Cost $3445

Walter J. Schimmel, retired Pres.-Lassen Motel, left Wichita, Kans. 3-3-71, began project in Guatemala for Motel Plaza 3-4-71. Completed project & departed 4-3-71. Cost $3491

B. S. Sines, retired VP-South Pac. Trans., left Houston, Tex. 1-10-71, began project in Lebanon for Trans-Medit. Air. 1-12-71. Completed project & departed 4-3-71. Cost $6034

Frank Kurz, retired Mgr. of R&D-So. Pacific Co., left Palo Alto, Calif. 1-10-71, began project in Lebanon for Trans-Medit. Air. 1-12-71. Completed project & departed 4-3-71. Cost $5753

Chas. Hodgson, retired Pres.-Alcoa Castings Co., left LaGrange, Ill. 3-1-71, began project in Mexico for Fundicion Moderna 3-2-71. Completed project & departed 4-4-71. Cost $3566

Herbert Gage, retired Supt.-Bureau of Printing & Engraving, left Arlington, Va. 12-28-70, began project in Thailand for Banknote Printing Works 1-3-71. Completed project & departed 4-4-71. Cost $8606

C. E. Deery, retired Dir. of Finances-Bureau of Engraving, left Arlington, Va. 12-28-70, began project in Thail. for Banknote Printing 1-3-71. Completed project & departed 4-4-71. Cost $8451

Julius Maiers, retired Pres.-Maiers Transfer & Storage Co., left St. Cloud, Minn. 2-4-71, began project in Guatemala for Caniz Van Lines 2-5-71. Completed project & departed 4-5-71. Cost $5105

S.L. Reinschreiber, retired Pres.-Fairfield Publ. Co., left Ft. Lauderdale, Fla. 3-15-71, began project in Panama for Ind. Graphica 3-15-71. Completed project & departed 4-5-71. Cost $2725

A. Schnyder, retired Consulting Engr.-Geo. F. Hardy Co., left Teaneck, N.J. 3-22-71, began project in Mexico for Celulosa de Chihuahua 3-22-71. Completed project & departed 4-6-71. Cost $2217

F. Leslie Collins, retired Dir. R&D-Interco., left Bolivar, Tenn. 2-25-71, began project in El Salvador for Adoc 2-26-71. Completed project & departed 4-6-71. Cost $4172

H. A. Mumford, retired Chief Chemist-Colgate-Palmolive, left Walnut Creek, Calif. 1-6-71, began project in Peru for Quimca Ventanilla 1-7-71. Completed project & departed 4-6-71. Cost $7521

Louis Terry, retired Pres.-Terry's Dept. Stores, left Chicago, Ill. 10-28-70, began project in Brazil for Mesbla 11-3-70. Completed project & departed 4-6-70. Cost $8373

Howard Hurmence, retired VP-R&D-Allied Chemical, left Statesville, N.C. 1-18-71, began project in Israel for Chemicals & Phosphates 1-20-71. Completed project & departed 4-6-71. Cost $6644

F. W. Rowits, retired Exec. VP-Otis Steel Products, left Ellicottville, N.Y. 1-11-71, began project in Costa Rica for Rosago 1-12-71. Completed project & departed 4-7-71. Cost $6299

Ewart Hickling, retired VP-Union Carbide, left Chappaqua, N.Y. 1-12-71, began project in Honduras for Gases Industriales 1-13-71. Completed project & departed 4-7-71. Cost $6386

Donald Kipp, retired Pres.-Kramer Consol. Freight Lines, left Naples, Fla. 10-19-70, began project in Turkey for State Planning Organization 10-21-70. Completed project & departed 4-8-71. Cost $10055

Wm. H. Schaum, retired GM-Punta Alegre Sugar, left Sarasota, Fla. 2-5-71, began project in Colombia for Manuelita 2-8-71. Completed project & departed 4-9-71. Cost $4569

L. H. Andrews, retired District Mgr.-Great Western Sugar, left Denver, Colo. 1-8-71, began project in Iran for Ahvaz Sugar Refinery 1-14-71. Completed project & departed 4-10-71. Cost $7492

A. E. Kunzelman, co-owner-Jusco Ind. Inc., left White Plains, N.Y. 12-7-70, began project in Taiwan for Ind. Devel. Bureau 12-10-70. Completed project & departed 4-11-71. Cost $5853

Raymond Lawson, retired Chief Engineer-Emhart Corp., left New Britain, Conn. 9-9-70, began project in Greece for Jioula 9-14-70. Completed project & departed 4-12-71. Cost $15860

Dr. H. Dillingham, retired Pres.-Ithaca College, left Myers, N.Y. 2-16-71 by car at own expense, began project in Honduras for Centro Cooperativo Tecnico Industrial 2-25-71. Completed project 4-13-71. Equivalent of Economy airfare allowed as travel expense. Cost $4495

G.N. Davis, retired Plant Mgr.-Penn-Dixie, left Petoskey, Mich. 1-15-71, began project in Colombia for Fabrica de Cemento Samper 1-15-71. Completed project & departed 4-13-71. Cost $6304

Chas. Hood, retired Agronomist-U.S. Dept. Agric., left Columbia, Mo. 1-22-71, began project in Malaysia for Sabah Tapioca 1-26-71. Completed project & departed 4-13-71. Cost $7826

J.E. Morley, Dir. Traffic Safety-Palmer Trans. Co., left Monroe, N.Y. 1-9-71, began project in Nicaragua for El Aguila 1-10-71. Completed project & departed 4-14-71. Cost $7110

Lester Bettes, retired VP-Societe Candy Co., left Seattle, Wash. 2-13-71, began project in Korea for Tong Yang Confectionery 2-16-71. Completed project & departed 4-15-71. Cost $6842

Marion Farmer, retired Exec. VP-Abbey Unit, left Los Angeles, Calif. 2-28-71, began project in Lebanon for Abro Abroyan 3-15-71. Completed project & departed 4-15-71. Cost $5571

E.N. Wennberg, retired Technical Mgr.-Weyerhaeuser Int'l., left Bellevue, Wash. 3-4-71, began project in Brazil for Ind. Klabin do Parana 3-5-71. Completed project & departed 4-15-71. Cost $4970

Harold Burtt, retired Asst. G.M.-Fed. Publ., Inc., left Ada, Mich. 1-13-71, began project in Brazil for Editora, Comunicacoes 1-14-71. Completed project & departed 4-15-71. Cost $7614

F.L. Burns, retired Pres.-Assurers Service, Inc., left Providence, R.I. 12-10-70, began project in Brazil for Monteiro, Aranha 12-14-70. Completed project & departed 4-15-71. Cost $9295

I. Baum, retired Dir.-Westbury Fashion, left Kew Gardens, N.Y. 2-9-71, began project in Colombia for Textiles Sabrina 2-10-71. Completed project & departed 4-15-71. Cost $5332

Sidney Moyer, retired owner-Moyer Co., left Youngstown, Ohio 3-1-71, began project in Hong Kong for South Sea Textiles 3-6-71. Completed project & departed 4-16-71. Cost $8025

H.C. Pfannkuche, retired Engineer-Portland Cement Assn., left Austin, Tex. 1-16-71, began project in Philipp. for Prestressed Concrete Co. 1-19-71. Completed project & departed 4-16-71. Cost $7990

C.W. Sondern, retired Dir.-Quality Control-Warner-Lambert, left Mendham, N.J. 4-2-71, began project in Taiwan for Ind. Devel. Bureau 4-3-71. Completed project & departed 4-16-71. Cost $1981

J.G. Young, retired Dir.-Engr.-Philip Carey Manufacturing, left Roswell, N.M. 1-15-71, began project in Korea for Tong Yang Cement 1-18-71. Completed project & departed 4-17-71. Cost $6732

John P. Sermattei, retired Production Specialist-E.I. DuPont, left Drexel Hill, Pa. 3-7-71, began project in Mexico for Vestiduras y Acojinamientos 3-8-71. Completed project and departed 4-17-71. Cost $3354

Loren Erickson, retired Senior VP-First National City Bank, left Chatham, N.J. 1-9-71, began project in Thailand for Bank of Asia 1-16-71. Completed project &departed 4-17-71. Cost $8509

W. E. Weston, retired Int'l. Mktg. Authority, left Landsdale, Pa. 2-17-71, began project in Colombia for Invequimica 2-17-71. Completed project & departed 4-17-71. Cost $5793

Madison Wigginton, retired Exec. VP-Genesco, left Nashville, Tenn. 3-17-71, began project in Brazil for Co. Antarctica Paulista 3-18-71. Completed project & departed 4-19-71. Cost $4374

Orland Zeugner, retired Pres.-Stone & Webster Securities, left Boca Raton, Fla. 2-17-71, began project in Brazil for Escritorio Levy Sociedade 2-18-71. Completed project 4-19-71. Cost $6316

Chas. Baughman, owner-Baughman Farm Management Co., left Collinsville, Ill. 3-16-71, began project in Mexico for Ind. Rio Verde 3-16-71. Completed project & departed 4-20-71. Cost $2500

Lewis Dymond, retired Chairman-Frontier Airlines, left Denver, Colo. 2-18-71, began project in El Salvador for Taco Int'l. 2-18-71. Completed project & departed 4-21-71. Cost $5061

Geo. Smith, retired Asst. Pres.-Cone Mills, left Greensboro, N.C. 10-24-70, began project in Philippines for Universal Textile 10-27-70. Completed project & departed 4-22-71. Cost $11374

Richard Odell, retired Supt. Maint.-Owens-Illinois, left Godfrey, Ill. 1-24-71, began project in Philippines for Union Glass Co. 1-26-71. Completed project & departed 4-22-71. Cost $7722

A.R. Malone, retired Div. Mgr.-J.L. Hudson Co., left Birmingham, Ala. 2-26-71, began project in Peru for Monterrey 2-27-71. Completed project & departed 4-23-71. Cost $5919

John R. Frost, retired Engr-Hawaii Sugar, left Crockett, Calif. 1-20-71, began project in Honduras for Azucarera Choluteca 1-20-71. Completed project & departed 4-23-71. Cost $7132

Edwin Worsoe, retired VP-Chase Manhattan, left Obernberg, N.Y. 10-1-70, began project in Ethiopia for Commercial Bank of Ethiopia 10-5-70. Recessed project 12-20-70, resumed 1-8-71 & completed project 4-23-71. Cost $6190

Stanley Rider, retired Dir. Ind. Engr.-Allegheny Ludlum Steel, left Butler, Pa. 3-8-71, began project in Mexico for Grupo Acero Hylsa 3-8-71. Completed project & departed 4-23-71. Cost $3789

Wm. Christensen, Pres.-Winona Management, left Winona, Minn. 3-23-71, began project in Singapore for Basco Ent. 3-26-71. Completed project & departed 4-25-71. Cost $6528

Geo. Clark, retired Pres. Southern Pacific Transport Co., left Houston, Tex. 3-3-71, began project in Ethiopia for Gen. Ethiopian Transport 3-8-71. Completed project & departed 4-25-71. Cost $8694

Lawrence Flagler, retired VP Operations-Warner Lambert, left Summit, N.J. 2-13-71, began project in Greece for A.N. & J. Loumidis 2-20-71. Completed project & departed 4-27-71. Cost $6305

Wm. Cassidy, retired G.M.-Packaging Corp. of America, left Clayton, Mo. 2-26-71, began project in El Salvador for Cajas y Bolsas 2-26-71. Completed project & departed 4-27-71. Cost $4988

R. E. Walton, retired Partner-Walton Plywood, left Everett, Wash. 1-23-71, began project in Malaysia for Sharikat United Sabah 1-27-71. Completed project & departed 4-29-71. Cost $8488

Harry Lachman, retired Designer-Tarra Hall, left Phil. Pa. 3-29-71, began project in Guatemala for Confecciones Modernas 3-30-71. Completed project & departed 4-29-71. Cost $3458

Gordon Pehrson, retired VP-Litton International Devel. Corp., left Alexandria, Va. 3-21-71, began project in Mexico for Compania Gen. Accept. 3-22-71. Completed project & departed 4-29-71. Cost $3573

B. Latt, retired Pres.-Desert Mfg. Co., left West L.A., Calif., 1-17-71, began project in Brazil for Malharia Arp 1-18-71. Completed project & departed 4-29-71, Cost $7075

Everett Elting, retired Pres.-Black Mountain Hosiery Mills, left Scarsdale, N.Y. 2-28-71, began project in Peru for Confecciones Lancaster 2-28-71. Completed project & departed 4-30-71. Cost $5703

Jos. Dolan, retired Store Mgr.-Sears, Roebuck, left Bridgeport, Conn. 12-28-70, began project in Iran for Industrial Mgt. Institute 12-30-70. Completed project & departed 4-30-71. Cost $9839

Carl Culver, retired VP-States Marine Int'l., left Stamford, Conn. 2-1-71, began project in Morocco for Compagnie Marocaine de Navigation 2-2-71. Completed project & departed 4-30-71. Cost $3528

Chas. Sayles, retired Prof-Cornell U., left Ithaca, N.Y. 4-1-71, began project in Tunisia for Compagnie Financiere 4-2-71. Completed project & departed 4-30-71. Cost $3555

Geo. Daubert, retired Engr.-Fuller Co., left Schuylkill Haven, Pa. 3-14-71, began project in Brazil for Industrias Votorantim 3-15-71. Completed project & departed 5-1-71. Cost $5263

M. E. Knight, retired Pres.-Knight Bros., left Naples, Fla. 3-1-71, began project in Colombia for Ind. Cannon 3-1-71. Completed project & departed 5-1-71. Cost $4993

Donald Caverly, retired VP Engr.-General Time Corp., left Stamford, Conn. 4-19-71, began project in Guatemala for Industrias Univex 4-20-71. Completed project & departed 5-2-71. Cost $2647

M.J. Chaikin, Lecturer at Columbia Univ., left N.Y. City 3-6-71, began project in Colombia for Compania Colombiana de Tabaco 3-6-71. Completed project & departed 5-2-71. Cost $3408

Nathan Levin, retired from own business, left Mt. Kisco, N.Y. 3-15-71, began project in Ethiopia for Haile Selassie Foundation 3-22-71. Completed project & departed 5-3-71. Cost $5030

R. N. Berry, retired Technical Dir.-Diamond Int'l., left Lehigh Acres, Fla. 3-2-71, began project in Iran for Tabriz Match Co. 3-6-71. Completed project & departed 5-3-71. Cost $7011

J. H. Morse, retired Pres.-Joske's of Tex., left San Antonio, Tex. 2-3-71, began project in Taiwan for Far Eastern Dept. Store 2-5-71. Completed project & departed 5-4-71. Cost $5208

Henry Alexander, Pres.-H.W. Alexander & Assoc., left Berkeley, Calif. 2-9-71, began project in Ghana for Ghana Nat'l. Trading Corp. 2-10-71. Completed project & departed 5-4-71. Cost $5972

Nindo Maino, retired VP-Greyhound Lines, left Vienna, Va. 2-23-71, began project in Lebanon for Trans-Medit. Airways 3-3-71. Completed project & departed 5-5-71. Cost $4647

James Bain, retired Dir. of Maintenance-Air Canada, left Boston, Mass. 4-19-71, began project in Honduras for Servicio Aereo de Honduras 4-20-71. Completed project & departed 5-6-71. Cost $2218

Nils Lou, retired Works Mgr.-Koehring Co., left Hallandale, Fla. 3-17-71, began project in Guatemala for Transformadora de Aceros 3-18-71. Completed project & departed 5-7-71. Cost $2911

M. S. Snyder, retired Mgr. of Tech. Serv.-Goodyear Tire, left Cuyahoga Falls, Ohio 2-4-71, began project in Korea for Hankook Tire 2-6-71. Completed project & departed 5-7-71. Cost $8310

Carlos Yerian, retired Mgr. Quality-G.E. Co., completed Semp Radio Project in Colombia 3-9-71, began project for Eduardo Gabrieloff 3-10-71. Completed project & departed 5-7-71. Cost $3797

L. B. Graham, retired Gen. Foreman-Int'l. Harvester, left South Bend, Ind. 3-10-71, began project in Colombia for Industria Militar 3-10-71. Completed project & departed 5-10-71. Cost $4673

D. O. McDearmon, Dir. & Producer-J. Walter Thompson, left Santa Monica, Calif. 2-7-71, began project in Philipp. for Assoc. Broadcasting Corp. 2-10-71. Completed project & departed 5-10-71. Cost $4876

D. G. Vaughan, retired Asst. VP-Aetna Life & Casualty, left Groton, Conn. 2-10-71, began project in Singapore for Nat'l. Safety Council 2-12-71. Completed project & departed 5-11-71. Cost $8328

R. L. Rickett, retired Mgr., R&D-U.S. Steel, left Grand Haven, Mich. 2-9-71, began project in India for Special Steels 2-12-71. Completed project & departed 5-12-71. Cost $6307

C. R. Moser, retired Factory Mgr.-Globe-Union, left Gig Harbor, Wash. 2-14-71, began project in Colombia for FICITEC 2-14-71. Completed project & departed 5-14-71. Cost $6204

L. E. Smith, retired Supt.-Ohio Power Co., left Canton, Ohio 2-19-71, began project in Colombia for Central Hidroelectrica 2-19-71. Completed project & departed 5-14-71. Cost $4484

Alton Carlson, retired Sec.-Treas.-Fancher Furniture, left Salamanca, N.Y. 2-26-71, began project in Costa Rica for Electro Mercantil 2-27-71. Completed project & departed 5-14-71. Cost $5768

Frank Faust, retired Mgr. Marketing Research-Gen. Electric, left Louisville, Ky. 3-10-71, began project in Greece for Thermis Mfg. 3-13-71. Completed project 5-14-71. Cost $6461

R.T. Drummond, retired Plant Supt.-Fibreboard Corp., left Stockton, Calif. 1-22-71, began project in Chile for Cia Man. de Papeles 1-23-71. Completed project & departed 5-14-71. Cost $9136

Robt. R. Edwards, retired Sr. VP-Mfg.-Crown Zellerbach, left San Mateo, Calif. 3-18-71, began project in Brazil for Suzano de Papel 3-19-71. Completed project & departed 5-15-71. Cost $6249

Averell Johnson, retired Compt-Crossett Co., left DeLand, Fla. 3-18-71, began project in Brazil for Suzano de Papel 3-19-71. Completed project & departed 5-15-71. Cost $5811

Courtney Reeves, retired Chairman-Carter, Rice, Storrs & Bement, left Naples, Fla. 3-17-71, began project in Brazil for Suzano de Papel 3-18-71. Completed project & departed 5-15-71. Cost $5786

Dr. H. E. Brewbaker, retired Dir. of Agriculture-Gt. Western Sugar, left Longmont, Calif. 2-21-71, began project in Iran for Ghazvin Sugar Mfg. 2-23-71. Completed project 5-15-71. Cost $8500

Francis Matthews, retired VP-First Nat'l. City Bank, left Sarasota, Fla. 2-15-71, began project in Iran for Bank Omran 2-18-71. Completed project & departed 5-15-71. Cost $8784

Ross Bremner, retired Pres.-West Point Pepperell, left Dalton, Ga. 1-13-71, began project in Greece for Anatolia Carpets 1-15-71. Completed project & departed 5-15-71. Cost $9225

R.E. Henderson, retired VP-Chatham Mfg. Co., left Thurmond, N.C. 2-11-71, began project in Iran for Kashan Velvet & Rayon 2-16-71. Completed project & departed 5-15-71. Cost $4914

Wm. Shapiro, retired Pres.-The Keilson Mdse. Co., left Cincinnati, Ohio 4-3-71, began project in Trinidad for Geo. F. Huggins Co. 4-4-71. Completed project & departed 5-15-71. Cost $4668

M. Hinkle, retired Prod. Mgr.-Mead Corp., left Chillicothe, Ohio 2-19-71, began project in Taiwan for Taiwan Pulp & Paper 2-22-71. Completed project & departed 5-17-71. Cost $7473

Geo. Westwood, retired Compt.-Amer. Ins. Co., left Pampano Beach, Fla. 9-15-70, began project in Nicaragua for Corporacion Inversiones 9-15-70. Recessed project 10-15-70, resumed 1-24-71. Completed project 5-17-71. Cost $7937

W. J. Baker, retired Financial Adviser to AID, left Laguna Hills, Calif. 12-26-70 by ship at own expense, began project in Indonesia for Bank of Negara 1-18-71. Completed project & departed 5-17-71. Cost $12759

Geo. Westwood, retired Compt.-Amer. Ins. Co., on completing another project in Nicaragua 12-9-71, began project for Inmobliaria de Seguros 12-10-70. Completed project & departed 5-17-71. Cost $4819

H. R. Gillingham, retired Pres.-Mem'l. & Children's Medical Center, left Long Beach, Calif. 3-3-71, began project in Colombia for Hospital Universitario 3-3-71. Completed project 5-18-71. Cost $5835

John Boardman, retired Gen. Mgr.-Lake Erie Rolling Mills, left Owensboro, Ky. 3-1-71, began project in El Salvador for Productos Claper 3-2-71. Completed project & departed 5-19-71. Cost $5756

Geo. Wiley, retired VP-Ideal Cement, left Wheat Ridge, Colo. 4-6-71, began project in Iran for Societe Ciment 4-10-71. Completed project & departed 5-20-71. Cost $5455

H. J. Kahn, retired Plant Supt.-Stylon Corp., left Uxbridge, Mass. 1-20-71, began project in Philippines for Fil-Hispano Ceramics 1-23-71. Completed project & departed 5-21-71. Cost $8929

Sigfried Alper, retired Pres.-Devonbrook, Inc., left N.Y.City 2-20-71, began project in Colombia for Artesanias de Colombia 2-21-71. Completed project & departed 5-21-71. Cost $6233

W. W. Dreyfoos, retired Pres.-Davison Paxon Co., left San Francisco, Calif. 2-17-71, began project in Mexico for Eletro-Radiobraz 2-18-71. Completed project & departed 5-22-71. Cost $7980

Robt. Joyce, retired Exec. VP-Seven-Up Co., left Indianapolis, Ind. 3-19-71, began project in Greece for H.B.H Panagapoulos 3-22-71. Completed project & departed 5-22-71. Cost $6352

Raymond Hurd, retired VP-West Penn Power Co., left Greensburg, Pa. 2-18-71, began project in Ethiopia for Ethiopian Electric Authority 2-22-71. Completed project & departed 5-22-71. Cost $8430

L.J. Marino, retired Sr.VP-Central Savings Bank, left South Orange, N.J. 2-12-71, began project in Thailand for Thai Farmers Bank 2-17-71. Completed project & departed 5-22-71. Cost $8483

A.M. Scott, Head-Int'l. Broadcast Group-J. Walter Thompson, left N.Y.C. 4-5-71, began project in Taiwan for Tatung Engr. Co. 4-15-71. Completed project & departed 5-24-71. Cost $3493

Chas. Bischoff, retired Civil Engr.-City of Columbus, left Westerville, Ohio 2-19-71, began project in Turkey for Ankara Bele Diyesi 2-21-71. Completed project & departed 5-25-71. Cost $6970

Wm. S. Kutschbach, retired Pres.-United Van Lines, left Columbus, Ohio 2-22-71, began project in Nigeria 2-25-71 for New Nigerian Develop. Completed project & departed 5-26-71. Cost $9309

T. D. Clifford, retired Asst.Chief Engr.-U.S.Steel, left Morrisville, Pa. 2-28-71, began project in Brazil for Siderurgica Riograndense 3-3-71. Completed project & departed 5-26-71. Cost $6784

R. W. Graham, retired VP Operations-U.S.Steel, left from Pittsburgh, Pa. 3-24-71, began project in Brazil for Siderurgica Riograndense 3-26-71. Completed project & departed 5-27-71. Cost $5963

J. C. de Long, retired Account Exec.-Foote, Cone & Belding, left Great Meadows, N.J. 3-1-71, began project in Indonesia for Merpati Nusantara Airlines 3-5-71. Completed project & departed 5-27-71. Cost $8799

B. M. Hughey, retired Supt.-U.S. Steel, left Wayne, Pa. 3-29-71, began project in Mexico for Grupo Acero Hylsa 3-30-71. Completed project & departed 5-28-71. Cost $4565

A. C. Gault, retired VP-Kankakee Container, left Carmel, Calif. 2-25-71, began project in Taiwan for Taiwan Provincial Fed. 3-2-71. Completed project & departed 5-29-71. Cost $7435

Graham Marks, retired VP-Rich Steel, left Sherman Oaks, Calif. 4-13-71, began project in Guatemala for A.P. de Ramirez 4-14-71. Completed project & departed 5-29-71. Cost $4483

R. Graves, retired GM Operations-Univ. Atlas Cement, left Waco, Tex. 3-3-71, began project in Indonesia for P.T. Semen Padong 3-5-71. Completed project & departed 5-30-71. Cost $6012

Robt. Shaffer, retired VP-Shoe Corp. of America, left Worthington, Ohio 3-26-71, began project in Iran for Wien Shoe Co. 3-28-71. Completed project & departed 5-31-71. Cost $6963

Fred L. Johnson, retired Pres. Columbia Veneer, left Seattle, Wash. 3-24-71, began project in Turkey for Kiltoprak Sanayi ve Tic. 3-25-71. Completed project & departed 5-31-71. Cost $5827

H. J. Duff, retired VP Procter & Gamble, left Island Hgts, N.J. 3-27-71, began project in Iran for Pars Industrial 3-29-71. Completed project & departed 5-31-71. Cost $6778

Leo Kogan, retired owner-Ryko Products, left L.A.,Calif. 3-29-71, began project in Iran for Plasco-Kar Corp. 4-1-71. Completed project & departed 5-31-71. Cost $4826

Edward Baldwin, retired Supt. Mfg.-Westinghouse, left Lancaster, Pa. 1-31-71, began project in Peru for Ind. Peruano 2-1-71. Completed project & departed 5-31-71. Cost $8649

Harold Fisher, retired Consultant-Indian Head Mills, left Holly Hills, Fla. 4-13-71, began project in Colombia for Tejidos Unica 4-14-71. Completed project & departed 5-31-71. Cost $4173

Frank Higgins, Construction Engr., resident in Singapore, began project there for Pioneer Marine Services 1-4-71. Completed project 5-31-71. Cost $9376

R. R. Arnstein, retired Quality Control Supvr.-Kaiser Aluminum & Chem., already in Malaysia, began project for Associated Plastics Industries 1-1-71. Completed project 5-31-71. Cost $8222

James Stroud, retired Foreman-Arabian American Oil, left Boca Raton, Fla. 5-1-71, began project in Nicaragua for Sovipe Ingenieros 5-2-71. Completed project & departed 5-31-71. Cost $3377

W. J. Kalmeyer, retired VP-Standard Steel, left Sun City, Calif. 5-2-71, began project in Mexico for Linkbelt Speeder Co. 5-3-71. Completed project & departed 6-1-71. Cost $2744

Elmer Chase, retired Asst.VP-N.Y. Life Ins., left Princeton, N.J. 2-22-71, began project in Nigeria for New Nigerian Devel. Co. 2-27-71. Completed project & departed 6-3-71. Cost $6123

James Durkin, retired Sr. VP-Colo. Nat'l. Bank, left Boulder, Colo. 2-2-71, began project in Indonesia for Bank Persatuan Dagang 2-5-71. Completed project & departed 6-5-71. Cost $11267

Howard Keahey, retired Mgr.-Aceitera de Mexicali, left Austin, Tex. 1-6-71, began project in Thailand for Industrial Enterprises 1-9-71. Completed project & departed 6-6-71. Cost $8246

Ronald Dann, Co-owner-Lodge-on-the-Green Motel, left Painted Post, N.Y. 5-4-71, began project in Malaysia for Hotel Jesselton 5-7-71. Completed project & departed 6-6-71. Cost $4557

Richard Henry, retired VP-First Nat'l. City Bank, left Venice, Fla. 2-24-71, began project in Ethiopia for Agricultural & Industrial Bank 3-1-71. Completed project & departed 6-6-71. Cost $6726

Wm. Baker, retired Director-Economic Cooperation Agency, on completing Bank Negara project began, in Malaysia, a project for Public Bank Berhad 5-20-71. Completed project & departed 6-6-71. Cost $2223

R.E. Colclesser, retired Mgr. Mfg.-General Electric, left Erie, Pa. 4-15-71, began project in Mexico for Sociedad Electro Mecanica 4-16-71. Completed project & departed 6-8-71. Cost $4092

Glenn Van Otteren, retired Sec.-Furniture City Upholstery, left Grand Rapids, Mich. 4-10-71, began project in Guatemala for Camas 4-11-71. Completed project & began Simco project 4-19-71. Cost $2832

Glenn Van Otteren, retired Sec.-Furniture City Upholstery, on completion of Camas project 4-18-71, began project in Guatemala for Simco 4-19-71. Completed project & departed 6-8-71. Cost $ 3139

Paul Johnson, retired Pres.-Berks County Motors, left Reading, Pa. 5-18-71, began project in Panama for Guardia & Cia. 5-19-71. Completed project & departed 6-9-71. Cost $3044

R.A. Sheldon, retired Exploration Mgr.-Mobil Oil, left Austin, Tex. 2-9-71, began project in Philippines for Imperial Resources 2-12-71. Completed project & departed 6-9-71. Cost $9086

Theodore Krueger, retired Mgr. Quality Control-Zenith Radio, left Glen Ellyn, Ill. 2-17-71, began project in Philippines for Radiowealth 2-20-71. Project completed 6-10-71. Cost $8080

Verne Flint, retired Section Mgr.-General Electric, left Salisbury, Conn. 4-28-71, began project in Mexico for Vva. J. Aloys Griebeler 5-1-71. Completed project & departed 6-10-71. Cost $7816

Geo. Frischer, owner-Plastic Sales & Mfg., left Shawnee Mission, Kan. 3-12-71, began project in Ghana for Ghana Pioneer Plastic 3-15-71. Completed project & departed 6-10-71. Cost $6202

M.G. Ostenson, Prod. Mgr. Crown Zellerbach, left Walnut Creek, Calif. 3-15-71, began project in Greece for E.G.L. Paper Mills 3-17-71. Completed project & departed 6-10-71. Cost $7204

R. Bauhof, retired Adm. Partner-Ernst & Ernst, left Cleveland, Ohio 3-6-71, began project in Colombia for Fabrica de Hilados 3-6-71. Completed project & departed 6-10-71. Cost $5531

M. Miller, retired Chairman, Kelly Nason, left Oyster Bay, N.Y. 1-4-71, began project in Turkey for Arcelik 1-15-71. Completed project & departed 3-31-71. Cost $6716

John Mathias, Pres.-Delaware Paving, left Buffalo, N.Y. 5-30-71, began project in Nicaragua for Sovipe-Corp de Inversiones 5-31-71. Completed project & departed 6-11-71. Cost $1020

John Kastl, retired Finance Officer-U.S. Bureau of Reclamation, left Sacramento, Calif. 3-29-71, began project in Iran for Khuzestan Water & Power Authority 4-1-71. Completed project & departed 6-12-71. Cost $7143

Davidson Vorhes, retired VP Operations-CBS Radio, left St. Croix, V.I. 5-11-71, began project in Mexico for Nucleo Radio Mil 5-12-71. Completed project & departed 6-12-71. Cost $2267

A.R. Jones, retired Vice Chairman-Tenn. Valley Authority, left Bradenton, Fla. 3-29-71, began project in Iran for Khuzestan Water & Power Authority 4-1-71. Completed project & departed 6-12-71. Cost $6817

Chas. Baxter, retired Supt.-Ash Grove Cement, left Springfield, Mo. 5-13-71, began project in Lebanon for Snach, SAL 5-14-71. Completed project & departed 7-1-71. Cost $4979

Irving Lippman, retired Prod. Mgr.-Mayflower Knitting Mills, left Bklyn., N.Y. 4-16-71, began project in Guatemala for Fabrica de Tejidos de Punto 4-17-71. Completed project & departed 6-14-71. Cost $4846

Edward Brown, retired VP-Kirtley Distributing, left Port Charlotte, Fla. 5-16-71, began project in Guatemala for Briz, Llorente 5-17-71. Completed project & departed 6-14-71. Cost $3010

Richard Scott, retired Asst. Gen. Mgr.-Penn-Dixie Cement, left Nazareth, Pa. 2-24-71, began project in Korea for Tong Yang Cement 3-2-71. Completed project & departed 6-15-71. Cost $6482

John Wilson, retired Div. Mgr.-Burlington Industries, left Salisbury, N.C. 3-16-71, began project in Korea for Korea Traders Association 3-18-71. Completed project & departed 6-15-71. Cost $7113

Roger Johnson, former Int'l. Marketing Dir.-Singer Sewing Machine, resident in Singapore, began project for Eurasia & Co. 5-10-71. Completed project 6-15-71. Cost $4912

Joseph Templeton, retired VP-Clinton Mills, left Clinton, S.C. 3-11-71, began project in Indonesia for P.T. Dwi Satrija Utama 3-16-71. Completed project & departed 6-16-71. Cost $6508

Tage Nielsen, retired Pres. Atopco Shipping, left New Canaan, Conn. 4-3-71, began project in Nigeria for Henry Stephens Shipping, 4-6-71. Completed project & departed 6-16-71. Cost $7564

Irving Weber, retired VP-Sanitary Farm Dairy, left Iowa City, Iowa 4-30-71, began project in Colombia for Helados Alba 5-1-71. Completed project & departed 6-17-71. Cost $3676

Harold Kiefer, Senior VP-Aetna Insurance, left Old Saybrook, Conn. 3-15-71, began project in Mexico for Seguros de Mexico Bancomer 3-16-71. Completed project & departed 6-18-71. Cost $4498

Albert Holloway, retired Pres.-Lawndale Industries, left Sun City, Ariz. 4-27-71, began project in Iran for Sanitary Fixtures Co. 4-29-71. Completed project & departed 6-20-71. Cost $5745

Jos. Woppman, retired Plant Mgr.-Garlock, Inc., left Lake Worth, Fla. 3-14-71, began project in Philippines for Universal Textile Mills 3-15-71. Completed project & departed 6-23-71. Cost $8281

K. M. Montgomery, retired Partner-Arthur Anderson Co., left Port Wash., N.Y. 5-29-71, began project in Thailand for group of companies 6-1-71. Completed project 6-23-71 & started on another project in Thailand. Cost $5177

Philip Muccilli, retired Prod. Mgr.-National Lead Co., left Edison, N.J. 5-30-71, began project in Singapore for Straits Trading Co. 6-1-71. Completed project & departed 6-24-71. Cost $3248

W. A. Walking, retired Elec. Eng., Ideal Cement, left Denver, Colo. 2-28-71, began project in Philippines for Filipinas Cement 3-3-71. Completed project & departed 6-4-71. Cost $8027

NOTES:

1. The sum of the listed costs of these 535 projects is the $3,200,000 borne by AID. It excludes the substantial costs borne by private contributions and by the organizations assisted. Individual project costs vary considerably, depending mainly on distance travelled, cost of living, the duration of the project and whether or not the Volunteer Executive is able to accomplish more than one project during his stay.

2. IESC does not permit Volunteer Executives to make extended stopovers enroute to projects. However, where a short stopover will not jeopardize the project, it may be permitted with the understanding that the Volunteer Executive bears the cost.

Mr. PASSMAN. At this time how many went to Japan?

Mr. DWINELL. I do not have those figures.

Mr. PASSMAN. Maybe one of the boys would have that.

Mr. DWINELL. We have that. We do have a breakdown by countries. There are none to Japan.

Mr. PASSMAN. It looks like 22 of them went to Israel. They are really scattered around. How are these people able to get away from their companies and go out on these long tours without neglecting their duties at home?

Mr. DWINELL. My understanding, Mr. Chairman, is that most of them are retired.

Mr. PASSMAN. Governor, you are very fair. They are retired?

Mr. DWINELL. Retired.

Mr. PASSMAN. Tired and retired executives. I would say they are tired. Most of them keep working if they are not.

Mr. ROONEY. Where do you apply for this?

Mr. PASSMAN. As far as I am concerned, it is nothing but another hifalutin bureau that is created to accommodate those people that have been nice and want a vacation and can't pay for this out of their social security.

Mr. ROONEY. What is wrong with that?

Mr. GALIFIANAKIS. Where do the private funds come from?

Mr. PASSMAN. We are going to get that, too.

Mr. DWINELL. From private business generally but that information will be supplied to you.

Mr. PASSMAN. You really put your finger on it—tired and retired former executives making their services available for further use to our friends abroad at the expense of the U.S. taxpayers.

Mr. GALIFIANAKIS. Are the contributions on the part of private industry contingent upon the appropriations from the Congress?

Mr. DWINELL. May I say, my answer to that, sir, is that like many of these collaborative efforts, it could not go forward without joint participation.

Mr. GALIFIANAKIS. Private industry would not be willing to do it to the point of $2.9 million.

Mr. ROONEY. There is a little politics involved, isn't there?

Mr. PASSMAN. The Governor is a retired executive.

Mr. ROONEY. Would you excuse me a second?

What is wrong with rewarding some tired executives that you spoke of and sending them on an around-the-world tour? I don't think very many of these people went directly to the post or destination. They went via other places. What is wrong with this?

Mr. PASSMAN. That is, with detours in Louisiana, is that correct? Further interesting spots along the way they want to check. Is that what the gentleman wants to get over?

Mr. ROONEY. That would be part of it.

Mr. GALIFIANAKIS. I am trying to figure out why private industry is not willing to put the money in there.

Mr. PASSMAN. The private industries need the executives at home. These are tired, retired executives that are willing to endure that strain to go around the world and impart prior acquired knowledge to their less informed brethren.

Mr. ROONEY. That gets AID off the hook. This goes on with both Democrats and Republicans. It makes no difference.

Mr. PASSMAN. I came out of the free enterprise sector, small businesses. I disposed of them.

I wonder if I would be classed as an executive since I headed my own business? They were small.

Mr. ROONEY. When the Governor——

Mr. PASSMAN. Don't get in my time.

Mr. ROONEY. I thought I could qualify if I were to resign.

Mr. PASSMAN. I am making my own case now. I operated——

Mr. ROONEY. I would like to get in there in the beginning, too.

Mr. PASSMAN. I gave up, sold my businesses shortly after I came to Congress, but I had many years' experience. Would I be looked upon as a former executive?

Mr. DWINELL. I would——

Mr. ROONEY. Yes, a tired businessman.

Mr. PASSMAN. There are some people down in my district that have ideas of retiring me involuntarily next year. If they should succeed I would make myself available. Seriously, could I be considered for one of these posts?

Mr. DWINELL. Mr. Chairman——

Mr. ROONEY. He would be considered, wouldn't he?

Mr. DWINELL. Let me say, even though I do not have the direct operational responsibility for this program, to the extent that I could, I would use my influence to be sure that you had such an opportunity.

Mr. PASSMAN. You would look favorably upon the application brought to your desk?

Mr. DWINELL. Yes, sir.

Mr. PASSMAN. Thank you very much.

Mr. ROONEY. Let's quit on that note.

Mr. PASSMAN. Mr. Galifianakis?

Mr. GALIFIANAKIS. Thank you, Mr. Chairman.

NUMBER OF PEOPLE FINANCED FROM INTERREGIONAL ACTIVITIES

How many people are involved in the supporting interregional activities? What kind of staff is required to operate the interregional activities?

Mr. DWINELL. There were 1,133 people as of our April figures.

Mr. GALIFIANAKIS. Are they all stationed in the United States?

Mr. DWINELL. Yes, sir, they are.

Mr. GALIFIANAKIS. Are there any others involved who are perhaps counterparts of the 1,100 distributed for coordination purposes?

Is all the coordination done here in Washington?

Mr. DWINELL. I am informed that we have two in Rome who are engaged in coordinating with the FAO and then we have seven people in Paris connected with our mission to the Development Assistance Committee. Aside from those that I have referred to, all of the rest are based in Washington.

ACTIVITIES PERFORMED UNDER INTERREGIONAL AREA

Mr. GALIFIANAKIS. Are you able to tell us what the 1,100 people that you have working, what do they spend their time doing? What is a good example of the typical activity?

I guess that you have echelons of management on down to clerks, but what is the principal activity that is carried on at the interregional activity? What do they do?

Mr. DWINELL. We have 140, for instance, in the Office of International Training which we were discussing, the people that support the participant training program. In the Technical Assistance Bureau, which coordinates these interregional technical assistance research and other activities, there are some 170 people involved.

A large number of the people who are in our regional bureaus in Washington are in this category because they are backstopping program operations, backstopping the missions in the administration or implementation, I should say, or operation of programs.

Mr. GALIFIANAKIS. Are the 1,100 more or less permanent personnel or are they part-time?

Mr. DWINELL. No; they are full-time personnel.

Mr. GALIFIANAKIS. Do you increase your program by the number of personnel during the summer when other people are available for additional employment? Does this figure fluctuate or stay the same?

Mr. DWINELL. Full-time employment in the categories that we are talking about is relatively stable. When you talk about summer employment, we do have, like many agencies, some summer employment opportunities for——

Mr. GALIFIANAKIS. Who are your principal applicants, teachers and people who——

Mr. DWINELL. Students and maybe some teachers for summer work. The people that I am referring to and the numbers that we are talking about are full-time year-round employees.

Mr. GALIFIANAKIS. I am really trying to get a picture of what they do and when you say train or manage. I am still vague as to what the real activity of coordination is going on. Can you give me a "for instance" that would make me a little bit more understanding of what the activity is?

Mr. DWINELL. I mentioned the Office of International Training as one. It takes a few people, quite a few people to make all the arrangements for getting 10,000 trainees into this country or into institutions or into training opportunities. That is a lot of administering. It is administration of that program. Another example would be, we have many contracts for the implementation of foreign assistance so we have contract officers who are involved in that work.

SOLICITATION OF PRIVATE FUNDS

Mr. GALIFIANAKIS. Part of the employees that you have devote a good bit of their time to solicitation of private funds, or is that an outside activity?

Mr. DWINELL. We don't do any solicitation of private funds, except you might say as it results indirectly in some of these collaborative undertakings that I have spoken about. We assume that with the Asia Foundation or with the IESC, the fact we do have an input results in more private participation.

Mr. GALIFIANAKIS. Who coordinates that?

Mr. DWINELL. That is done by our office for private overseas programs.

Mr. GALIFIANAKIS. Do you have an office that devotes its time to that?

Mr. DWINELL. We do. I thought you meant actually soliciting. They solicit private support through organizations and through efforts of this sort.

Mr. GALIFIANAKIS. Somebody has to tell the industry that "by the way, we think that we can pump $3.5 million in this category"? That is part of your operation?

Mr. DWINELL. We have an office for private overseas programs.

Mr. GALIFIANAKIS. I think my time is up, Mr. Chairman. Thank you.

Mr. PASSMAN. If you have other questions ask them.

Mr. GALIFIANAKIS. I don't wish to do so now.

Mr. PASSMAN. Off the record.

(Discussion off the record.)

TOTAL AID EMPLOYMEPT

Mr. GALIFIANAKIS. How many people do you have totally employed in all your activities?

Mr. DWINELL. Total employment by AID on a worldwide basis, in this country and in all our overseas operations, as of April 25, 1971, was 14,110. The number in Washington is 3,375.

Mr. PASSMAN. Will the gentleman yield? Now let's start up that ladder until we get to that high seat. That is a good partial answer. Now I want to direct this question to the distinguished controller. How many individuals do we have either on the payroll, either participants, direct hire, contract hire or foreign nationals?

Mr. FLINNER. Including economic and military assistance?

Mr. PASSMAN. The whole bag of worms.

Mr. FLINNER. Participant trainees also?

Mr. PASSMAN. Yes, because they get a monthly check.

Mr. FLINNER. 43,063 as of March 31 ,1971.

Mr. PASSMAN. Congratulations. I think you reduced that some.

Mr. FLINNER. It was 51,936 on March 31, 1969, and 48,105 on December 31 ,1969.

Mr. PASSMAN. If you will place that total number in the record by category.

Mr. FLINNER. Yes, sir.

(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 3/31/71		
	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	6,928	7,194	14,122
Military 1/ 2/	4,047	762	4,809
Total, direct hire	10,975	7,956	18,931
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	3,355	1,174	4,529
Military 1/	131	238	369
Total, other than direct hire	3,486	1,412	4,898
3. Number of foreign national trainees programmed during the year (number in training at any given date is approximately half this number): 3/			
Economic	-	10,714	10,714
Military	-	8,520	8,520
Total, foreign national trainees programmed	-	19,234	19,234
Total Economic and Military Assistance	14,461	28,602	43,063
PEACE CORPS			
1. Direct-hire personnel	1,093	151	1,244
2. Volunteers and trainees:			
Volunteers	7,001	-	7,001
Trainees	529	-	529
Total, volunteers and trainees	7,530	-	7,530
3. Contractor and reimbursable detail employees	1,047	-	1,047
Total, Peace Corps	9,670	151	9,821

1/ Entries for military programs are estimated.
2/ Includes military personnel paid from DOD appropriations.
3/ Represents number of foreign national trainees programmed 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.

Mr. GALIFIANAKIS. That is what I was angling for. What kind of dollar mark goes by the figure?

Mr. FLINNER. I do not have that figure for you. This includes participant trainees, people in the military establishments, people working, as the Governor pointed out, in AID, actual employees working in AID on March 31, was 14,122. This list also includes the 10,714 participant trainees, also 8,520 participant trainees in the military, also reimbursable contract employees working overseas.

Mr. GALIFIANAKIS. That is an ascertainable figure, is it not? Maybe it is not useful to you, but you know everything is so cryptic that one of the problems is trying to get educated enough so as to ask questions to get the real picture. It is becoming almost impossible to get a forthright response to rather simple questions.

Mr. PASSMAN. Will the gentleman yield further?

Mr. GALIFIANAKIS. Yes.

Mr. PASSMAN. In this total, you are interested in, I want to commend you for asking that question, because I usually ask it about five times each year so as to get it in the record quite often.

TOTAL EMPLOYMENT BY THE INTERNATIONAL ORGANIZATIONS

Now we have created many more spigots of aid such as the Asian Development Bank, Inter-American Development Bank, the International Development Association; then we get into the International Bank for Reconstruction and Development and International Finance Corporation, which are aid agencies. Some of them we contribute up to 40 percent of the total.

Now, is that number included in your 43,063?

Mr. FLINNER. No, sir.

Mr. PASSMAN. Could you ascertain for us, please, the total number employed by all of these agencies? If we put up 40 percent of the money, then we will show we only pay for 40 percent of the personnel. It is almost impossible to get this thing all-inclusive because it would frighten you and you would be sorry you ever got on the committee. It would frighten you.

Will you get those for us?

Mr. FLINNER. I will see if I can obtain it from the international organizations.

(The information follows:)

Number of employees in international financial institutions

	Total staff
Asian Development Bank	490
Inter-American Development Bank	1,216
International Bank for Reconstruction and Development	[1] 2,887
International Development Association	[1] 2,887
International Finance Corporation	168

[1] These two programs are handled by the combined staff.

Mr. PASSMAN. The total amount in the January budget for foreign aid and assistance was $13,517,628,000 and now we find there are other spigots which we have not picked up. It is almost impossible to ever get the full figure together.

I thank the gentleman for yielding.

Mr. GALIFIANAKIS. Thank you very much, Mr. Chairman. I am finished.

Mr. PASSMAN. I want to give you two of my pens so that we will arrest any offense I may have imposed upon you in asking you to consider my application for one of these executive positions. My name is on there. A little fine sandpaper will take it off.

Mr. DWINELL. Thank you. I will redouble my efforts in your behalf.

Mr. PASSMAN. I just may be serious.

Mr. DWINELL. I am.

Mr. ROONEY. I want you to know I was not kidding.

Mr. PASSMAN. You had better say I am speaking for Passman and Rooney. You recommend me and I will recommend you.

Mr. ROONEY. Fine, let's do it mutually. We have a good man here in Governor Dwinell. He will take care of us.

Mr. DWINELL. I was a businessman too. So I am a good judge of other businessmen.

AMERICAN SCHOOLS AND HOSPITALS ABROAD

Mr. PASSMAN. Now Governor, we have the American schools and hospitals abroad. As I observed the revised preliminary estimate for the American schools and hospitals abroad program, you are asking for $11,125,000 against a 1971 program of $13,419,000, is that correct?

Mr. DWINELL. Yes.

Mr. PASSMAN. Now, this is a reduction of $2,294,000 below the budget request for fiscal 1971, at this point? Below the amount approved.

Mr. DWINELL. Below the amount approved, yes.

Mr. PASSMAN. Place in the record at this point AID's proposal for hospitals and schools abroad.

(The information follows:)

AMERICAN SCHOOLS AND HOSPITALS ABROAD PROGRAM

[Dollars in thousands]

Congressional Presentation:	*Revised fiscal year 1972*
Admiral Bristol Hospital, Istanbul, Turkey	100
Anatolia College, Thessaloniki, Greece	200
American Farm School, Thessaloniki, Greece	275
American University of Beirut, Lebanon	6,000
American University in Cairo, U.A.R	500
Escuela Agricola Panamericana, Honduras	250
Project HOPE	1,500
Robert College, Istanbul, Turkey	1,200
Program support	150
Educational Center of Galilee	400
Kolel Shomare Hachomos (Home for the Aged)	400
Laniadd Hospital, Kiryat Sanz, Israel	150
Total	11,125

Mr. PASSMAN. May we state for the record, and we want to be completely fair about this, that on June 7, 1971, the distinguished chairman, Dr. Morgan, introduced a bill to amend the Foreign Assistance Act of 1961 and in that bill it is proposed to authorize $25 million for the American schools and hospitals abroad, is that correct?

Mr. DWINELL. Yes, Mr. Chairman.

SCHOOLS AND INSTITUTIONS TO BE FUNDED

Mr. PASSMAN. Then I would assume at a subsequent date that the AID agency will amend their request, furnishing the names of the additional schools or institutions that they want funded, is that correct?

Mr. DWINELL. We can do that, sir; yes.

Mr. PASSMAN. I see. Would you get that to the committee so that we will know what additional schools or, if we may, when we list in the record the schools that comprise the $11,125,000, add to this list the supplement that the AID agency has submitted to the authorizing committee? Could you do that?

Mr. DWINELL. Yes, Mr. Chairman.

Mr. PASSMAN. So that we will know the total amount and the number of schools and the names that the AID agency as such is proposing to the Congress to fund.

Mr. DWINELL. We will, Mr. Chairman.

(The information follows:)

INSTITUTIONS ENDORSED FOR SUPPORT WITHIN THE $25 MILLION AUTHORIZATION

House Resolution 8961, introduced in the House of Representatives on June 7, 1971, provides for a fiscal year 1972 authorization of $25 million to overseas institutions under section 214 of the FAA. This resolution includes some institutions not covered by the AID budget request of $10,175,000 because applications were not received from them by AID in sufficient time for its presentation. The following list includes institutions endorsed by AID for support within the proposed authorization of $25 million. In addition, support is endorsed for the American Hospital, Rome, Italy; the Beth Yaackon Avat Girls School, Ramat Can, Israel; and Jerusalem College, Israel.

	Thousands
American Farm School, Thessaloniki, Greece	$275
Anatolia College, Thessaloniki, Greece	200
Athens College, Athens, Greece	70
Escuela Agricola Panamericana, Tegucigalpa, Honduras	250
Educational Center of Galilee, Rachasim, Israel	400
Kolel Shomre Rachomos (Home and Hospital for the Aged), Israel	400
Weizmann Institute of Science, Rehovot, Israel	3,700
Yeshiva Shearith Hapletah Kiryat Sanz, Israel	150
American University of Beirut, Lebanon	6,000
University of the Americas, Pueblo, Mexico	3,000
Gorgas Memorial Institute, Panama	1,000
American Research Hospital in Poland, Krakow, Poland	600
Admiral Bristol Hospital, Istanbul, Turkey	100
Robert College, Istanbul, Turkey	1,175
American University in Cairo, Cairo, United Arab Republic	1,450
Cairo American College, United Arab Republic	1,000
International Eye Foundation	200
Project HOPE	1,500
Teacher Training Institute, Kyriat Yearim, Jerusalem, Israel	1,000
Program support	1,500
Total	22,670

Mr. PASSMAN. Now, if I may ask a few brief questions and consume my time before I yield to the other members.

AMERICAN UNIVERSITY AT BEIRUT

I am tremendously interested in certain schools abroad. I could almost use that in the singular rather than in the plural, I think there is

some good in all of them. It is my understanding and there is ample proof available that the American University at Beirut, in all probability, held together what prestige we have remaining in that part of the world and, most likely, prevented Lebanon from breaking off diplomatic relations with this country, is that your understanding?

Mr. DWINELL. I would not say anything to the contrary, Mr. Chairman. It has been an extremely valuable instrument, and representative of the United States.

Mr. PASSMAN. This is a nonsectarian institution?

Mr. DWINELL. That is right.

Mr. PASSMAN. They have students attending from some 65 nations of the world and it is a prerequisite they must be able to read English, speak English, and the courses are taught in English?

Mr. DWINELL. That is correct.

PROSPECT OF PHASING OUT U.S. GOVERNMENT SUPPORT

Mr. PASSMAN. I might say this, Governor; I am only one member of this subcommittee, just one member of this Congress, but I have always had some misgivings about the Congress going overboard in furnishing budget support.

Capital investment, yes, but when we get too far overboard in budget support, experience has taught me that these people who are charged with the responsibility for raising money, whether for the United Givers Fund, Salvation Army, or the Red Cross, if you can get it in a lump sum from Uncle Sam it is a lot less trouble than it is to go out and solicit funds from countries and organizations and individuals who would normally give assistance if it were not that our Government financed it. I do not believe you quarrel with that position, do you?

Mr. DWINELL. No, sir.

Mr. PASSMAN. I respectfully request and urge you, Governor, to serve notice on these institutions that it is getting hard to get this money. We are having to borrow it before we can give it to them. We are expecting them to renew their efforts to get contributions from the former donors, so that in subsequent years we can start cutting down on this budget support. I think it is a good suggestion. I think it is one that you would like to follow through on.

Mrs. REID. Mr. Chairman, would you yield?

Mr. PASSMAN. Yes, I would be glad to yield.

Mrs. REID. In regard to that question, I think to enlarge upon it, give us any idea if there are any prospects of phasing out Government support, and their being subsidized by private foundations, individuals, or groups.

Mr. DWINELL. I think the answer to that, Mrs. Reid, is that it varies by institution.

May I say that wherever possible, we attempt to restrict our aid to capital construction. Now that is not possible in all instances, of course, as the chairman indicated. There are areas where we have given operating support. In our opinion it is justified.

American University in Beirut is an example of that.

Mr. ROONEY. Off the record.

(Discussion off the record.)

ROBERT COLLEGE

Mr. DWINELL. I can give an example of one institution—Robert College—which has been of some concern over the years, where our operating support was climbing. Due to changes which are taking place there, pursuant to an action recently taken by the Turkish constitutional court, we anticipate a reduction in our support of that institution. The situation now indicates that there is going to be a very substantial reduction.

PRIVATE CONTRIBUTIONS

Mrs. REID. Do you encourage private contributions?

Mr. DWINELL. We certainly do. I could give you an example on this list of the—well, the Admiral Bristol Hospital, the first one on the list. That is an excellent example of one where we have given what we think is deserving, modest support.

Just this year the Wallace Foundation, Mrs. Wallace of the Readers' Digest, granted in excess of $500,000 for expansion of that hospital. There is interest of that sort in most, if not all of these institutions.

Mrs. REID. Thank you.

AMERICAN UNIVERSITY AT BEIRUT

Mr. PASSMAN. The amount of budget support we are giving the American University at Beirut is only part of their operating expenses. Of course, since we provided the capital investment where you have this tremendous teaching hospital-medical school, not only did you increase the overhead, but you likewise doubled the number of students attending this university.

On account of the trouble they are having in that part of the world, some of the former contributors have ceased to make any contribution; some of the wealthy Arab States just will not make any contribution. Their students still go there, but they are not making any contribution. This university has not increased, as I understand it, the tuition in maybe 10 years.

A few days ago they attempted to make a very small adjustment in the tuition. Darned if the students did not all strike. Of course, we do not have all the trouble here. It seems we are going around the world with it. So they protested. The president of the university closed it up temporarily. I do not know whether they reopened it or not.

Mr. CONSTANTINO. Yes, sir, they have.

Mr. PASSMAN. They do have serious problems on account of the turmoil in that part of the world. I am in hopes, at the proper time, this year, as in previous years, this committee will give consideration to the fact that they are having some trouble.

ADJUSTMENTS IN REQUESTED FUNDS

I would assume we may also apply the Hannah formula to this request, that there is an asking price and a taking price.

Mr. DWINELL. May I say, Mr. Chairman, that we have reviewed these requirements very carefully, the requirements of all these insti-

tutions. In most, if not all instances, we are not giving them what they need.

Mr. PASSMAN. Certainly not. I hope you never start doing that.

Mr. DWINELL. They have their asking price as well.

We have tried to be as objective as possible in making a preliminary estimated redistribution of our request. The reason we have called it that is because there are changes taking place with regard to these schools, particularly the one that I mentioned, Robert College, which indicate reprograming would be appropriate.

Mr. PASSMAN. But if the committee in its wisdom should make some adjustments, you would not cancel out what we gave you?

Mr. DWINELL. No, sir.

Mr. PASSMAN. You would use it.

I believe all of these projects with the exception of maybe one or two, are ongoing projects.

Mr. DWINELL. That is correct.

Mr. PASSMAN. I notice there is one they say is extremely worthy, the home for the aged. I think that institute is 100 years old.

Mr. DWINELL. That is correct.

Mr. PASSMAN. That is the only new one, is it not?

Mr. DWINELL. It is the only one on this list which has not had some help through this program in the past.

Mr. PASSMAN. Off the record.

(Discussion off the record.)

Mr. PASSMAN. Mr. Shriver?

STUDY OF AMERICAN SCHOOLS AND HOSPITALS ABROAD PROGRAM

Mr. SHRIVER. You have started a study of the American schools and hospitals abroad program and its real effect on our interests and our foreign policy. You are to be congratulated for doing it. When will this study be completed?

Mr. DWINELL. In the very near future.

As a matter of fact, a preliminary report by the study group is to be made next week.

Mr. SHRIVER. Will a copy of the preliminary report be available to us?

Mr. DWINELL. Certainly, Mr. Shriver, we would be pleased to make it available to you. When I say preliminary, I expect we will have a final one within a matter of a very short time.

Mr. SHRIVER. Fine.

ADDITIONAL INSTITUTIONS PROPOSED FOR AID

Would you explain further what you mean by the attempt to place this program on a wider geographic distribution basis than in the past?

What additional countries and institutions are you thinking about?

Mr. DWINELL. We have had requests from Mexico. We did help the University of the Americas previously. There is a new request from them.

Mr. SHRIVER. That would be in this hemisphere?

Mr. DWINELL. That is an example; that is correct. It is an example of what we are trying to do. Our statement does not mean that we now

want to redistribute the program on a worldwide basis, but certainly we think it is appropriate to consider institutions in Latin America.

We are conscious of the fact that about 86 percent of the program has been in the Middle East. I might say, also, that it is not our intention to be empire builders and build a program that is going to have institutions all over the world.

Mr. SHRIVER. I understand and agree.

Mr. DWINELL. It is a question of balance.

AMERICAN UNIVERSITY IN CAIRO

Mr. SHRIVER. Why are you not permitting the American University of Cairo to draw on the corpus of its fund for endowment expenses?

Mr. DWINELL. We do.

Mr. SHRIVER. You do?

Mr. DWINELL. Yes. The point there, Mr. Shriver, is that 3 years ago, under the Mondale amendment procedure, we set aside 25 million pounds, $45 million equivalent, as an endowment fund for the University of Cairo, but there were certain conditions which we attached to that proposal before it could be implemented, among which was that the institution become desequestered. Because of the relations that existed between the United Arab Republic and this country, the Egyptian Government appointed a "sequestrator." We did not feel that we could turn over that substantial endowment while that sequestration continued.

It has been a compatible situation and the institution has not been interfered with. So we have, as indicated to the Congress and this committee, drawn down for operating expenses from that fund which has never really been formally established and put out at interest.

LEADERS TRAINED AT U.S. BACKED INSTITUTIONS

Mr. SHRIVER. Each year this item is justified on the basis that we are training many of the future leaders in the countries and areas involved. We repeat this justification on the floor of the House. It is a plus.

Could you give us, if necessary for the record, a list of some of the former students in these programs who have gone on to high positions in their countries?

Mr. DWINELL. Yes.

Mr. SHRIVER. I am thinking particularly of the leadership in the Middle East where 86 percent of the funds are spent.

Mr. DWINELL. Yes; we can do that and we will.

(The information follows:

LEADING ALUMNI OF ASHA

Feinberg Graduate School of the Weizmann Institute of Science

Dr. Abraham Atsmon, head of the Department of Internal Medicine at Balinson Hospital in Israel: Dr. Issachar Una, professor of physics at the Hebrew University in Israel; Dr. Puttipongse Varavudhi, Department of Biology at the Chulalungkorn University in Bangkok, Thailand; Dr. Peretz Kraicer, associate professor of endocrinology at Tel Aviv University in Israel; Dr. Eugene Hadjoudis, senior scientific officer at DEMOCRITUS (National Research Center) in Athens, Greece; Dr. Mario Suwalsky, associate professor of chemistry

at the University of Concepcion in Chile; Dr. Isaac Kelson, professor of physics at Tel Aviv University in Israel; Dr. Mordecau Bixon, professor of physical chemistry at Tel Aviv University in Israel.

American University of Beirut

Saeb Salaam, Prime Minister of Lebanon; Wasfi Tal, Prime Minister of Jordan; Omar Saqqaf, Foreign Minister of Saudi Arabia; Suad Khalil Ismail, Minister of Higher Education, Iraq; Najib Alamuddin, president of Middle East Airlines and former Minister of Public Works, Lebanon; Elias Saba, Deputy Prime Minister and Minister of Defense, Lebanon; George Tokme, Syrian Ambassador to the United Nations; Ignatius Hazim, Greek Orthodox Bishop of Latakia, Syria.

American University in Cairo, Egypt

Khalie Osman, Jordanian Consul General in New York; Lubna Abdel Aziz, Fulbright scholar and leading Egyptian actress; Mohammed El Boghad, executive director, Arab-American Chamber of Commerce; Ahmed Zein, prominent Egyptian journalist associated with El Ahbar newspaper; Mona Nasser, daughter of former President Nasser; Ramses Nassif, public relations officer, Secretary General of the United Nations; Laila Rostum, prominent Egyptian television personality; Talat Al Ghussein, former Ambassador of Kuwait to the United States and present Ambassador from Kuwait to Morocco.

Anatolia College, Greece

Mr. Costas Sianos, director of Mobile Oil at Salonika; Mr. John Sossides, Greek Ambassador to Argentina; Mr. Demetrios Zannas, chairman of the board, Tourist Organization of Greece and director of the YMCA, Salonika; Dr. Lucas Kyrides, first inventor of synthetic rubber in the United States; Mrs. Mario Eleftheriou, director and general inspector of the Red Cross nurses in Athens; John Bilimatsis, first secretary, Greek Embassy, Washington, D.C.; Thanasis Aghnides, chairman of the U.N. Committee on Administrative and Budgetary Questions in New York; Stavros Constantinides, owner/manager of silk textile plant.

The American Farm School, Thessaloniki, Greece

Asterios Kounouis, organized first dairy cooperative in Lite and is a dairy inspector for the Ministry of Agriculture; Sterios Karamanos, operates a model farm and is supervisor of the livestock research station serving Thrace; Costas Joannides, major of Mylotopos and advisor on village problems for the farm extension service; Peter Toandjis, prominent businessman in the Philippines, dairy farming, meat processing, and ship chandler; Emmanuel Terjis, first poultry producer in Sedes, operating a model poultry farm producing over 500,000 chickens a year; John Mouratidis, operates demonstration fruit orchards, is the leading cattleman in his area, assistant to the agricultural extension agent in Palaiphyton, and advisor to the Agricultural Youth Club.

U.S. AID COMPARED TO INSTITUTIONS' TOTAL FUNDING

Mr. SHRIVER. Would you provide for the record a table showing the percentage of the total financial requirements of these institutions which is furnished by the United States under your 1972 request?

Mr. DWINELL. Yes.

Mr. COSTANTINO. May I comment there?

This would depend, of course, on the amounts that would be put in by the United States.

Mr. SHRIVER. I understand that.

Mr. COSTANTINO. Would you therefore accept this information for fiscal 1971——

Mr. SHRIVER. Last year.

Mr. COSTANTINO. The last year, fiscal year 1971.

Very well.

(The information follows:)

Operating Budgets of Section 214 Recipients and Percentage of Budget Derived from Section 214 Grants 1/

Institutions	Total 2/ Operating Budget	Section 214 % of Operating Budget
1. Admiral Bristol Hospital, Turkey	$ 735,000	7%
2. American Farm School, Greece	585,000	18%
3. American University of Beirut, Lebanon	15,900,000	3%
4. American University in Cairo, UAR (Egyptian Pounds)	1,110,000 (1,625,000)	18% (77%)
5. Escuela Agricola Pan Americana, Honduras	824,000	21%
6. International Eye Foundation	396,000	50%
7. Or Hachayim, Israel	1,000,000	20%
8. Pierce College, Greece	30,000	3%
9. Project HOPE	7,900,000	12%
10. Robert College, Turkey	4,382,000	59%

1/ Based on actual and projected budgets for institutions' present fiscal year, typically academic year 1970-1971 or calander year 1971 which correspond to FY 1971.

2/ Funds allocated for scholarships are included in operating budget calculations. Capital improvements and FY 1971 Grantees receiving assistance only for capital improvements are not included in this Table.

ROBERT COLLEGE

Mr. SHRIVER. The Government of Turkey, as I understand it, has not decided what they are going to do with Robert College.

Mr. DWINELL. Well, they know that because of the decision of the constitutional court, Robert College is precluded from operating so-called Yuksek university level education, beyond the 9th of July. That part of Robert College is going to become a Turkish institution.

Robert College trustees have entered into negotiations and actually have made an agreement virtually donating that part of their campus to the Government of Turkey for certain considerations.

Mr. SHRIVER. Could the $1.9 million there be eliminated until a determination is made?

Mr. DWINELL. Congressman Shriver, we have reduced it to $1.2 million in our revised figure and as indicated previously a further reduction may well be in order depending on the outcome of discussions with the Turkish Government and the Robert board.

Mr. SHRIVER. I see.

Mr. DWINELL. This is the reason, Mr. Chairman, that we are particularly concerned about keeping this amount flexible because there is every indication that we can make a further reduction in the requirements. However, we want to do the fair thing by Robert College during this transitional period.

Mr. SHRIVER. I would think so. I think we have been pretty fair with Turkey.

AMERICAN FARM SCHOOL IN GREECE

On page D–87 you say the American Farm School in Greece is having a hard time maintaining its leadership role because of Greece's general economic progress and agricultural modernization.

Now, why should we continue to participate in that program?

Mr. DWINELL. Mr. Costantino recently visited that school.

I wonder if he could speak to that.

Mr. COSTANTINO. Sir, perhaps the easiest way to answer you is that when I first arrived in Greece, everyone told me to go and see the farm school in Thessaloniki. The school has been a center of U.S. influence in northern Greece for the last 60 years. The school reaches essentially into the villages, finds poor kids, girls and boys, from the farm and trains them to become farmers.

With technology improving, with European economic integration, peasant farming is no longer economically sound. So these kids now have to be given a better form of education and probably a higher education. The Ministry of Education in Greece is very interested in this program. They are helping it. The Ambassador is enthusiastic about it.

We are very impressed by the school's leadership, their dedication and ability. It is one of the outstanding American schools overseas and has been so for a long time. But they are also being caught in the usual crush of rising costs and the inability of rural families to meet even modest tuition. There is a real need to refurbish the physical plant.

PIERCE COLLEGE

Mr. SHRIVER. On page 88 you say that Pierce College in Athens is beset by internal managerial problems, unanticipated drop in income, and differing views on its role in Greek education. Yet you are requesting $100,000 at this time.

Mr. CONSTANTINO. There is no request.

Mr. DWINELL. Our revised list has eliminated the request for that item in fiscal year 1972.

Mr. SHRIVER. Are there any other changes made from the original justification?

Mr. DWINELL. Yes, sir.

CHANGES FROM THE ORIGINAL JUSTIFICATION

Our request for the American University in Beirut is now $6 million. Robert College is reduced from $1.9 to $1.2 million subject to further reduction depending on the results of the discussions that are now going on.

For the American University in Cairo, we propose an increase from $200,000 to $500,000. Mr. Shriver, we feel the American University in Cairo has made serious efforts to raise money privately but they have been unable to bridge the gap between anticipated dollar income and essential projected expenditures. My statement also requests authority to use a portion of the endowment in Egyptian pounds for construction of a library and, as in the past, for operating costs in Egypt.

Mr. SHRIVER. This means contribution of dollars to them?

Mr. DWINELL. Dollars and local currency.

Mr. SHRIVER. Not excess currencies?

Mr. DWINELL. Both dollars and excess currency.

Mr. SHRIVER. We have a lot of excess currency there.

Mr. DWINELL. Yes, sir. We help AUC on that side, too. For several years we have been giving them only $200,000 for their dollar requirements but their needs have increased.

Another adjustment is for the American Farm School. We talked about this previously, that is from $200,000 to $275,000. Our proposal is to increase the grant to the Escuela Agricola Panamericana (Honduras) from $200,000 to $250,000.

Mr. SHRIVER. Is that it?

Mr. DWINELL. The request for Admiral Bristol Hospital is increased from $40,000 to $100,000.

Mr. PASSMAN. Would the gentleman yield?

RELATIONSHIP OF AMERICAN SCHOOL AND HOSPITALS ABROAD PROGRAM TO REGULAR AID EDUCATION PROGRAM

Shouldn't we indicate for the record at this point that this really is a very small percentage of the total aid made available to schools and hospitals? When you talk of the overall figure, practically every spigot of AID, Alliance for Progress and Development Loan Fund, many of them are in the area of education and building school buildings. Is that true?

Mr. ROONEY. Excuse me. Isn't the difference the fact that these are American sponsored?

Mr. DWINELL. Yes, sir.

Mr. ROONEY. And the others are national sponsored?

Mr. PASSMAN. These are American schools abroad. This is a very small percentage of the total cost, our contribution that we are making to schools and colleges and hospitals and similar projects that are going on in foreign nations?

Mr. DWINELL. Yes, sir.

Mr. PASSMAN. One year we established that $245 million was going into the areas that we are discussing here but it was going into the governments and they in turn moved it into these schools and hospitals, whereas this is going directly and we can put our fingers on it. It is a very small percentage of the total?

Mr. DWINELL. Of the total that goes into education, yes, sir.

INTERNATIONAL COLLEGE OF BEIRUT

Mr. SHRIVER. In your discussion in the justification book, mention is made of a prestigious preparatory school, the International College of Beirut. That is not one we contribute to, is it?

Mr. DWINELL. We did at one time. They are completing a new campus outside of Beirut and they had help from section 214 a number of years ago for that capital project.

Mr. SHRIVER. The purpose of putting it into the justification was history?

Mr. COSTANTINO. Just to tell you it is being completed.

Mr. DWINELL. Completion of a project funded several years ago.

USE OF LOCAL CURRENCIES IN THESE INSTITUTIONS

Mr. SHRIVER. Is the Agency for International Development proposing the use of any excess local currencies for any of these institutions or any other institutions for fiscal year 1972?

You said that you could use some. Are you proposing any?

Mr. COSTANTINO. Our submission only indicates dollar requirements. We are not at this point certain to what extent the requirements of some of these schools could be met with excess local currencies, that is, in countries where such local currency is available. The amount requested, $10,975,000, is specifically for dollar requirements.

Mr. SHRIVER. Would you put into the record the table of excess foreign currencies that we have?

Mr. COSTANTINO. Yes, sir.

(The information follows:)

EXECUTIVE OFFICE OF THE PRESIDENT,
OFFICE OF MANAGEMENT AND BUDGET,
Washington, D.C., July 20, 1970.

Bulletin No. 71-1.

To the heads of executive departments and establishments:
Subject: Excess foreign currencies:

1. *Excess currencies.* The Treasury Department has determined that our supply of currencies of the following countries is excess to our normal requirements for fiscal years 1971 and 1972: Burma, Guinea, India, Israel, Morocco, Pakistan, Poland, Tunisia, U.A.R. (Egypt), and Yugoslavia.

During fiscal year 1971, special foreign currency program appropriations will be available for incurring obligations payable in these currencies.

SPECIAL FOREIGN CURRENCY PROGRAMS IN ISRAEL

The limited availability of excess Israeli currency for special foreign currency programs requires continued restraint. Therefore, obligations under these programs may only be made within ceilings established by the Office of Management and Budget.

In the interim, controls over obligations incurred under special foreign currency programs payable in Israeli currency, which are included in 1970 apportionments, will continue in effect.

2. *Near excess currencies.*—The supply of local currencies available for U.S. programs in the following countries is above our immediate needs, but in no case sufficient to be declared excess: Ceylon, Ghana, Indonesia, and Sudan.

3. *Utilization of excess and near excess foreign currencies.*—Full utilization of these currencies in lieu of U.S. dollars must still be an objective of every agency with transactions in the respective countries. Consistent with our international agreements, travelers must insure that transportation and foreign subsistence expenses when going to, through, or from an excess or near excess currency country are paid in those currencies. Obligation documents for grants or for regular program expenses in those countries should specify that payment is to be made in the local currencies.

Agencies should encourage non-Government organizations, with which they have sponsorship arrangements, to obtain their local currency requirements from U.S. Government—either through local accommodation exchanges or through the Treasury Department in Washington, D.C.

Office of Management and Budget Circular No. A–20 describes the policies and procedures for the use of excess and near excess foreign currencies. Department of State foreign currency bulletins give further details as to the locations of accommodation exchanges, many helpful suggestions on arranging for such travel, and the latest information concerning those countries which limit the use of the currencies for payment of travel expenses.

GEORGE P. SHULTZ,
Director.

Mr. SHRIVER. Thank you.

USE OF LOCAL CURRENCY FOR THE UNIVERSITY OF NORTH AFRICA

Mr. PASSMAN. Before yielding to Mr. Rooney, I think we should state for the record that you have programed $4,900,000 in local currency for the University of North Africa, Morocco, and also, if I remember correctly, no language in the 1971 appropriation bill provides for these funds. Is that correct?

Mr. DWINELL. You mean the fiscal year 1971 program?

Mr. PASSMAN. You programed $4,900,000 for fiscal year 1971 but you did not justify this to the committee and made no request to the committee for the funds, did you?

Mr. DWINELL. Mr. Chairman, I appreciate your calling this to our attention.

Mr. PASSMAN. I am always glad to do those things, Governor.

Mr. DWINELL. There were $2 million and $3 million appropriations in local currency in fiscal years 1969 and 1970, respectively, for the University of North Africa.

Mr. PASSMAN. You are wonderful to give me that information to support this. My question is——

Mr. DWINELL. We want to—we hereby request the committee to give appropriate language to continue the availability in fiscal year 1972.

Mr. PASSMAN. Let's go back to my question and get an answer. You have programed $4,900,000 in local currency for the University of North Africa for fiscal year 1971 and you had no language providing for these funds placed before this committee, did you?

Mr. COSTANTINO. It was my understanding there was language in the act providing——

Mr. PASSMAN. Read that language into the record. I cannot find it. Get it right now.

I have the House bill before me now. If you would, we don't want to quarrel with you, Governor, but put something in the record as to where you found the authority to do that. I have the Public Law 91–619 before me here and I would say that you have done it in previous years. You continued it. I hope that the practice won't look as good to you this year as it did last year.

Mr. ROONEY. Is that the Moroccan one?

Mr. PASSMAN. Yes.

Mr. ROONEY. Are they going to change the name of that to Dan Kimbal University?

Mr. DWINELL. Mr. Chairman, we had a hurried consultation here, as you noted. I am informed by my advisers that we had language which——

Mr. PASSMAN. Is that a legislative bill? I am talking about the House appropriations bill. Here is the bill itself. Find the language for me.

Mr. DWINELL. I will have to refer it to my advisers.

Mr. COSTANTINO. Could we state for the record we don't propose to obligate the money for fiscal year 1971 in any case.

Mr. PASSMAN. What you are saying is that you had unobligated balances you did not request that you be permitted to reobligate, but you did it nevertheless up to the amount that I just read?

Mr. COSTANTINO. No, sir; we have not done that and we don't intend to do that.

Mr. PASSMAN. You are using the blanket language in the backup bill?

Mr. COSTANTINO. We are not obligating the money for the University of North Africa. It remains unobligated.

Mr. PASSMAN. You did indicate that that is what you were going to do?

Mr. COSTANTINO. That was an estimate.

Mr. PASSMAN. You are not going to use it then?

Mr. DWINELL. Mr. Chairman, may I say this: We are not going to use it in fiscal year 1971, but we still would like to keep it available because this program is still in the negotiation stage.

Mr. ROONEY. Dan Kimbal is dead.

Mr. DWINELL. We understand that.

Mr. PASSMAN. What you are doing is asking the committee to continue the language whereby you may be able to utilize it if you find a need?

Mr. DWINELL. That is correct.

Mr. PASSMAN. Don't you think it would be a lot better to find that need and notify the committee so the committee can be in on it?

Mr. DWINELL. Certainly.

Mr. PASSMAN. Mr. Rooney?

Mr. DWINELL. If we have been remiss we apologize.

PROPOSED AMERICAN HOSPITAL IN ROME

Mr. ROONEY. Governor, yesterday I had a call from a very distinguished physician and surgeon in New York City, Dr. Mario

Tagliambae. He advised that there was a project for which application had been made to AID or was just about to be made to AID. It is in connection with the construction of a hospital in the city of Rome, Italy, which would be known as the American hospital in Rome, similarly as we have the American hospital in Paris.

Has such an application yet been made?

Mr. COSTANTINO. Mr. Chairman, the answer to that is, not in writing but I have had a visit from the sponsors of this project who have described it to me. I have also spoken to them about the project in New York City.

Mr. ROONEY. This would be operated by nuns of the same order which operate Columbus Hospital in New York City, is that correct?

Mr. COSTANTINO. That is my understanding.

Mr. ROONEY. That is an Italo-American sustained hospital of repute?

Mr. COSTANTINO. I believe so, sir.

Mr. ROONEY. In New York City?

Mr. COSTANTINO. It is operated by the Missionary Sisters of the Sacred Heart.

Mr. ROONEY. You have not had an opportunity then to make an evaluation or decide on the merits or nonmerits of the project. Is that a fair statement?

Mr. COSTANTINO. That is correct.

Mr. ROONEY. I would like to just add my 2 cents. I think it would be a fine thing if we had in the city of Rome, Italy, a representative American hospital as we do in other foreign cities. I beseech you to give the matter as much worthy consideration as you possibly can in line with your other commitments.

Mr. DWINELL. We will do that.

Mr. ROONEY. That is all for the present, Mr. Chairman.

Mr. PASSMAN. Mr. Roybal?

Mr. ROYBAL. Thank you, Mr. Chairman.

ADMIRAL BRISTOL HOSPITAL

I would like to inquire into the matter of just how representative are these hospitals that are supported by the American taxpayer. I am particularly interested in the hospital in Istanbul, Turkey, Admiral Bristol Hospital. The reason I ask these questions is because Turkey was quite a favorite with my constituents. They were in support of anything that went to Turkey. The situation has changed in the last 18 months to 2 years since a report came out that Turkey was growing poppies, resulting in a lot of the narcotics coming to the United States. Most of the parents in my district turned against Turkey, and anything that is in the appropriation for Turkey is very much opposed in my district.

I would like to ask you some questions with regard to the Admiral Bristol Hospital in Istanbul in Turkey. How many beds does it have?

Mr. DWINELL. Congressman Roybal, our summary indicates it is a 75-bed hospital. It is a rather complete hospital. I happen to have visited it myself. It has a school of nursing which we have supported. It is, as you are well aware, an American-supported hospital. It was founded originally by Americans. It is not, might I say, wholly for the benefit of Turks or local people.

Mr. ROYBAL. It is solely for the benefit of Americans in Turkey?

Mr. DWINELL. No, it is international in its constituency, might I say, because certainly Americans go there. But it has such a reputation that other foreign nationals use it as well as Turks.

Mr. ROONEY. All the diplomatic community?

Mr. DWINELL. It is used to a high degree by the diplomatic community. It is used quite a bit by the maritime community. I know emergency patients are taken there from ships. It has a very wide influence and impact.

Mr. ROYBAL. I realize that hospitals all over the world are not making ends meet. That is, those that treat charity cases and hospitals that are not erected for the sole purpose of making a tremendous profit. If this hospital is actually designed to take care of such cases as you have indicated, those that come from the embassies and from the international sector, I would assume pay their way as they are treated in the hospital; do they not?

Mr. DWINELL. Certainly, to the fullest extent. Certainly fees are charged and appropriate fees.

Mr. ROONEY. That would take a pretty good checkbook in Istanbul, would it not?

Mr. DWINELL. Even if there are fees, the hospital does not close its doors and refuse admittance to those who cannot pay. We are all aware, I think, that the use of medical insurance in Turkey has not been anywhere near as highly developed as it is here. The charity burden on a hospital there is relatively greater than it would be in this country.

Mr. ROYBAL. I was leading to the next question. Will any American traveling in Turkey, particularly in Istanbul, be taken care of in this hospital if the need arises without first checking his——

TREATMENT OF AMERICANS TRAVELING ABROAD

Mr. ROONEY. Checking account or travelers checks?

Mr. ROYBAL. Without first checking and finding out whether or not that individual can afford hospitalization?

Mr. DWINELL. Yes, sir; I am quite sure of that. No American who needs treatment at that hospital would be denied admittance for lack of funds.

Mr. ROONEY. When an emergency develops, isn't it the fact in 99 out of 100 cases that the first party consulted is the American consul's office and they in turn would direct them to this hospital, and vouch for them?

Mr. DWINELL. In fact——

Mr. ROONEY. If necessary, lend them money?

Mr. DWINELL. It might come through that channel.

Mr. ROONEY. They don't do it for free. I had experience in this regard in the hospital in Beirut.

Mr. ROYBAL. That is what I am getting to. My point is that even though it is partially financed by the taxpayers of the United States, the taxpayer that goes to Istanbul and has a need for hospitalization, is he admitted to a hospital without question?

Mr. COSTANTINO. Sir, I was there also 6 weeks ago.

Mr. ROYBAL. I hope that you didn't need any hospitalization.

Mr. COSTANTINO. I didn't need hospitalization, but I spent 2 days with Dr. Winkler, who used to be a medical missionary in Anatolia. I have never seen a man as dedicated and as competent as that particular individual. He had some patients in the hospital, Americans. One of them had suffered a heart attack, an oil company employee from Anatolia. He was brought in to him and I don't thtink he was asked before he was admitted whether he had means or not. I think Dr. Winkler is not made that way nor is that the hospital's policy. On the other hand, they do try to run it in a businesslike manner. The chairman of the board is the present head of General Electric in Turkey. The hospital has extremely tight management and watches every penny. In fact, the hospital is on such a tight budget that it appears rundown. The $500,000 to which the Governor alluded earlier, the grant from the Wallace Fund, is to help the hospital build a new wing which will have more beds and make the hospital economically viable which a 75-bed hospital of this kind is not. By expanding the facilities, the hospital hopes it can come out even and take care of expenses of the nursing school which is American run. American nurses teach there.

Mr. ROONEY. Would the gentleman yield?

There is no such thing as free hospitalization for Americans. That would defeat the very purpose of using this money in the manner programed, wouldn't it?

Mr. COSTANTINO. That is right.

Mr. PASSMAN. Would the gentleman yield?

In fact, if we go to the Bethesda or Walter Reed, we have to pay our hospital bills. I was out there and I think it cost me $45 a day at Bethesda.

Mr. DWINELL. Mr. Roybal——

Mr. ROYBAL. I don't wish to present an argument against the practice of charging. What I am asking is—is an individual taken care of before they find out how loaded he is?

Mr. COSTANTINO. Yes, sir.

Mr. ROYBAL. This is one of the criticisms of hospitals in Los Angeles and the same thing is true of the hospitals in the United States. There are people in the corridors. They are not admitted until such time as someone verifies the fact that they either have hospitalization insurance or money in the bank. It seems to me that this kind of humanitarian practice——

Mr. ROONEY. If they went to the hospital with Lawrence M. Giannini, escorted by Giannini, they wouldn't be in that corridor the gentleman describes. They would be escorted right into a room.

Mr. ROYBAL. That is my point.

Mr. ROONEY. Also, if they are escorted by the American consul they are right in.

Mr. ROYBAL. Sometimes if you have a heart attack you don't have time to call the American consul. You have to have hospitalization immediately. If these hospitals we support will not extend that service to an American citizen, then I don't think they should receive any money.

Mr. DWINELL. Your question, Mr. Congressman, is a very pertinent one and whereas from what we have said we are quite confident there is no such test applied, we will make it a point to check and inform you as to what the situation is.

Mr. ROYBAL. Later, after the treatment is given, if I am involved I will be happy to pay and so would anybody else that does have the means to do so. I don't think anyone should have to stand in the corridor for hours before receiving some response from the American consulate, he may be out having a short beer and you won't be able to reach him. Whatever the situation may be, an emergency case can't wait there in that corridor until you reach the American consul. The procedure should be to give attention to this individual immediately.

Mr. DWINELL. Yes, sir.

Mr. ROYBAL. Thank you.

Mr. PASSMAN. Mr. Hathaway?

Mr. HATHAWAY. Thank you, Mr. Chairman.

ADMIRAL BRISTOL

Mr. ROONEY. Would the gentleman yield at this point? I am going to exhibit my ignorance by asking: Who was Admiral Bristol?

Mr. CONSTANTINO. I am not a historian in Greek and Turkish affairs, Mr. Chairman, but my understanding is that——

Mr. ROONEY. This reminds me of the day the name Aswan was mentioned in connection with the dam in Egypt.

Mr. CONSTANTINO. Admiral Bristol was the admiral in charge of the American military naval group that went to Istanbul during the Turkish disturbances in, I believe, 1924. At that point, as you know, there was a large exchange of population between Anatolia and Greece, a great deal of hardship, refugees from everywhere in Istanbul. Admiral Bristol and some other officers established a clinic, this hospital, which later was named in his honor.

Mr. DWINELL. I think as a further item of information, Mr. Congressman, he was a grandfather of former Congresswoman Bolton.

Mr. ROONEY. Is that so?

Mr. DWINELL. Or at least a relative. Frances Bolton always took a great interest in this. The admiral, if not her grandfather, was some relative.

Mr. ROONEY. Thank you very much. Governor.

Mr. PASSMAN. Mr. Hathaway?

Mr. HATHAWAY. Thank you.

CONTRIBUTION OF FOREIGN GOVERNMENTS

I understand that you said there was no foreign government participation in any of these universities which you are asking money for?

Mr. DWINELL. Foreign government participation?

Mr. HATHAWAY. From their government.

Mr. DWINELL. Not to my knowledge. I don't think so. I am not sure.

Mr. CONSTANTINO. I could not tell you about all of them. I do know something about the school in Greece which I mentioned before, the farm school. Recently the Minister of Education, being pleased with what he found there, offered to contribute, if I recall, something like $80,000 equivalent in drachmas to enable the school to set up a piggery. That kind of contribution has been made in some of the other schools as well.

FOREIGN GOVERNMENT CONTROL OVER THE UNIVERSITIES

Mr. HATHAWAY. How about the government control over the universities; I suppose there is some? We found that in Mexico City. There is really not freedom of press as there is in American universities here in the United States. They cannot say anything they want about the Government of Mexico in their school newspaper as we do here in the universities in America.

Mr. DWINELL. I think it is true, Congressman Hathaway. There are certain restrictions which are more onerous than in this country. Such controls vary country by country. One of the problems in Turkey as far as Robert College is concerned, has been the limitation on tuition that could be charged. In some instances there are restrictions with regard to curriculum, but that varies country by country.

OWNERSHIP OF SCHOOLS AND RELATION TO LOCAL LAWS

Mr. GALIFIANAKIS. Would the gentleman yield?

Who holds the title to these universities? Does the U.S. Government own the universities or are they held by a board of trustees? How is the title held?

Mr. DWINELL. In virtually all instances, if not all instances, title rests in a board of trustees which is incorporated in the United States. The controlling interest is in the hands of the American board of trustees.

Mr. PASSMAN. Would the gentleman yield?

Take the University of Beirut. It is chartered under the State legislature of New York and 75 percent of the board is American business people and bankers from all over the country. I think that there are 30 board members and six of them from foreign governments. Most of their board meetings are held in New York City.

Mr. ROONEY. If my memory serves me right, the American University in Beirut was an institution founded by a sect of the Protestant religion.

Mr. PASSMAN. One hundred years ago.

Mr. ROONEY. Yes; and that is how most of these started.

Mr. PASSMAN. But it is strictly nonsectarian now.

Mr. ROONEY. Exactly, no question about it.

Mr. PASSMAN. You have Jews, Protestants, Catholics, Arabs, and Hindus attending the school.

Mr. HATHAWAY. That is subject to what the Lebanese Government wants to do, is it not?

Mr. PASSMAN. I guess we will have to abide by the laws of the land, but it is strictly operated by Americans. The president is always an American.

Mr. HATHAWAY. We do not have any control over that, do we? If the local government decides there will be no more teaching of the English language in any of the schools of that country, there is nothing we can do about it?

Mr. DWINELL. If that is the law of the country, in which event—and it might well happen—our interest and the interest of the American sponsors might wane or be withdrawn.

Mr. PASSMAN. Will the gentleman yield again?

Certainly they could expropriate the property just like many countries of the world are doing now where you have American businessmen who have substantial businesses. The government steps in and expropriates the businesses. Any country can do that if they want to.

Mr. HATHAWAY. Do we not have an insurance program to cover the businesses?

Mr. PASSMAN. Some you do, some you do not. It all depends when they went in business. Some have been turned down.

Mr. HATHAWAY. But there is no guarantee here, there is no insurance program here?

Mr. ROONEY. The Government does not carry insurance, Mr. Hathaway. All those windows broken at the United States Information Agency Libraries and Information Centers are not insured against damage. Unless the foreign government is willing to pay our claim that it cost us so much money to restore the property, we are out of luck.

Mr. HATHAWAY. I was not thinking so much in a property sense, as there was no guarantee that the original investors in these programs who conceived such and such a curriculum would have them carried on.

Mr. PASSMAN. There is no investment. All of it is a grant. The school is owned I guess by the board of directors. No individual owns any piece of it.

Mr. DWINELL. These institutions are similar to any private institution in this country.

FINANCIAL PROBLEMS IN THESE SCHOOLS AND HOSPITALS

Mr. HATHAWAY. You say on page 7 the schools and medical institutions listed in our presentation have, without exception, serious financial problems which you believe warrant assistance. That would mean, to me, that there would be no funds in here for capital expansion because I would not conceive that that would be a serious financial problem. I could see in the University of Beirut if they cannot make their annual budget that that is a serious financial problem because they might have to close down the university.

But if you have a university in here, and I have not examined all of them in detail, that simply wants money to expand so they can take on more students, that to me does not seem to be a serious financial problem.

Do you consider that a serious financial problem?

Mr. DWINELL. I think it depends. There may be obsolete facilities.

Mr. HATHAWAY. That is one problem.

Mr. DWINELL. That is the case in one or two of these where there is some capital input.

Mr. HATHAWAY. Yes, that would be serious.

Mr. DWINELL. I think there is one institution which has already been mentioned where a grant has been made by Mrs. Wallace so that it can expand and have more beds and thus hopefully become self-supporting. That would alleviate a financial problem. They do vary.

What we are trying to say is that we try to analyze every one of these projects and determine their financial needs, and whether they can make a good case for public funds.

In other words, to say that every project sponsored by us would go out of business if they did not have our help in this next year might be too categorical a statement. But I think the point has been made, that they do have a demonstrated need. They furnish financial reports to us which we review with care.

We try to be as objective as possible.

Mr. HATHAWAY. There are none in here that you are recommending money for capital expansion who want to do that solely on the basis of accommodating more students?

Mr. DWINELL. I think not, no.

Mr. COSTANTINO. May I comment at this point?

If these schools are to serve U.S. foreign policy, they have to reach kids that are not necessarily born with the means to go to these schools. These schools all provide scholarships to a proportion of their pupils. This means in effect a form of charity, which is a drain on their resources.

For example, it is my understanding that because of the efforts of Anatolia College to keep up the number of scholarships that they give throughout Greece, the school has not been able to refurbish its buildings, its sanitary facilities which are run down, or build a gymnasium.

Mr. HATHAWAY. One last question:

ACCREDITATION OF THE SCHOOLS

Are all these schools certified by some certifying organization? I believe the university in Mexico, for example, is certified by the Southern Conference of American Schools. Is the University of Beirut certified in any way so that you would know that a doctor graduating from that school would be qualified to practice in the United States?

Mr. ROONEY. He would not without a whole lot more.

Mr. PASSMAN. It is listed as an accredited university, yes.

Mr. DWINELL. There is some form of accreditation, I gather.

Mr. HATAHWAY. Yes. Is that comparable to the kind of accreditation that we have in American schools?

Mr. COSTANTINO. Each one of these schools has to be accredited by the country in which it is located.

For example, all the Greek schools have to be qualified by the Greek Ministry of Education. Similarly, other schools have had to conform to local law in terms of the curriculum, and so forth.

Mr. HATHAWAY. Are they transferable?

Mr. ROONEY. They are staffed with people who have to pass some sort of qualifications, tests, and so forth.

Mr. HATHAWAY. That is within their country?

Mr. ROONEY. Yes.

Mr. HATHAWAY. But not transferable.

CHILDREN'S RESEARCH HOSPITAL IN POLAND

Mr. ROONEY. No; not transferable. The best thing we ever did in this program was to build the American Children's Research Hospital in Krackow, Poland. It is a credit to us; it is a great thing we did

insofar as our friendship with the Polish people, not the Communist Polish Government.

However, that hospital is run pursuant to certain restrictions and regulations of the Polish Government.

Just because someone went to work in the hospital or interned in the hospital is no reason for their admission to practice medicine on you or me here in the United States.

Mr. GALIFIANAKIS. You have State laws that would intervene there.

Mr. ROONEY. Surely.

Mr. HATHAWAY. How about transferring of students, transferring to a second year of university in the United States, would his credits be accepted?

Mr. ROONEY. You start off on one of such projects and I will have long since left the House of Representatives by the time you get that accomplished.

Mr. HATHAWAY. The American University in Mexico is so accredited. That is what I was getting at.

Mr. DWINELL. Congressman Hathaway, one of the things that is being considered in the study mentioned in my statement, is that subject.

Mr. HATHAWAY. Very well. Thank you.

Thank you, Mr. Chairman.

Mr. PASSMAN. Off the record.

(Discussion off the record.)

Mr. PASSMMAN. Mr. Galifianakis?

PROJECT HOPE

Mr. GALIFIANAKIS. Everyone seems to have asked about the universities. I would like to ask something about Project Hope. Who is the owner of that vessel, the SS *Hope?*

Mr. DWINELL. It is called the People to People Health Foundation.

Mr. GALIFIANAKIS. Where was the ship acquired? Was it donated?

Mr. DWINELL. The SS *Hope*, as it is called, the ship operated by this foundation, is the 15,000-ton Navy hospital ship *Constellation*, which is on loan to the foundation. It has been on loan since 1960. It is operated by the foundation. Here again, funding is partly from AID and mostly from private sources.

Actually, our funding goes into the operation of the ship, that is the actual maintenance and operation of the ship itself.

Mr. GALIFIANAKIS. Is the ship designed to perform hospital services or training, or both?

Mr. DWINELL. Both.

Mr. GALIFIANAKIS. How does that operate? Is its schedule made up by the people-to-people group?

Dr. DWINELL. Yes.

Mr. GALIFIANAKIS. Where is their general area of operation? Is it in the Western Hemisphere?

Mr. DWINELL. You mean where the ship has been?

Mr. GALIFIANAKIS. Is there a policy of where it should go?

Mr. DWINELL. Certainly to countries where there is an identified need.

For your information, it has made voyages to Indonesia, Vietnam, Peru, Ecuador, Guinea, Nicaragua, Colombia, Ceylon, Tunisia, and it is presently in Jamaica.

Mr. GALIFIANAKIS. Are there any other projects of this same type being contemplated, the floating ship type?

Mr. DWINELL. Not that I am aware of, except that there has been some discussion in the past about a second "Hope" or another ship to be operated by this same foundation.

Mr. GALIFIANAKIS. Apparently from the discussion in the questions, this program is well-operated and a very smooth program. The chairman himself indicated that if there was a preference of programs, this would be one of them.

AID PERSONNEL WORKING IN AMERICAN SCHOOLS AND HOSPITALS ABROAD PROGRAM

How many of your personnel are required to operate this part of the AID program?

Mr. DWINELL. You mean this *Hope* thing we have been talking about?

Mr. GALIFIANAKIS. No, the entire program of the hospitals and schools.

Mr. DWINELL. You mean within AID? This is a grant program and the institutions receiving grants administer their own projects.

Mr. GALIFIANAKIS. You do not have any people?

Mr. DWINELL. The gentleman on my left and a staff of two or three people are the only AID people involved in this grant program. They get support, of course, from our general counsel's office, our procurement office, and the controller's office, but as far as full-time AID people who work on this whole section 214 program, there are now only three officers and two secretaries. That is what the $200,000 program support item is for, but this budget provides for consultant services as well as full-time staff.

AMERICAN STUDENTS AT U.S.-SPONSORED UNIVERSITIES

Mr. GALIFIANAKIS. Are there any special privileges for American students who want to go over and enroll in these various universities and schools? They are not denied application?

Mr. COSTANTINO. They are not denied application. If there is room, I think all section 214 schools would be happy to have them, because they pay.

Mr. PASSMAN. You have several graduates in this country from these schools?

Mr. DWINELL. Yes.

Mr. PASSMAN. From American University of Beirut, you may have several in the State Department. Perhaps one of our ambassadors graduated from there.

Mr. COSTANTINO. One of the things we try to do is to encourage at least some American students to enroll in these schools. We are trying to project, as required by section 214, American ideas and practices. American students can help do this. However, our primary concern is exposure of foreign nationals to these ideas and practices. We do not think the 214 program is intended to cater to Americans overseas.

Mr. GALIFIANAKIS. Thank you, Mr. Chairman.

Mr. PASSMAN. Thank you. I wish you would wait just a moment if you will.

RECOGNITION OF THE U.S. FOR THESE INSTITUTIONS

I hope that this committee will have an opportunity to do more traveling in the future. We do have a lot of these institutions and hospitals like the John F. Kennedy Spastic Center in Hong Kong, and the convalescent hospital. In many instances there is an absence of plaques as to where the funds came from. I took it up with the Department several years.

I had an agreement I thought that any of these institutions built entirely with AID funds, that they would have a plaque, possibly on the corner of the building saying where the funds come from. It would be acceptable, not derogatory to the people of the country, you understand, saying, "Funds to build this building are contributed by the taxpayers or citizens of the United States of America."

I think it would be good. I think if you pass the word along, we should get some recognition. I sincerely believe these hospitals and schools abroad give us the greatest return for things we are trying to accomplish than any other area you can cover, because it is a question of winning the minds of men throughout the world.

Would you take that up and let that be one of the must items?

Mr. DWINELL. Mr Chairman, that is a standard requirement.

Mr. PASSMAN. Off the record.

(Discussion off the record.)

Mr. COSTANTINO. This year we have signed agreements with several schools. In any school where there are scholarships being given with U.S. funds, we have asked that each individual receiving such a scholarship be notified in writing that the scholarship has been made possible by the generosity from the people of the United States.

Mr. PASSMAN. That is commendable.

I would not have gone that far with my request. I think you should discuss this plaque with them, so that people would know that this school or building or hospital is built with funds contributed by U.S. citizens.

Mr. DWINELL. At the American University Hospital, the new one in Beirut, which you may have visited, there is a very impressive plaque.

Mr. PASSMAN. Yes, and I worked out the language on that one, but I am talking about the others.

Mr. ROONEY. Off the record.

(Discussion off the record.)

Mr. PASSMAN. Would you agree, Governor, that if you have a complex like the American University in Beirut, where you have about 10 buildings in the complex, that a plaque should be on each and every one of those buildings?

Mr. DWINELL. Any one that was built with our funds, yes.

Mr. PASSMAN. I mean with our funds. I do not mean put it on any buildings that you or the controller contributed to, I am talking about strictly U.S. funds.

Mr. DWINELL. Very good suggestion, sir.

Mr. PASSMAN. Would you follow through on it?

Mr. DWINELL. Yes.

Mr. PASSMAN. Thank you.

Now, finally, in the fiscal year 1971 appropriation act, we provided $12,895,000 for this item and stated in the conference report how these funds should be allocated, but I notice in the justifications that the amount estimated for fiscal 1971 is now $13,419,000.

Could you tell the committee how you were able to increase these funds and which items received the increase above the 1971 allocation as set forth in the conference report.

Mr. DWINELL. Yes; Mr. Chairman. The principal change is accounted for by $500,000 additional for Project Hope. These funds were transferred from the supporting assistance account to supplement the appropriations which had been made under section 214 for Project Hope.

Mr. PASSMAN. Supporting assistance?

Mr. DWINELL. Yes, sir.

As you know, the assistance for Project Hope has varied from year to year, depending on the voyages they were making.

Mr. PASSMAN. Yes; we understand that perfectly.

Mr. DWINELL. Last year we found that our estimate was too low. We requested from you, and your committee approved, $500,000. It proved necessary to grant $1 million; so we added $500,000.

Mr. PASSMAN. Out of supporting assistance?

Mr. DWINELL. Yes, sir.

Mr. PASSMAN. Now if I understand supporting assistance, supporting assistance can only go to a nation where it is necessary to maintain a large military force and supporting assistance is limited to about five nations, is it not? Do you know the number?

Mr. DWINELL. Approximately five, yes.

Mr. PASSMAN. Let's get it exact.

Mr. ROONEY. Maybe six.

Mr. PASSMAN. This is supposed to be a component part of the military program, this supporting assistance, and of all places that you would transfer money, I would not expect it to come out of supporting assistance.

I did not know that you had the authority to transfer, out of supporting assistance, funds to a project of this type.

Mr. DWINELL. Our general counsel ruled on this. He was consulted, of course, Mr. Chairman. A Presidential determination was required to make the transfer.

Mr. PASSMAN. I see.

Under a Presidential determination you can do just about what you want to with this money, can you not? I am not saying that in a derogatory way. I think the law is written that way.

Mr. DWINELL. There is latitude under the authorization to transfer between accounts within certain limits.

Mr. PASSMAN. It does not have to be within limits, because I think we have made the case time and time again that under the legislation by which you operate, you could submit a request for funds for a hospital in Guatemala, take those same funds and build a summer resort in Morocco and be within the law; is that correct?

Mr. DWINELL. We would not do that.

Mr. PASSMAN. I do not say you would. The law is broad enough to permit you to do that?

Mr. DWINELL. Yes, sir.

Mr. PASSMAN. Now, if I may, I will direct this question, with your permission, to the Controller.

TRANSFERS FROM SUPPORTING ASSISTANCE TO OTHER AID FUNDS

What has been the total amount that you have transferred out of supporting assistance to other phases of foreign aid?

Off the record.

(Discussion off the record.)

Mr. FLINNER. Mr. Chairman, $60 million was transferred to the military assistance program for Cambodia and $500,000 to the American schools and hospitals program for Project Hope.

Mr. PASSMAN. That was covered in the supplemental appropriation. I am talking about your regular appropriation for supporting assistance. You transferred $500,000 out to Project Hope.

Mr. FLINNER. That was all.

We initially transferred the money for military assistance in Cambodia from supporting assistance and then there was a supplemental appropriation for it, yes. The only other transfer was $500,000 to American schools and hospitals.

Mr. PASSMAN. For Project Hope?

Mr. FLINNER. Yes.

Mr. PASSMAN. Could that not just as easily be funded out of the President's contingency?

Mr. FLINNER. Yes, sir; it could have been transferred out of the President's contingency.

Mr. PASSMAN. Shall we apologize for giving you more money in supporting assistance than you needed or wait until later to do that?

Gentlemen, I guess that concludes the, shall we say, preliminary hearings on the several items we have considered today. I hope it will not be necessary to call you back. The committee will adjourn.

WEDNESDAY, JUNE 23, 1971.

CONTRIBUTIONS TO INTERNATIONAL ORGANIZATIONS AND PROGRAMS

WITNESSES

SAMUEL DE PALMA, ASSISTANT SECRETARY OF STATE FOR INTERNATIONAL ORGANIZATION AFFAIRS
LOUIS FRECHTLING, SPECIAL ASSISTANT, BUREAU OF INTERNATIONAL ORGANIZATION AFFAIRS, DEPARTMENT OF STATE
SIDNEY S. CUMMINS, BUDGET OFFICER, BUREAU OF INTERNATIONAL ORGANIZATION AFFAIRS, DEPARTMENT OF STATE
CHARLES FLINNER, CONTROLLER, AGENCY FOR INTERNATIONAL DEVELOPMENT
CHARLES PAOLILLO, PROGRAM COORDINATOR, OFFICE OF LEGISLATIVE AFFAIRS, AGENCY FOR INTERNATIONAL DEVELOPMENT

Mr. PASSMAN. The Committee will come to order.

We will continue our examination on the request for funds for the foreign-aid program for fiscal 1972.

We have before us this afternoon the Honorable Samuel De Palma, Assistant Secretary of State for International Organization Affairs,

with his supporting witnesses. The names will be placed in the record along with that of Mr. De Palma.

I believe you would like to make a statement to the committee in support of your request for funds.

Mr. De Palma. Yes, I would.

STATEMENT OF THE ASSISTANT SECRETARY OF STATE FOR INTERNATIONAL ORGANIZATION AFFAIRS

One of the salient principles in the new approach to foreign assistance in the 1970's is the increasing reliance which the United States will place on international institutions in formulating the policy framework through which aid is provided and in enlisting the financial support of other developed countries in the common task.

Our support of and contributions to the programs of the United Nations offers several advantages:

They promote a wider sharing of the burden of assistance to the developing countries. While the United States contributed over half and sometimes as much as 70 percent of the resources of the U.N. voluntary programs in the decade following World War II, other nations, particularly the industrialized nations of Western Europe and Eastern Asia, have substantially increased their contributions in recent years. For example, members—other than the United States—of the OECD/Development Assistance Committee have increased their annual contributions to the U.N. Development Program by 272 percent during the past decade while the U.S. contribution increased by 185 percent.

They avoid the political frictions that can arise from reliance on bilateral programs in the most sensitive affairs of nations such as population and family planning, curbing the traffic in dangerous drugs, and exploration for minerals with strategic implications.

They make the world development effort more effective by enlisting experience and expertise of the peoples of many nations. Experts who have gained experience in their own countries may well be helpful in guiding the development efforts of other countries.

They can operate in areas of political tension where individual nations are often unable or unwilling to function, even in providing essential humanitarian assistance. The U.N. has for years carried out the politically difficult task of providing essential assistance for the Palestine refugees. At present the U.N. in playing a vital role in helping to relieve the plight of the victims of civil strife in East Pakistan.

UNITED NATIONS DEVELOPMENT PROGRAM

The United Nations Development Program (UNDP) headed since its founding by an American, Paul Hoffman, is the world's largest program of multilateral technical assistance. UNDP activities are currently under way in approximately 130 countries and territories.

Large scale projects in agriculture, education, disease eradication, transportation, and resource exploration comprise the major part of the UNDP's program. In addition, the UNDP undertakes smaller projects designed either to train nationals by means of fellowships or to provide countries with required expertise through the use of advisers. Although all of these projects in a broad sense constitute technical

assistance, the larger scale projects have been commonly referred to by the UNDP as "Special Fund" projects.

Costing an average of slightly more than $2 million each, with funds provided jointly by the UNDP and recipient countries and planned for 2 to 5 years duration, special fund projects may engage the services of a score of international experts and a substantial quantity of equipment. Approximately 800 such projects were under way at the end of 1970. At the first of its two regular sessions in 1971, the Governing Council approved an additional 129 special fund projects. The Council's action raised to 1,363 the total number of projects initiated since 1959, with financing consisting of $1.3 billion in UNDP resources and $1.9 billion in counterpart contributions.

Of the projects approved through January 1971, 527 are surveys of natural resources and/or preinvestment feasibility studies; 485 involve technical education and training; 312 provide for applied research; and 39 consist of assistance in economic development planning, 505 of the preinvestment projects have been or will be carried out in Africa, 335 in Asia and Oceania, 315 in the Americas, 108 in the Middle East and 93 in Europe; five are interregional projects, and two involve research with potentially worldwide implications.

The approximately 2,500 smaller scale "technical assistance" projects financed by the UNDP each year cost an average of only $2,500 each, may involve only one U.N. expert or recipient country fellow, and may be complete in a period of several months. Program levels approved for 1971 include $57.3 million for country projects and $12.5 million for interregional projects.

In June 1968 the UNDP Governing Council requested the UNDP Administrator to undertake a study of the administrative capacity of the UNDP to handle a greatly enlarged program. Sir Robert Jackson of Australia was appointed by the Administrator to carry out the project, and his report, "A Study of the Capacity of the United Nations Development System," was completed in November 1969.

The report was considered at a special session of the 37-member Governing Council of the UNDP in March 1970, and at the regular session in June. The United States supported many of the basic recommendations of the Jackson Capacity Study and worked closely with a number of other governments in the two sessions to elaborate on them and to insurance their acceptance.

The reforms approved in June 1970, by the Governing Council—and endorsed with only minor reservations by the United States—include:

Adoption of a United Nations Development Cooperation Cycle, a process which emphasizes country programing in order to coordinate UNDP assistance with the recipient countries' development plans. The Cycle also provides new procedures for the formulation, appraisal, approval, implementation, evaluation, and followup of specific projects.

Assignment to the UNDP Administrator of responsibility for all aspects of project implementation, thus clarifying his responsibility vis-a-vis the executing agencies.

Guidelines for organizational changes at headquarters including establishment of a unit for program analysis and long-term policy

planning and of four regional bureaus with direct access to both the Administrator and field operations.

Maximum delegation of authority to the resident representatives, including full authority for all aspects of UNDP programs in their respective countries, and recognition of their central coordinating role with respect to all other development assistance programs undertaken by organizations of the U.N. system.

A new financial system designed to provide a suitable framework for the U.N. Development Cooperation Cycle, combined with improved financial control and budget planning, as well as fuller utilization of financial resources. The previous practice of fully funding special fund projects at the time of their approval has been discontinued. Henceforth, projects will be funded annually, with a $150 million reserve maintained to meet liquidation costs in the event that further resources are not forthcoming.

The Governing Council's consensus on organizational and operational reform of the UNDP was approved in July 1970 by the Economic and Social Council and in December 1970 by the General Assembly. The Administrator's proposals for implementation of these reforms were considered by the Governing Council at its session in January 1971, and their implementation has begun.

The reforms mentioned above include what the United States felt were the most important and valid recommendations of the Jackson study. They deal with the problems which have been highlighted in other critical studies of the U.N.'s developmental programs. These reforms should markedly increase UNDP's effectiveness, enabling it to manage greater resources and to respond more quickly and more precisely to the needs of the developing world. The problem of achieving reform and coordination of procedures involving the 14 autonomous or semiautonomous agencies participating in the United Nations Development Program is not subject to easy or quick solution. The U.S. Government is working in the governing bodies of all of these organizations to insure that the greater coordination and more efficient operation called for by the Capacity Study, the Governing Council consensus, and ECOSOC and General Assembly resolutions will be fully realized. Our success in achieving this goal will also depend on our continuing support for the U.N. system and on our own capacity to monitor and evaluate its activities.

The financial resources of the UNDP come from voluntary contributions pledged by governments. As of March 31, 1971, 128 countries had pledged $240.1 million for this calendar year, compared with $226.1 million pledged by 126 countries in 1970. In each of those years, the United States pledged $86.3 million.

The UNDP estimates that contributions and local cost assessments will total $280 million in 1972. It is proposed that for 1972 the United States contribute $100 million to the UNDP, subject to the usual condition that its contribution not exceed 40 percent of all government contributions, including assessed and audited local costs.

Of the $100 million proposed for the UNDP in fiscal year 1972, we are considering the contribution of up to $1 million in services which would support seminars, study tours, fellowships, training, and similar activities in the United States. The initiation of such an arrangement should greatly enhance our ability to insure that an appropriate share of UNDP training activities are held in this country.

UNITED NATIONS CHILDREN'S FUND

The role of the United Nations Children's Fund (UNICEF) is essentially that of a catalyst, encouraging and stimulating efforts by the developing countries on behalf of their children and providing aid for programs which have a multiplier effect by reinforcing and spurring other elements in social and economic development.

The main fields of UNICEF aid are health services, nutrition, education, vocational training, family and child welfare, multipurpose services, and emergency aid. UNICEF assistance is currently going to 112 countries and territories. A large part of this assistance takes the form of equipment and supplies. In recent years, however, other types of aid have become increasingly important—training stipends, financing selected teaching staff for specified periods in national and regional training schemes, and aid for planning and program development. Training of national personnel now constitutes about one-third of UNICEF program aid.

Cash contributions from 124 governments to UNICEF's general resources in 1970 amounted to $33.6 million, of which $13 million—38.7 percent—was contributed by the United States. In addition, $8.7 million was contributed by governments for specific projects, including $4.5 million for emergency aid in Nigeria and East Pakistan from U.S. disaster relief funds, and $0.3 million for a special project in Vietnam. During 1970 the United States also transferred foodstuffs to UNICEF valued at $6.4 million for ongoing nutrition programs and emergency relief in Nigeria; these commodities were available under Public Law 480. Additional income is realized by UNICEF from nongovernmental sources, through greeting card sales and public collections; U.S. nongovernmental sources contributed $6.4 million in 1970. Thus of the total of $66.8 million in total resources contributed to UNICEF in 1970, U.S. sources supplied $30.3 million or 45.4 percent.

A contribution of $13 million in cash is proposed for fiscal year 1972, to be pledged on the condition that the U.S. share does not exceed 40 percent of total contributions for general resources from governments.

UNITED NATIONS POPULATION PROGRAM

Significant steps in the development of an effective U.N. population program were taken in 1969 with funds provided by the United Nations Fund for Population Activities (UNFPA), which was placed under management of the Administrator of the United Nations development program. These funds were supplied to finance an expanded U.N. population program with the following goals:

To extend systematic and sustained assistance to member countries desiring such assistance to assess and cope with their population problems;

To promote an awareness of the social and economic implications of the population problem and promote consciousness of its pssible solutions;

To extend and strengthen the capabilities of the relevant agencies of the United Nations within the framework of their respective mandates and to provide them with the means for more efficient and effective

assistance to member countries in planning, programing, and implementing population projects.

Responding to a proposal by the U.N. Secretary General for funds to expand the range of population activities of the U.N. family of agencies, in January 1970 the United States pledged $7.5 million toward a target of $15 million for the calendar year 1970. The U.S. pledge was conditioned on the receipt of matching contributions from other countries. Twenty-three other countries did, in fact, pledge over $7.88 million and enabled the UNFPA to exceed its 1970 fundraising goal.

The United States announced its 1971 pledge in February 1971 of up to $12.5 million, again conditioned on the receipt of matching contributions at a 50–50 ratio. Subject to the availability of funds, this pledge would be met from fiscal year 1971 and 1972 funds. In the first quarter of 1971, the Fund had already received over $6.8 million from other donors.

The U.S. proportion of the voluntary contributions to the UNFPA has been declining. Before 1970, the United States contributed over 80 percent of such funds. For 1970, the U.S. proportion of pledges to the Fund was just under 50 percent. In transmitting our 1971 pledge we informed the Executive Director of the Fund that we will review this ratio before making further pledges.

The UNFPA allocated $1.16 million in 1969 and $6.7 million in 1970; for 1971, it estimates that it could usefully allocate $30 million if sufficient funds are available.

Notable among the activities funded in the 1970 program are the provision of expert services, supplies, and equipment for family planning programs in Indonesia, Malaysia, the Philippines, and the United Arab Republic: evaluation missions carried out in Ceylon, Costa Rica, Indonesia, and Iran to lay the groundwork for future population policies and programs; two other missions to plan the strengthening of demographic training and research facilities for African countries south of the Sahara; seminars on family planning; and regional training courses. At the end of 1970 the UNFPA made commitments in support of the national family planning programs of Pakistan and Mauritius.

Coordination is essential to avoid overlap and competition for projects between UNFPA and U.S. bilateral assistance to national family planning programs. This coordination is accomplished by semiannual meetings of the UNFPA technical panel (major donors, private foundations, UNFPA and U.N. population division officials); special meetings of U.S. population program managers with senior UNFPA officials; frequent and close liaison between U.S. and UNFPA officials on many specific program and project questions; and as required by our 1971 pledge, semiannual reports on the disposition of UNFPA funds. Our field posts report frequently on the effectiveness of UNFPA programs and their coordination with U.S.-financed activities.

U.N. FUND FOR DRUG ABUSE CONTROL

The elimination of the illegal traffic in narcotics and other dangerous drugs and combating the abuse of such drugs are high priority objectives of our foreign policy. The Department of State, in cooperation with the Departments of Health, Education, and Welfare, and

Justice, as well as other executive agencies, is vigorously pursuing that objective.

On March 26 of this year, the U.N. Secretary General sent a letter to member governments announcing the establishment of a U.N. Fund for Drug Abuse Control and inviting contributions from public and private sources for the purpose of combating drug abuse and its disastrous impact on individuals and nations. This action was a result of a U.S. initiative which had been endorsed by the U.N. General Assembly in December 1970.

The Fund's purpose is to develop both short- and long-term programs designed to eliminate the supply of drugs for purposes of abuse, the demand for such purposes, and the illicit traffic which supplies the demand. During its initial stages, the Fund will be used for specific priority projects which are expected to include efforts to: (1) expand the research and information facilities of U.N. drug control bodies; (2) plan and implement programs of technical assistance for crop substitution purposes, the establishment and improvement of national drug control administrations and enforcement machinery, the training of personnel, and in the establishment or expansion of research and training centers to serve national or regional needs; (3) enlarge the capabilities and extend the operations of national drug control facilities for the treatment, rehabilitation, and social reintegration of drug addicts; and (4) develop educational material and programs suitable for use on high-risk populations.

The United States pledged $2 million as an initial response to the Secretary General's appeal.

A personal representative of the Secretary General has overall responsibility for the Fund, including its development and maintenance. One of his first duties will be to seek additional contributions from other countries. Contributions pledged thus far from these countries total $44,900.

A further U.S. contribution of $2 million in fiscal year 1972 is proposed.

INTERNATIONAL ATOMIC ENERGY (IAEA)—OPERATIONAL PROGRAM

The IAEA operational program provides technical assistance to developing countries to advance the peaceful uses of atomic energy. The United States played a leading role in initiating this program.

The IAEA is now implementing the important safeguards provisions of the Nuclear Non-Proliferation Treaty (NPT) to prevent the diversion of nuclear materials from peaceful uses to the production of nuclear weapons. NPT safeguards administered by the IAEA will be financed from that Agency's assessed budget. Many of the less-developed countries have little interest in the safeguards program, mistakenly we believe, regarding it as of benefit largely to the nuclear weapon states and an expense which should be borne by the states which have accepted IAEA safeguards over their nuclear material. By supporting the IAEA technical assistance activities of direct benefit to the less-developed countries, the United States contributes to the economic and social objectives of these countries and also helps to gain and maintain their support for the vital safeguards program.

The IAEA operational program, which is funded primarily by voluntary contributions from member states, provides fellowships for

training in the peaceful applications of nuclear science and experts and equipment for technical assistance projects, including the use of advanced nuclear technology. During 1970 the program financed the assignment of 113 experts and visiting professors to member states, the award of 368 fellowships, and 18 international or regional training courses and seminars.

A contribution of $1,550,000 to the operational program is proposed for fiscal year 1972, including (1) a pledge of up to $943,500 in cash to the IAEA central fund, not to exceed 40 percent of total contributions, and (2) use of the remainder to finance fellowships in the United States, advisory services of U.S. experts, training courses and study tours, and small equipment grants.

WORLD METEOROLOGICAL ORGANIZATION (WMO)—VOLUNTARY ASSISTANCE PROGRAM

The WMO voluntary assistance program was established by the World Meteorological Organization Congress in April 1967 to help implement the world weather watch, a system which is designed to bring the global atmosphere under surveillance and provide for the rapid collection and exchange of weather data. This plan should improve weather forecasting for end-users, including agricultural producers and the construction, transportation, and fisheries industries.

An appropriation of $1.5 million is proposed as a U.S. contribution to the voluntary assistance program. This estimate would provide a U.S. cash contribution of $150,000 to the voluntary assistance fund for fiscal year 1972, 40 percent of the total unrestricted cash contributions of member nations. It would also provide $1,350,000 for contributions-in-kind to the equipment and services program consisting of U.S. equipment, experts, and services, and the training in the United States of persons from less-developed countries.

The amount requested for fiscal year 1972 would permit a U.S. contribution at the same level as in 1971 and 1970. The United States believes that this program has been established on a sound basis and that the U.S. contribution is necessary to enable the WMO to implement its plan for the world weather watch.

WORLD FOOD PROGRAM

The world food program (WFP), a joint undertaking by the United Nations and the Food and Agriculture Organization, was established experimentally in 1962 and placed on a continuing basis in 1965. Contributions to WFP are mainly in food but also include cash and services such as ocean transportation. Donors in the 1969–70 period totaled 76 countries.

Through 1970 the WFP Intergovernmental Committee has approved 478 development projects in 83 countries involving WFP commitments of more than $1 billion. Of these projects, which have an average duration of 4 years, a total of 74, valued at $40 million, have been completed and 404 are in various stages of implementation. In addition, 122 emergency food supply operations have been undertaken in 67 countries at a total cost of nearly $100 million. Of these,

92 emergency operations involving $68.8 million have been completed and 30 operations valued at $27.3 million are still in process.

About one-third of WFP's commitments for development purposes has been allocated for the development of human resources. These programs use food aid to improve the nutrition of vulnerable groups in the population and to promote education and training. Another 13 percent has been allocated for projects designed to improve social and economic infrastructure through public health programs and housing, transport and communications programs, and community development projects. The balance has been allocated to directly productive activities such as land development and improvement, the promotion of animal husbandry, and industrial and mining projects.

For the current operational period—1971–72—the United States pledged up to $125 million, subject to action by the U.S. Congress. This U.S. pledge comprises (*a*) up to $85 million in commodities but not to exceed 50 percent of the total contributions of all governments in commodities and cash for the purchase of commodities; (*b*) shipping services to transport all commodities contributed by the United States, estimated at $37 million; and (*c*) up to $3 million in cash toward the administrative expenses of the program. Against a $300 million target, total effective pledges from 60 nations to date amount to $186.9 million, of which approximately half is the U.S. share; $1.5 million has been contributed to meet the cash portion of the U.S. pledge from fiscal year 1971 appropriations and a like amount is requested for fiscal year 1972.

U.S. contributions of commodities and shipping services are provided under the Food for Peace Act (Public Law 480).

U.N. INSTITUTE FOR TRAINING AND RESEARCH

The U.N. Institute for Training and Research (UNITAR) seeks to make the U.N. system more effective by (1) applying modern research techniques to planning and evaluation of UN activities, (2) clarifying problems and issues that face the U.N., (3) and providing training for U.N. personnel and for people from the developing nations in U.N.-related activities.

Early research projects included a study to establish criteria for evaluating U.N. technical assistance programs and a project on the status and problems of very small states. In addition, by the end of 1970 UNITAR had completed country studies on the problem of migration of scientists and technicians to developed countries (the brain drain); comparative studies on measures against racial discrimination; a study on problems and remedies for marine pollution; and a case study in the verification of international treaties.

In response to priorities set by the board of trustees following an appraisal of the scope and functions of UNITAR's research activities, the research program will now focus on U.N. reform of structure and procedures and on conflict resolution and the peaceful settlement of disputes.

The UNITAR budget estimated for 1971 is $1,443,000, as compared with last year's revised total of $1,340,000. It is proposed that the United States pledge $400,000 in fiscal year 1972, the same amount as in

recent years, subject to the condition that U.S. cumulative contributions do not exceed 40 percent of total cumulative contributions from Governments.

WORLD HEALTH ORGANIZATION—MEDICAL RESEARCH

The International Agency for Research on Cancer (IARC) was established in 1965 by a resolution of the World Health Assembly. There are now eight members: Australia, France, Germany, Italy, the Netherlands, the United Kingdom, the U.S.S.R., and the United States. In addition, Belgium has applied for membership.

U.S. participation is important to accelerate efforts to control cancer through expanded international cooperation. The agency's work supplements that of countries engaged in national cancer research; and the international status of the agency enables it to collect research data heretofore unavailable. The Director of the U.S. National Cancer Institute states that the IARC is a valuable ancillary to the basic research program of the United States.

In October 1970, IARC's Governing Council voted to alter, effective for calendar year 1971, the quota system so as to provide for a base contribution of $150,000 from each member and additional amounts based on capacity to pay. The United States and U.S.S.R., the two largest contributors, are each expected to contribute $312,711; therefore, a U.S. contribution of $312,711 is proposed for fiscal year 1972.

INTERNATIONAL SECRETARIAT FOR VOLUNTEER SERVICE

The International Secretariat for Volunteer Service (ISVS), established in 1962 and now located in Geneva, encourages the formation of volunteer service organizations, both for domestic and overseas service, and assists Governments in setting up and operating volunteer programs.

Activities include the international exchange of information on administrative, legal, medical, language training, and other aspects of volunteer organizations through publications and workshops; regional staff training seminars conducted by ISVS regional offices in Latin America and Asia; and the maintenance of an international registry of volunteers wishing to serve abroad.

A U.S. pledge of up to $73,000 from fiscal year 1972 funds is proposed, limited to 28 percent of total contributions. In addition to the U.S. cash contribution, the Peace Corps plans to continue to detail two staff members to ISVS.

UNITED NATIONS RELIEF AND WORKS AGENCY

The United Nations Relief and Works Agency for Palestine Refugees in the Near East (UNRWA), provides food, housing, schooling, and health services for Arab refugees of the 1948–49 Arab-Israel conflict and, on a provisional basis, for some of the refugees of the 1967 war.

At the end of 1970 the refugee population registered with UNRWA numbered approximately, 1,436,829 (of whom over 800,000 were receiving rations from UNRWA), distributed as follows: East Bank of Jordan, 517,136; Israel-occupied West Bank of Jordan, 269,996; Is-

raeli-occupied Gaza strip, 312,922; Lebanon, 176,896; and Syria, 159,-879.

UNRWA estimates its 1971 requirements at $47 million, a small increase over 1970, resulting from rising costs of materials and services. The Commissioner General pointed out to the U.N. General Assembly in 1970 that it would be necessary to reduce services to the refugees if the required funds were not made available. The Assembly established a working group to study UNRWA's expenditures, to seek additional revenues, and if necessary to recommend measures to bring the 1971 budget into balance. Some additional contributions have been pledged, both directly to UNRWA and to UNESCO for the schools serving the refugees. Contributions from Arab states and others to UNESCO's special education fund, totaling $1 million, will assist UNRWA in providing schools for refugees. It appears, however, that income for 1971 will be about $46 million or $1 million short of projected requirements. Some services have already been cut back, and further reductions will be required unless additional contributions are forthcoming.

The United States contributed $22.2 million to UNRWA's regular budget for fiscal year 1970 and 1971—$13.3 million in dollars and U.S.-owned excess currencies and $8.9 million in commodities available under Public Law 480. For fiscal year 1972 a contribution at the same level and with the same division between cash and commodities is proposed. As in previous years the U.S. contributions will be limited to a maximum of 70 percent of total Government contributions. As other governments support of UNRWA has increased, the U.S. share has been proportionately reduced from 70 percent to about 55 percent in 1970.

In addition, the United States made special contributions of $1 million each in fiscal year 1970 and 1971 for technical and vocational training of Arab refugees, as authorized by Congress. These funds are being used to expand facilities in several vocational training centers and to maintain other activities designed to improve the skills of Arab refugees which otherwise might be discontinued for lack of funds.

U.N. FORCE IN CYPRUS

I should also mention that an estimate for $4.8 million for contribution to the U.N. force is contained in the overall request for supporting assistance for fiscal year 1972. While intensive efforts are being made to promote agreement between the Greek and Turkish communities on the island, their basic antipathy sporadically produces confrontations and incidents; at such times the presence of the U.N. force is vital. We believe that its continuation is necessary for the preservation of peace in the Eastern Mediterranean. At the same time we believe that efforts to reach an agreement should be intensified.

NUMBER OF COUNTRIES ASSISTED BY UNDP

Mr. PASSMAN. Thank you very much for your statement. Now we have some questions we would like to ask.

I notice on page 2 of your statement you state the following: "United Nations development program activities are currently underway in

approximately 130 countries and territories" of the world, is that correct?

Mr. DE PALMA. That is correct.

Mr. PASSMAN. In how many territories or countries do you have programs? It is important for us to know that, because you may have country A, and then you would include a territory from that same country. So if we use it in terms of countries, in how many countries do you have a current program underway?

Mr. DE PALMA. Sir, I would have to analyze a table to give you a precise answer.

Mr. PASSMAN. All right, how many territories? I need it now. Take your time. Do a little bookkeeping.

Mr. DE PALMA. Let me see how many of these are territories.

Mr. PASSMAN. Off the record.

(Discussion off the record.)

Mr. DE PALMA. Sir, there are about 26 territories on the list.

Mr. PASSMAN. At this point you will say that you have programs going in 104 countries and 26 territories of the world?

Mr. DE PALMA. Territories belonging mostly to those countries.

Mr. PASSMAN. Now, I would assume that of some of these territories there would be more than one territory of a nation? You may have nation A where you have a program going into two of their territories. Do you follow me?

Mr. DE PALMA. I think I do.

Mr. FLINNER. British Indies and British Honduras, for example.

Mr. PASSMAN. I want to be fair about this. We have to be accurate. We are getting ready to make up a new sheet. We want to know in how many countries we will have some type of an air program. Inasmuch as our contribution is 40 percent and you have an aid program going out of the UNDP, it is perfectly obvious that that is aid.

Would you agree to that, Mr. De Palma?

Mr. DE PALMA. Yes, sir.

Mr. PASSMAN. Could we take just a moment and establish how many countries are represented by the 26 territories. It should not be difficult.

Mr. DE PALMA. It is not.

Mr. PASSMAN. Let me go off the record a moment.

(Discussion off the record.)

Mr. PASSMAN. I believe I asked the question that if you have an aid program going in a territory of a country, that is no different than if you had an aid program going in that country at, let's say, the seat of government; would it?

Mr. DE PALMA. I would have to agree in general it is the same thing.

Mr. PASSMAN. I thought a moment ago you said "in essence" you agreed. In essence is as strong as it can be; is it not?

Mr. DE PALMA. Yes.

Mr. PASSMAN. All right.

Now, how many territories?

Mr. DE PALMA. We will need a few minutes, sir.

Mr. PASSMAN. Take your time.

Off the record.

(Discussion off the record.)

Mr. De Palma. Subject to some correction which we will have to make for the record because we cannot be precise now, we count 17 of these as United Kingdom territories, two as French, two Netherlands, and at least two we cannot distinguish.

Mr. Passman. All right. How many countries would it be?

Mr. De Palma. 104.

Mr. Passman. That is what you gave me earlier.

Mr. De Palma. 130 minus 26.

Mr. Passman. So what you are actually saying then is that this is correct, that you have a UNDP activity currently underway in approximately 104 countries and 26 territories?

Mr. De Palma. That is correct.

Mr. Passman. But in some instances you have a program going in the country as well as that country's territories, is that correct?

Mr. De Palma. Yes, except that I do not really know that there are programs going in the United Kingdom for example, or in France.

Mr. Passman. I would be very unfair if I should make up a sheet and claim that you have a program going in 130 countries, because heretofore we do know it has been testified that we had an aid program going in 123 nations of the world.

Now I would not want to be unfair in getting up the statistics that I get out annually, because it is my responsibility as chairman to do this. If I should say that you have an aid program going in 130 countries I would be inaccurate because, if I should count these territories as a country, it would be misleading.

I am a little harsh about some of these things, but I certainly want to be fair.

You state, as I said a moment ago, that UNDP activities are currently under way in approximately 130 countries and territories of the world.

If I may, Mr. De Palma, I would like to direct this question to the controller. Will you, Mr. Controller, assist in giving a breakdown so when I say 130 countries and territories of the world, I can state that many of the territories are in one country so that we will not double count?

Mr. Flinner. Yes, sir. I will discuss it with Mr. De Palma.

Mr. Passman. Is that not the way it should be, so as to be fair to all concerned?

Mr. Flinner. Yes, sir.

Mr. Passman. All right.

Then I shall ask my questions later, but at this time I want to abide by the rules and go around the table and give the other members an opportunity to ask their questions. I shall then ask my questions.

I yield now to the gentleman from Kansas, Mr. Shriver.

Mr. Long. Mr. Chairman, I wonder if we could have a list of countries and territories in which we have an AID program, the number of countries in which we do not have an AID program, so that we can get something to add up to the total of all the countries.

Mr. Passman. Let me go off the record.

(Discussion off the record.)

Mr. Passman. Mr. Shriver?

Mr. Shriver. Thank you, Mr. Chairman.

CONTRIBUTIONS TO THE OECD

Mr. De Palma, in your statement you say members other than the United States of the OECD Development Assistance Committee have increased their annual contributions to the U.N. development program by 272 percent during the past decade, while the U.S. contribution increased by 185 percent.

In the first place, what is that OECD, for the record?

Mr. De Palma. Organization for Economic Cooperation and Development.

Mr. Shriver. Now my question is: Would you tell us what these percentages mean in terms of dollars?

Mr. De Palma. For example, for 1960, the United States contributed $30.3 million; for 1970, the United States contributed $86.3 million. That was an increase of 185 percent.

For the other countries of the Organization of Economic Cooperation and Development, in 1960 they contributed $30.7 million; in 1970, they contributed $114.2 million, or an increase of 272 percent.

Mr. Shriver. So all these other countries put in $114.2 million at the same time we are putting in $86.3 million?

Mr. De Palma. Correct, sir.

Mr. Shriver. So actually, dollarwise, we are contributing a large proportion of the total.

Mr. De Palma. Ours is definitely the largest single contribution.

Mr. Shriver. What percentage is that?

Mr. De Palma. In 1970 it would be approximately 35 percent.

Mr. Passman. Would the gentleman yield?

Mr. Shriver. Yes.

Mr. Passman. It is good to let the record show that some of the other contributors are likewise the recipients of our bilateral aid, are they not?

Mr. De Palma. Some of their territories, yes.

Mr. Passman. What is the difference?

Mr. De Palma. All right.

Mr. Passman. I will change it and make it stronger.

Many of the countries who are contributing these little tidbits are likewise the recipients of our foreign aid, are they not?

Mr. De Palma. Yes.

Mr. Long. Would the Chairman yield?

Mr. Shriver. Yes.

Mr. Long. Would it be possible to find out, of those countries which are contributing to this U.N. multilateral aid, how their contribution compares to what we are giving to them, to see if we are just paying through the back door.

Mr. De Palma. We can do that for the record.

(The information follows:)

Comparison of Contributions to UNDP to Total Economic and Military Assistance
(in millions of dollars)

Country	UNDP Contribution Pledged for Calendar Year 1970	Total Economic and Military FY 1970 1/
Afghanistan	0.1	8.1
Albania	*	-
Algeria	0.3	-
Argentina	0.5	911.6
Australia	2.0	-
Austria	1.6	0.9
Barbados	*	-
Belgium	2.5	15.8
Bolivia	*	6.4
Botswana	*	1.5
Brazil	1.2	211.4
Bulgaria	*	N.A.
Burma	0.1	0.5
Burundi	*	0.8
Byelorussian SSR	0.2	--
Cambodia	*	4.8
Cameroon	*	0.2
Canada	15.0	21.0
Central African Republic	*	0.4
Ceylon	0.2	5.1
Chad	*	0.4
Chile	0.2	42.0
China	0.2	133.3
Colombia	0.2	131.1
Congo (Brazzaville)	*	0.3
Costa Rica	*	18.6
Cuba	*	-
Cyprus	*	-
Czechoslovakia	0.6	-
Dahomey	*	0.4
Denmark	15.6	-
Dominican Republic	*	22.2
Ecuador	0.1	30.7
El Salvador	*	12.9
Ethiopia	*	29.8

Finland	2.0	7.6
France	4.3	59.3
Gabon	*	0.1
Gambia	*	0.3
Germany, Federal Republic	11.2	-
Ghana	0.2	32.0
Greece	0.4	34.2
Guatemala	*	33.9
Guyana	0.1	1.4
Holy See	*	---
Honduras	*	9.3
Hungary	0.1	1.3
Iceland	*	-
India	3.5	440.5
Indonesia	0.1	212.0
Iran	0.6	133.3
Iraq	0.2	0.2
Ireland	0.2	-
Israel	0.2	Classified
Italy	3.5	159.8
Ivory Coast	*	17.1
Jamaica	*	9.0
Japan	4.8	169.8
Jordan	*	Classified
Kenya	*	12.2
Kuwait	0.3	-
Laos	*	Classified
Lebanon	0.1	7.4
Lesotho	*	5.4
Liberia	*	7.8
Libya	0.3	0.7
Luxembourg	*	15.8
Madagascar	*	N.A.
Malawi	*	0.7
Malaysia	*	7.1
Maldives	*	N.A.
Mali	*	1.2
Malta	*	0.1
Mauritania	*	-
Mauritius	*	2.6

Mexico	0.5	41.0
Monaco	*	-
Mongolia	*	N.A.
Morocco	0.2	41.4
Nepal	*	15.0
Netherlands	9.4	49.0
New Zealand	0.5	-
Nicaragua	*	4.2
Niger	*	1.3
Nigeria	*	46.7
Norway	5.9	2.4
Pakistan	1.0	214.3
Panama	0.1	11.9
Paraguay	*	9.0
Peru	0.2	16.0
Philippines	0.5	49.4
Poland	0.5	3.0
Republic of Korea	0.2	439.5
Republic of Vietnam	*	423.4
Romania	0.2	-
Rwanda	*	0.6
Saudi Arabia	0.3	Classified
Senegal	*	2.6
Sierra Leone	*	2.4
Singapore	*	12.2
Somali	*	3.0
S. Yemen	*	N.A.
Spain	0.5	194.9
Sudan	0.2	-0.1
Swaziland	*	0.7
Sweden	21.0	-
Switzerland	3.1	45.4
Syrian Arab Republic	*	0.1
Thailand	0.4	29.2
Togo	*	1.0
Trinidad and Tobago	*	-0.1
Tunisia	0.2	51.9
Turkey	0.7	203.9
Uganda	*	3.1
Ukranian SSR	0.4	-

USSR	3.0	-
United Arab Republic	0.5	-
United Kingdom	14.2	73.3
United Republic of Tanzania	*	4.7
United States	86.3	-
Upper Volta	*	1.7
Uruguay	0.2	21.2
Venezuela	0.9	21.4
Yemen	*	0.2
Yugoslavia	0.8	6.5
Zambia	*	0.2

Note: UNDP amounts on calendar basis.
Total Economic and Military on FY basis.

* Less than $100,000
N.A. Not available

1/ Includes: A.I.D. and Predecessor Agencies, Food for Peace, Peace Corps, Export-Import Long-Term Loans, Military Assistance, Contributions to International Lending Organizations and Other Miscellaneous Programs.

AMOUNT OF FOREIGN AID TO EACH COUNTRY AND TERRITORY, 1946–70

Mr. PASSMAN. We will do it right now. Let's insert in the record at this point the sheet showing the recipients of all foreign aid.

(The information follows:)

TOTAL NET FOREIGN ASSISTANCE TO 123 NATIONS AND 7 TERRITORIES OF THE WORLD
FISCAL YEARS 1946 THROUGH 1970

Afganistan	$ 375,100,000	Guyana	$ 65,100,000	Peru	$ 460,600,000
Albania	20,400,000	Haiti	110,900,000	Philippines	1,866,400,000
Algeria	186,300,000	Honduras	112,000,000	Poland	446,400,000
Argentina	385,900,000	Hungary	12,400,000	Portugal	467,700,000
Australia	601,000,000	Iceland	65,400,000	Rwanda	7,600,000
Austria	1,115,800,000	India	7,715,100,000	Saudi Arabia	71,400,000
Barbados	300,000	Indochina	1,535,200,000	Senegal	40,000,000
Belgium-Luxem.	1,736,800,000	Indonesia	1,126,500,000	Sierra Leone	42,600,000
Bolivia	532,400,000	Iran	2,003,900,000	Singapore	37,500,000
Botswana	18,600,000	Iraq	93,200,000	Somalia	80,000,000
Brazil	2,824,000,000	Ireland	112,900,000	Sou. Rhodesia	1,700,000
Burundi	7,400,000	Israel	848,600,000	Southern Yemen	400,000
Burma	83,400,000	Italy	5,296,600,000	Spain	1,907,000,000
Cambodia	341,300,000	Ivory Coast	68,900,000	Sudan	92,000,000
Cameroon	33,300,000	Jamaica	74,700,000	Surinam	10,500,000
Canada	26,100,000	Japan	3,388,400,000	Swaziland	1,400,000
Cen Africa Rep.	5,300,000	Jordan	645,000,000	Sweden	144,700,000
Ceylon	185,800,000	Kenya	67,700,000	Syrian Arab Rep.	56,900,000
Chad	9,200,000	Korea	8,104,200,000	Tanzania	69,700,000
Chile	1,376,500,000	Kuwait	36,800,000	Thailand	1,488,800,000
China, Rep.	4,989,400,000	Laos	1,017,600,000	Togo	15,900,000
Colombia	1,046,900,000	Lebanon	90,600,000	Trinidad-Tobago	52,800,000
Congo (B)	1,900,000	Lesotho	10,400,000	Tunisia	646,500,000
Congo (K)	440,000,000	Liberia	226,000,000	Turkey	5,520,200,000
Costa Rica	172,900,000	Libya	221,700,000	Uganda	39,100,000
Cuba	43,800,000	Malagasy Rep.	13,800,000	United Arab Rep.	769,000,000
Cyprus	22,100,000	Malawi	26,000,000	United Kingdom	7,511,300,000
Czechoslovakia	189,500,000	Malaysia	78,400,000	USSR	186,400,000
Dahomey	12,600,000	Mali	27,900,000	Upper Volta	15,200,000
Denmark	873,300,000	Malta	8,300,000	Uruguay	169,500,000
Dominican Rep.	482,500,000	Mauritania	3,300,000	Venezuela	330,100,000
East Germany	800,000	Mauritius	3,800,000	Vietnam	13,054,400,000
Ecuador	277,800,000	Mexico	501,500,000	Western Samoa	2,100,000
El Salvador	131,400,000	Morocco	710,800,000	Yemen	42,600,000
Equatorial Guinea	300,000	Nepal	140,600,000	Yugoslavia	2,560,800,000
Ethiopia	361,400,000	Netherlands	1,984,200,000	Zambia	7,200,000
Finland	21,300,000	New Zealand	63,800,000	Bahamas	32,700,000
France	7,007,700,000	Nicaragua	158,700,000	Brit. Honduras	5,600,000
Gabon	7,500,000	Niger	17,500,000	West Indies	7,800,000
Gambia	2,600,000	Nigeria	344,100,000	Hong Kong	44,600,000
Ghana	277,400,000	Norway	1,127,300,000	Ryukyu Islands	406,800,000
Germany/Berlin	3,671,600,000	Pakistan	3,637,300,000	Trust Ter. Pac.	281,300,000
Greece	3,682,900,000	Panama	226,000,000	CENTO	54,600,000
Guatemala	347,000,000	Paraguay	121,200,000	W/W, Regional	16,191,600,000
Guinea	115,200,000				

Total Net Disbursements to Foreign Nations 1946-1970	$131,530,600,000
Total Net Interest Paid on What We Have Borrowed to Give Away, 1946-1970	67,858,067,000
GRAND TOTAL -- COST OF FOREIGN ASSISTANCE -- 1946 THROUGH 1970.....	$199,388,667,000

OF THE 3½ BILLION PEOPLE OF THE WORLD, ALL BUT 36 MILLION HAVE RECEIVED AID FROM THE U.S.

Mr. LONG. I want to show for the current year what they are contributing to the U.N. and what we are contributing to them.

In other words, I am trying to find out if we are giving them so much money that in a sense we are contributing to the U.N. indirectly through this other country.

Mr. PASSMAN. I will not interrupt the gentleman again; I am sorry.

IMPLEMENTATION OF THE JACKSON STUDY

Mr. SHRIVER. That is all right.

Would you describe the new procedures for the formulation, appraisal, approval, implementation, evaluation, and followup of the UNDP projects which will be instituted as a result of the Jackson study?

Mr. DE PALMA. Yes, sir; I would be glad to, Mr. Shriver. If I may, to save the committee's time, why do I not just elaborate on the sections that are in the statement I made.

I think you will find on pages 4 and 5 of that statement the consensus that was achieved among the governments on the reforms that were to be instituted in the UNDP. That consensus was agreed to in July in the governing council of the UNDP and later confirmed and adopted by the ECOSOC and the General Assembly last fall.

May I elaborate on that in terms of what has been done to implement the consensus, which will be in addition to pages 4 and 5 of my prepared statement? In the first place, Mr. Hoffman has now established four regional bureaus within the headquarters of the UNDP. These regional bureaus have the authority to deal with the field operations in their respective regions.

A unit has been established for program analysis and long-term policy planning, which they did not have before.

Authority has been delegated in a marked degree to the resident representatives in the field. They have been put in charge of the teams of representatives from the U.N. specialized agencies there. They are the leader of the U.N. team. They coordinate U.N. functions in the field. The UNDP resident representatives now have authority to approve directly projects costing up to $100,000, as a way to cut through redtape.

The resident representative will now be able to exert some real authority in dealing with all of the components of the U.N. system that provide aid, and work in the field.

This has been confirmed in a recent meeting of resident representatives. The point was driven home that we wanted somebody in charge there so that we would not have the kind of free wheeling that did exist among representatives of specialized agencies in the past.

Second, and perhaps the most important, a program of country planning has already been started. The whole thrust of the reforms in the UNDP is to anchor U.N. development assistance to country plans so that everything fits into a framework. Already about a half a dozen countries are preparing country plans.

Country programing is based on the premise that the country reeiving aid should study its own human and other resources and calculate its need on the basis of that study and then prepare its program.

Mr. SHRIVER. You can continue that in the record.

Mr. PASSMAN. Yes, because you have consumed almost 4 minutes answering that question.

Mr. SHRIVER. And I have only 5 minutes.

Mr. DE PALMA. May I submit the rest of it?

Mr. PASSMAN. Yes.

(The information follows:)

PROCEDURES FOR IMPLEMENTATION OF THE UNITED NATIONS DEVELOPMENT COOPERATION CYCLE

INTRODUCTION

The new organization and methods of the UNDP are geared to the development assistance process, known as the U.N. Development Cooperation Cycle, defined in outline by the Governing Council in its consensus. The successive principal phases of this process are the formulation of the UNDP country programs and project formulation, appraisal, approval, implementation, evaluation, and followup. The inter-country programing of subregional, regional, interregional, and global projects is assimilated as far as possible to the same process.

ESTABLISHMENT OF INDICATIVE PLANNING FIGURES

An indicative planning figure, constituting an order of magnitude of the resources expected to be available from UNDP, has been established for each developing country. Its purpose it to enable the formulation of a program of UNDP assistance covering a period of from 3 to 5 years consistent with the period of the country's development plan or development program.

The first series of indicative planning figures was proposed by the Administrator, according to the experimental formula laid down by the Governing Council in paragraph 16 of the consensus, in January 1971, before the reorganization of the UNDP took effect (in March 1971). In the future, the Bureau for Program Coordination, with the advice of the Bureau for Program Analysis and Policy Planning, will assist him in preparing proposals to the Governing Council on indicative planning figures.

COUNTRY PROGRAMING

The formulation of the UNDP country program involves a broad identification of needs arising out of the country's objectives which might be met by UNDP assistance; as precise an indication as possible of the internal, UNDP and wherever possible other U.N. inputs to meet these needs; and a preliminary list of projects. The country program will be formulated by the government in cooperation, at an appropriate stage, with representatives of the U.N. system, the latter under the leadership of the Resident Director.

Within the UNDP, the Bureau for Program Coordination, with advice from the Bureau for Program Analysis and Policy Planning and in consultation with the Regional Bureaus, will prepare overall guidelines and instructions on country programing. The Resident Director will consult the government on the desired duration and starting date of the program period; ascertain from the government the "appropriate stage" for U.N. cooperation in the formulation of the UNDP country program; and determine, in consultation with the government, the type of programing exercise best adapted to the country's needs.

The Regional Bureau concerned will provide or organize any requested programing assistance in consultation with the Bureau for Program Coordination. The latter, taking into account the total demands on the U.N. system for such assistance, will insure overall coordination in respect to the timing of and other arrangements for the country programing exercises.

In the programing exercise itself, the Resident Representative will organize, prepare and conduct, on the side of the U.N. system, the programing exercise selected by the government. He will insure that all the organizations concerned are associated with the exercise, and will act as the principal spokesman for the U.N. system throughout. He will prepare, in consultation with the government, the Regional Bureau and the organizations concerned, a syllabus outlining the scope and timetable of the programing exercise, and the working documentation required for it, including an evaluation of the existing UNDP country program.

When the proposed country program has been formulated, the government will be expected to submit it officially to the Resident Representative, who will transmit it to the Regional Bureau at UNDP headquarters and, simultaneously, to all participating organizations and to such other multilateral and bilateral aid agencies as the government agrees.

The Regional Bureau will review the proposed country program, insuring that it is simultaneously copied to the Bureau for Program Coordination for technical comments and to the Program Analysis and Policy Planning Branch for information. After any necessary further consultations with the government, the final version of the proposed country program will be submitted by the Administrator to the Governing Council.

COUNTRY PROGRAM REVIEWS

In consultation with the government and the executing agents, the Resident Representative will periodically evaluate the country program. The purpose will be two-fold: Firstly, to prepare for a joint review and possible revision of the program or for a new programing exercise and, secondly, to prepare his annual report, which he will submit simultaneously to the government, the Regional Bureau and all organizations participating in the program.

The Regional Bureau will advise and assist the Resident Representative, as required, in program evaluation and review. It will also analyze program evaluations for all countries of the region and report on them to the Bureau for Program Coordination and the Bureau for Program Analysis and Policy Planning. The latter will prepare overall guidelines for the Resident Representatives and Regional Bureaus on the evaluation of country programss and both Bureaus will provide assistance in these evaluations as appropriate.

Project formulation will be carried out at the country level. Assistance will be available to the government from the Resident Representatives and from expertise that can be provided by representatives or experts of organizations of the U.N. system who are already on the scene, or that can be obtained from their area or regional offices or headquarters, or from the Regional Bureau of the UNDP. The government will be expected to make its requests for such assistance through the Resident Representative.

Guidelines for the formulation of project requests (and also for their appraisal) will be prepared by the Bureau for Program Coordination. These guidelines will be based, inter alia, on the principles that project requests should be formulated within the framework of the proposed or approved country program, should be accompanied by a proposed plan of work defining project activities and their timing and the inputs, both domestic and external, to be provided, and should estimate any implications for followup, including additional UNDP assistance in the future. Each project request will also specify the executing agent recommended by the Resident Representative after consultation with the government and the participating organizations interested in the field of activity concerned. (The term "executing agent" is used to cover all cases, whether execution is by an agency or other organization of the U.N. system or by some other institution or instrumentality.)

Primary responsibility for the appraisal of small projects will rest with the Resident Representative. (Small-scale projects are defined as those self-contained projects which involve UNDP expenditures up to $100,000 for their duration but which do not involve special policy questions or have obvious implications for large-scale followup assistance by the UNDP or followup investment). The Resident Representative will in the first instance be responsible for identifying those small project requests which involve special policy questions or large-scale followup assistance or investment implications and for referring them to the Regional Bureau for advice or appraisal. For those appraisals which he undertakes himself, the Resident Representative will seek the assistance or advice of competent technical expertise directly from the organization concerned or from the Regional Bureau, as appropriate.

Having completed the appraisal, the Resident Representative will have authority for approval of a small project, under the conditions defined above, and provided also that he has confirmation from the regional bureau that funds are actually available. One limited category of small projects will fall outside these arrangements: project requests consisting solely of individual fellowships not related to expert services provided under the UNDP or any other United Nations program will be forwarded by the resident representative, with his com-

ments, to the Regional Bureau and dealt with there in order to insure consistency of policy.

As regards the larger projects—as well as those under $100,000 in cost to the UNDP if they have the policy and financial implications mentioned earlier—the resident representative will forward each official request (including a summary) to the Regional Bureau, with his preliminary appraisal of it and his recommendations regarding the executing agent best suited to implement it. He will simultaneously forward copies of the request and of the summary to the indicated executing agent and to all participating organizations interested in the field of activity concerned, informing them of the executing agent recommended and inviting their comments to be transmitted to the administrator and himself. Within a specified period, the indicated executing agent will be expected to submit to the administrator, with copies to the resident representative, a detailed proposal specifying how and when it could execute the project. With the agreement of the government, the resident representative will also consult on the project request with local representatives of other multi-lateral or bilateral aid organizations maintaining an active program in the country. He will review with the government, as appropriate, any comments received from the organizations and from the regional bureau, and inform the latter of the results of these reviews.

The final appraisal of each large project request, which is a responsibility entrusted by the governing council to the administrator, will be initiated by the regional bureau, with any assistance it deems necessary from the technical, investment and/or financial services of the Bureau for Program Coordination. The regional bureau will consult directly with the proposed executing agent and with the resident representative on all matters arising out of appraisal. It will also arrange for any on-the-spot appraisal by a UNDP or executing agent's staff member or consultant that may be necessary.

For the approval of each large project request, the regional bureau will prepare the project in agreed final form and submit a recommendation for approval by the administrator or for referral to the governing council.

IMPLEMENTATION, INCLUDING REVIEWS AND REPORTING

The monitoring of project assistance, insofar as it is required for the discharge by the administrator of his responsibility for operational control, will normally be carried out at the country level by the resident representative. He will maintain continuous contact with all projects, receive copies of the periodic or special reports of each product manager, term leader , or individual expert (in the case of small projects) and participate in or arrange periodic or special reviews, as required, of the progress and effectiveness of each project.

The resident representative will deal directly with the Government and the executing agent on all aspects of project implementation, calling for advice or other support from the regional bureau, and through it the Bureau for Program Coordination, when he deems it necessary. He will submit his own periodic reports on all projects to the Government, the regional bureau and the executing agent. The regional bureau will deal directly with the executing agents on questions of project implementation unresolved by the resident representatives, consulting the Bureau for Program Coordination on overall policy issues, major problems of implementation or substantial technical investment, or financial questions. It will also carry out periodic overall analyses of operations according to country, sector, executing agent, et cetera, and report the results to the Bureau for Program Coordination and the Bureau for Program Analysis and Policy Planning; the former will review these reports and act on overall policy issues and major problems brought to light by them, and the latter will use them for its purposes of program evaluation and studies related to policy planning.

An on-site review of all aspects of each larger project will normally take place when the project has reached midpoint or the end of a substantial phase of its scheduled program of activities. Each such review, or any ad hoc review that may be agreed to be necessary, will be organized by the resident representative in consultation with the Government and executing agent.

Guidelines on the methodology, timing, scope, and content of operational control, including the reporting and review processes, will be prepared by the Bureau for Program Coordination with the advice of the Bureau for Program Analysis and Policy Planning.

The resident representative, according to instructions to be provided, will have authority, in the course of project implementation, to approve certain modifica-

tions or adjustments to the plan of work of any project when these are agreed by the Government, himself, and the executing agent to be necessary. In the case of a small project, the only conditions will be that the modification is consistent with the objectives of the country program and that any additional cost can be met within the indicative planning figure. Where either of these conditions is not met, he will refer the proposed modification, with his recommendations, to the regional bureau. In the case of large projects, an additional condition will be that if the changes envisaged would considerably increase UNDP costs, the resident representative will submit to the regional bureau all requisite details and justification in the form of an agreed draft proposal, which will be dealt with as for a new project request.

As a further measure to facilitate project implementation, the resident representative will be able to authorize, if necessary, and under conditions which will be specified, the local purchase of equipment or the procurement of locally subcontracted services, if he deems this to be in the best interests of the project.

ASSESSMENT OF RESULTS

An assessment of the results of every project will be made in the final stages of UNDP assistance. The purposes of this assessment will be to enable the administrator (a) to give the Government an objective judgment of the effectiveness of the project and sound recommendations on follow-up action and (b) to account to the governing council on the performance of the program.

In the case of a small project, the resident representative will ordinarily transmit the executing agent's terminal report simultaneously to the Government and the regional bureau, providing them and the executing agent with any comments and recommendations of his own. In those cases where the resident representative considers that a communication from the administrator to the Government on the results or any recommended follow-up of the project would be appropriate, he will so inform the regional bureau.

In the case of a large-scale project, the project manager will ordinarily submit a draft terminal report containing his assessment of the implementation, results and effectiveness of the project of the resident representative and the executing agent. The resident representative will submit a report containing his own assessment to the government, the regional bureau and the executing agent, and the latter will transmit its own draft terminal report to the regional bureau. The regional bureau will review these reports and prepare a letter to be sent to the government by the administrator setting out his conclusions and recommendations on the project. If for this purpose an onsite review is recommended by the resident representative or is otherwise deemed necessary, it will be organized by the regional bureau in cooperation with all concerned.

The project assessments, together with analyses of them to be made periodically by the regional bureaus, will be used by the Bureau for Program Analysis and Policy Planning for purposes of program evaluation and studies required for policy planning. The bureau will prepare over-all guidelines and instructions for project assessments and their analyses and may also, where necessary to its functions, undertake or arrange evaluations of the effectiveness of individual projects or groups of projects.

INTERCOUNTRY PROGRAMING

The Bureau of Program Coordination will prepare, with the advice of the Bureau for Program Analysis and Policy Planning, guidelines and instructions for all types of intercountry projects and their formulation, appraisal and implementation. These guidelines and instructions will include provisions for the essential collaboration on these projects between the governments, the UNDP and the participating organizations.

The regional bureau concerned will be responsible for assisting the formulation and for the appraisal of subregional and regional projects in consultation with the Bureau for Program Coordination and with the assistance of its technical, investment and financial services, as for country projects. When the project proposals have been prepared in final form by the regional bureau, the Bureau for Program Coordination will review them for uniformity of criteria before they are approved by the administrator or refered to the govening council for approval. Thereafter, the regional bureau will be responsible for control of the implementation and assessment of results and, as may be required, investment

advice or other followup of these projects. At all stages, it will obtain the advice and assistance of the resident representative concerned.

As regards interregional and global projects, the Bureau for Program Coordination will be responsible, in consultation with the regional bureaus and the Bureau for Program Analysis and Policy Planning, for assisting their formulation and for carrying out their appraisal for advising the administrator on the approval of interregional projects or their referral to the governing council when required; for the submission of global projects by the administrator to the council for approval; and for the control of implementation, assessment of results an, as may be required, advice on investment or other followup of interregional and global projects.

The Bureau for Program Analysis and Policy Planning will receive and use periodic reports and terminal assessments of intercountry projects for the purposes of program evaluation and studies related to policy planning. It may also, where necessary to these purposes, undertake or arrange evaluations of the effectiveness of such projects.

UNDP-EXECUTED PROJECTS

When the UNDP undertakes directly the execution of project assistance, the regional bureau concerned will be responsible in the case of country, subregional and regional projects, with the assistance of the resident representatives and of the Bureau for Program Coordination, as required. The latter bureau will be responsible for the execution of interregional and global projects, with the assistance of the regional representatives and regional bureaus, as required. It will also be responsible for guidelines and instructions on recruitment, procurement, contracts, etc., for all such operations.

INVESTMENT AND OTHER FOLLOWUP

The Bureau for Program Coordination, with the advice of the Bureau for Program Analysis and Policy Planning, the regional bureaus, and consultants as required, will prepare overall guidelines and instructions designed to insure appropriate provision for and action on all possibilities and implications of investment and other followup at all stages of programing and implementation, within the framework of the Government's primary responsibility in these matters. These will include guidelines for use in the formulation and appraisal of capital investment-oriented projects intended to ensure that project design and inputs needed to produce the technical, economic and financial information require by potential investors are included in the project work plans.

These guidelines will define the action to be taken at the different levels of authority within the UNDP. When the provision of specific financial advisory or other relevant services to the Government is involved, the regional bureau will arrange this in consultation with the Bureau for Program Coordination, which will also insure overall coordination on followup with other multilateral and bilateral sources.

FINANCIAL MANAGEMENT

The Bureau for Program Coordination will be responsible for the general management of financial resources, including the custody and supervision of funds, the control and issuance of allocations, and the provision to regional bureaus and resident representatives of technical and advisory services of a financial nature. The Bureau for Program Analysis and Policy Planning will advise on financial policies, as appropriate.

The resident representative will maintain informational records of the cost of program approvals in relation to the country indicative planning figure. They will be kept currently informed through the respective regional bureaus of the value of total expenditures against such approvals.

For intercountry programs, the Bureau for Program Coordination will maintain the essential financial records and controls, in cooperation with the regional bureaus, as appropriate.

PROGRAM EVALUATION

The Bureau for Program Analysis and Policy Planning will be responsible within the UNDP for evaluating the effectiveness of the program as a whole and its principal sectors, components and other aspects of both substance and methodology. It will assist the administrator to account to the governing coun-

cil by means of his annual and special reports, for all aspects of the program. It will also derive, from its program evaluation, advice to the administrator on current policies and procedures and on the formulation or reformulation of overall guidelines.

Mr. SHRIVER. What additional cost will be involved to implement these reforms?

Mr. DE PALMA. I am not sure it does involve an additional cost. I am not in a position now to comment. I do not remember the headquarters budget projected for this year as against last year. I can get that information for you.

Mr. SHRIVER. Why are you requesting an increase in the U.S. contribution of nearly $14 million for 1972?

Mr. DE PALMA. Because, sir, the UNDP anticipates and the record shows that their projections have been very much on the nose to date, that they are going to collect, from other countries, an amount sufficient to draw down that much from us if we were to contribute at roughly 40 percent.

Mr. SHRIVER. My 5 minutes are taken. I will have more questions.

Mr. PASSMAN. Mr. Long.

MEASURING THE EFFECTIVENESS OF UNDP PROGRAMS

Mr. LONG. On page 2, you say one of the advantages of channeling foreign aid through a U.N. agency is avoidance of "political frictions that can arise from reliance on bilateral programs in some of the most sensitive affairs of nations, such as population and family planning, curbing dangerous drug traffic, exploring for minerals with strategic implications."

What success has the U.N. had in specific programs of this sort?

Mr. DE PALMA. The success is not yet to the point where we can measure it.

Mr. LONG. How long have they been working on this?

Mr. DE PALMA. We are talking, for example, of the population field, in which the U.N. first became active in 1969. We have only now got the U.N. population fund going. They have only remitted some $6 million or so to their implementing agencies.

Mr. LONG. What about drug traffic?

Mr. DE PALMA. Drug traffic is even more recent. That fund began only this year.

Mr. LONG. What is your oldest program?

Mr. DE PALMA. UNRWA, for example, goes back to the first Arab-Israeli conflict. That is an example of an area in which it would have been very difficult for any single government to operate because of the tensions and political frictions and where only a multilateral effort was feasible.

Mr. LONG. What measures do you have of accomplishment there?

Mr. DE PALMA. The measure of accomplishment there is to have kept the situation damped down through a program of education and feeding of refugees so that the refugees will not be an even greater source of trouble.

Mr. LONG. Do you have any data on how much you have educated them?

Mr. DE PALMA. Yes, sir; I do.

LOCATION OF UNRWA REFUGEES

Mr. LONG. Where are these refugees?

Mr. DE PALMA. At the moment, at the end of 1970, the refugees registered with UNRWA numbered approximately 1.4 million, of whom over 800,000 were receiving rations from UNRWA. They are distributed as follows:

On the east bank of the Jordan, 517,136; Israel-occupied west bank of the Jordan, 269,996;——

Mr. LONG. You mean half of your entire population is in Israel or around the Jordan?

Mr. DE PALMA. Forty percent are now in Israeli—occupied territory. Israeli—occupied Gaza Strip, 312,992——

Mr. LONG. That means 80 percent of your entire——

Mr. DE PALMA. No, sir; Lebanon 176,896, and Syria, 159,879. It is almost half-and-half, in Israeli-occupied land and the Arab countries.

Mr. PASSMAN. Let's keep the record straight.

Previously though, there was a very small percentage in Israel, the increase is only because of the 6-day war where part of Jordan came under Israel, is that correct?

Mr. DE PALMA. Yes; the west bank of Jordan and the Gaza Strip.

Mr. LONG. Do you not have refugees in other areas?

Mr. DE PALMA. Yes, sir; indeed.

Mr. LONG. What about Pakistan?

Mr. DE PALMA. Those are being taken care of by the U.N. High Commissioner for Refugees, the U.N. Children's Fund, and other agencies.

Mr. LONG. Not under UNRWA?

Mr. DE PALMA. No.

Mr. LONG. What other long-standing programs do you have that you can show some results for? You were going to say something there about education, I thought.

Mr. DE PALMA. Yes; we have statistics which I cannot put my fingers on now, on the number of refugees who have gone through the schools. I would be glad to put that in the record.

Mr. LONG. It would be useful. Feeding people is the easiest thing to do. To try to get them to solve their problems is something else again

Mr. DE PALMA. That is right.

More and more of the effort is going into education. We do have statistics and I would be glad to supply them.

(The information follows:)

UNRWA'S PROGARM FOR EDUCATION AND VOCATIONAL TRAINING

UNRWA offers 6 years of elementary education to all refugee children, and 3 years of preparatory, that is lower secondary, schooling to all who complete the elementary cycle satisfactorily. By means of grants to Government and private schools it also supports upper secondary education for a limited number of pupils. This education program conforms to the general pattern of education in the Arab host countries. Enrollment in the UNRWA schools has increased from 43,112 in 1951 to over 220,000 at present. Data on enrollment in elementary and preparatory schools in recent years follows:

	1965	1966	1967	1968	1969	1970
Elementary	134,344	139,826	147,519	141,454	155,533	168,611
Preparatory	33,649	36,145	39,448	28,137	45,289	50,767
Total	167,993	175,971	186,967	179,591	200,922	219,378

In addition, about 65,000 pupils are enrolled in Government and private schools, bringing the total school enrollment of refugees to over 280,000 in 1970.

UNRWA also conducts active vocational and teacher training programs. At present over 3,600 places are available to young refugees in the agency's training centers. Over 13,000 have graduated since the training programs were launched in 1953. Most of them have found employment in the Middle East, both in the host countries and further afield, particularly in the Persian Gulf area.

IMPROVED FINANCIAL PLANNING FOR UNDP

Mr. LONG. I am not sure Mr. Shriver asked this question. If he did, take care of it in connection with him; the Jackson report says you are going to have improved financial and budget planning, at least implementation of it would suggest that and these improvements have been implemented.

How long before we see the results of this budget planning?

Mr. DE PALMA. Congressman Long, I think in all honesty I have to say it will take 2 or 3 years to see concrete results. The results we can show now are the administrative reorganization, and the start in preparation of country plans. But the results in terms of accomplishments are going to take at least 2 or 3 years.

Mr. PASSMAN. Would you yield?

Mr. LONG. Let me say before I yield to the chairman that one of the most discouraging things for me in all this aid program is to try to get my teeth into actual accomplishments. I go to a lot of countries and I say, "Lead me to it." Very seldom do they ever show me anything. When they do show me something, it is usually a rather tiny operation that does not mean very much. It makes you wonder whether there is anything to see. That leads me to this next question; it is a question of administration.

I have been wondering whether the reason they do not have much to show specifically is perhaps that so much of this is going for just overall administration, paying good salaries to people, so they do not have very much in the way of soldiers to do actual operations.

Can you tell me something about your administration as a percentage of your total budget versus your operations, you know, the people out there fighting in the field? And how this compares with bilateral aid? Why do you not put that in the record?

Mr. DE PALMA. I would be glad to.

I am sorry it is difficult to find all these things. We do have this and I can give you statistics on the administrative costs.

Mr. LONG. I would like to get a comparison between—a ratio for administration of the U.N. as opposed to this bilateral aid, so I can get some feeling of whether this is really cutting down. I would gather one of the purposes of multilateral aid is that you do eliminate duplications.

Mr. DE PALMA. Yes, sir.

Mr. LONG. Duplication of administration of all these various countries. Whether that is achieved is another question. That is why I would like to see some figures here.

Mr. DE PALMA. If I could, I would like to give it for the record.

Mr. PASSMAN. And if you could, give us something up to date. Do not just read it out of some previous year's hearings. A lot of our questions are answered from material furnished by previous witnesses. I wish you would do more than read previous year's hearings into the record. Give us something current.

(The information follows:)

There is no widely accepted definition of administrative costs, as differentiated from program costs, which could be the basis for accurately comparing the ratio of administrative to program costs among the various U.N. programs. Nor are there accepted criteria which would permit a meaningful comparison of the ratio prevailing in the U.S. foreign assistance program with the ratio obtaining in similar programs in the U.N. system. While it would be generally accepted that the salaries of the executive head of an assistance program, his deputies, his planning staff and the controller should be attributed to administration and that the cost of an expert's salary or demonstration equipment should be attributed to program costs, decisions as to how to attribute costs which fall somewhere between these two extremes would be arbitrary.

Each of the programs and agencies in the U.N. system to which the United States contributes has developed its own definitions which it considers appropriate for its activities and structure. Data on the major programs follows.

UN DEVELOPMENT PROGRAM (UNDP)

The UNDP uses the following categories: (a) Administration, (b) agency overhead, (c) program support services, and (d) project expenditures.

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 and the entire cost of the general services staff and related functions.

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.

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, reports and statistics division; (2) in the field—half the costs of resident representatives and the total costs of deputy resident representatives, technical field advisers, and program officers.

Project expenses are costs of equipment and operating costs such as salaries and related costs of experts and other support personnel, the cost of fellowships, cost of maintenance, repairs, rents, supplies, etc.

Based on these criteria, approximately 4.7 percent of total UNDP expenditures in 1970 represented costs for administration, 9.6 percent for agency overhead, and 4.1 percent for program support services. The balance, 81.6 percent, represents project expenses.

UNITED NATIONS CHILDREN'S FUND (UNICEF)

Total expenditures by UNICEF in calendar year 1972 are budgeted at $61 million, of which administrative expenditures would account for 7.7 percent, program support services at 12.3 percent, and program costs at 80 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 cost 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.

WORLD FOOD PROGRAM (WFP)

In 1970 total expenditures of the WFP amounted to $146 million, of which administrative and support costs represented $6,031,000 (4.1 percent) and the remainder (95.9 percent) the value of commodities and the services required to deliver them. Of the total administrative costs, $3,781,000 was expended for headquarters administration and reimbursement to FAO and other agencies for contractural services, while $2,250,000 represented the costs of administration in the field of WFP projects.

U.N. RELIEF AND WORKS AGENCY (UNRWA)

UNRWA's budget for 1971 totals approximately $45.5 million, including $3.8 million (8.4 percent) for general administration and internal services. The remainder of 91.6 percent is planned for program expenditures such as food, housing, medical services, and educational services.

BILATERAL TECHNICAL COOPERATION

Of the various types of foreign assistance provided by the United States, the technical cooperation program is perhaps most comparable in its objectives, structure, and activities to the U.N. programs, particularly the U.N. development program. For fiscal year 1972 the total appropriation request for bilateral technical cooperation is $401.5 million of which $29.6 million (7.4 percent) is budgeted for administrative costs, $65.2 million (16.2 percent) for program development and support costs in the field, and $26.6 million (6.7 percent) for Washington support costs. The remainder (69.7 percent) represents project costs.

Mr. LONG. I yield back to the chairman the balance of my time.

REORGANIZATION

Mr. PASSMAN. This is the greatest test of an individual's patience and forbearance, to sit here as I do year after year and hear you people testify that you are reorganizing, that you are creating this bureau and deleting that one. Never in the history of the world, in any nation, have we had so many reorganized programs or added programs or deleted some and created new names.

You know what I am talking about, do you not, Mr. De Palma? It is the most frustrating thing in the world. I think you have had over 100 committees, bureaus and commissions set up to check on foreign aid and to change the names for economic aid, such as defense support, supporting assistance, security assistance. Here you are now up testifying for some reorganization within the UNDP. You get my point, do you not?

Mr. DE PALMA. I understand.

Mr. PASSMAN. It is the greatest test of a man's patience. I think in all probability that if we had any idea of the total percentage of aid that you consume in travel, paper work and space, that the amount that is actually channeled to the individual down at the grass roots level would be so small, and I am a poor man, that I could almost put it up myself.

I am glad you are smiling while I am saying that. You know what I am talking about. There is nothing personal about this, but when you talk about reorganizing; this program has been reorganized so often it would take a volume to show all the names of the bureaus, commissions, and so forth, brought into being to reorganize aid.

I yield to the distinguished gentlelady.

Mrs. REID. Thank you.

PROPORTIONAL CONTRIBUTIONS TO THE UNDP

Mr. Secretary, does it necessarily follow that an increase in contributions from the United States to international organizations produces a proportionate increase in the assistance provided by other countries?

Mr. DE PALMA. Mrs. Reid, until a few years ago, that seemed to be exactly the pattern. In the last couple of years, however, when we have

cut back, for example, on our contribution to UNDP, other contributors have continued to increase.

What will happen in the future I do not know. I do not know that there is a definite relationship. If we should cut back severely or not contribute, I do not know what will happen to these programs.

Mrs. REID. You think other countries would cut back then?

Mr. DE PALMA. They might look for other ways to do it, I just do not know.

Mr. PASSMAN. Will the gentlelady yield?

Mrs. REID. Yes.

Mr. PASSMAN. I must make the record.

What kind of a housekeeper are you or your agency that you have to look at what other people give? Why do we not look after our own business? If other nations want to increase their contribution to where you reduce the U.S. ocntribution down to 2 percent—and you have some countries as low as 2 percent, do you not?

Mr. DE PALMA. Certainly.

Mr. PASSMAN. It looks like you would encourage that. Why shouldn't you people recommend that others increase their contribution without coming along and insisting that we have to increase ours?

I would like to see you work ours down to 2 or 3 percent like some of these other contributors. We have been a Santa Claus long enough.

I am sorry, proceed.

OVERLAPPING OF MULTILATERAL AND BILATERAL ASSISTANCE

Mrs. REID. In other committees on which I serve, in this subcommittee, I find so many overlapping programs. I find this in every agency, in every part of the Government. Would you say there are any areas where the UNDP program overlaps with technical assistance we are providing on a unilateral basis?

Mr. DE PALMA. Mrs. Reid, I think I can say here with great confidence that there is no actual overlap. The reason I can say that is we work very closely with the UNDP, both in the headquarters and in the field.

Mr. Flinner can bear me out that our own AID people check very carefully in the field with U.N. resident representatives on all bilateral projects we have in mind, check them against U.N. projects, and we have worked out a system so I think we can say that there is no duplication.

We do not find ourselves doing the same thing. We see to that that does not happen. It could happen easily if we did not take these precautions.

Mrs. REID. Part of this reorganization you are discussing does not have anything to do with taking care of duplication or overlap?

Mr. DE PALMA. Not as between our bilateral programs and U.N. programs, no; we already had, I think an airtight system to take care of that.

FUNDING INTERNATIONAL MEETINGS

Mrs. REID. I realize this is a small item and yet I have seen so many times when a beginning item grows and grows and more money is allocated each year.

In your statement, on page 6, out of the $100 million appropriated for the UNDP, you are considering $1 million for services.

Now, do you have advance coordination with your universities and other institutions for seminars, study tours, and so forth?

How do you go about this?

Mr. De Palma. There is great experience in the U.S. Government in doing this sort of program. In the Cultural Affairs Bureau of the State Department, we have some expertise; in our own bureau we have the Office of International Conferences. So we have all the backup we need, I think, to conduct these activities. It is a question of bringing people here on study tours, on fellowships, and a question of holding seminar-type meetings. There is all kinds of expertise in this Government. The idea here is to enable us to do a bit more of this, because we have been falling behind in this.

Our visibility in the U.N. programs is not as high as we think it should be, because we have not had the resources to conduct some of these activities in the United States. We think too great a percentage has been conducted in other countries.

We would like to find a way to bring more of these people here. This is the whole idea behind this suggestion.

Mrs. Reid. Do you have any programs like this going on now?

Mr. De Palma. Yes; we have some small ones—people who are sent here on U.N. fellowship and study tours which are handled through the State Department Bureau of Cultural Affairs. Various Government agencies in the U.S. Government take these people in and work with them.

We have had occasional U.N. seminars here, but they have been very few and far between, because we have not had the resources for the hostship costs.

Mrs. Reid. Do you see this growing to any extent?

Mr. De Palma. It could only grow to a limited extent. I do not anticipate that we will carry on a large amount of activity in this area.

We are thinking of it on the level of approximately $1 million when we get it going. Obviously, it will start at a lower level. We have no plans for a massive program in this area.

Mrs. Reid. I have no more questions now.

Mr. Passman. Thank you.

Mr. Hathaway?

COORDINATION OF PROJECTS WITH U.N.

Mr. Hathaway. Let me pursue the question raised by Mrs. Reid about overlap.

Reading on page 10 of your testimony, you are talking about the United Nations' population program, and you are going to aid the Philippines, for example. Here in this master presentation it states that U.S. assistance to the Philippines began in 1967 with a grant of $210,000; now it is up to $5 million in 1971. Now I do not see how you can avoid overlap here, if you are doing it through the U.N. and doing it directly, too. How do you avoid the overlap?

Mr. De Palma. There will obviously be money coming for population activities from U.N. and bilateral sources. We will see to it that

the money is spent in the country for specific projects and programs which do not overlap.

Mr. HATHAWAY. Who coordinates the programs?

Mr. DE PALMA. We coordinate it in the field and at headquarters. Our own AID people in the field, working with their UNDP counterparts, work this out.

Mr. HATHAWAY. Who is the boss?

Mr. DE PALMA. Who is the boss?

Mr. HATHAWAY. Yes, the United Nations group that is running their multilateral programs?

Mr. DE PALMA. I might say the U.N. is no more anxious to duplicate what we are doing than we are to duplicate their work. The question of who is the boss just does not arise. There is a mutual desire to avoid doing the same thing in the field. It is an equal interest.

Mr. HATHAWAY. Could it be administered better if it all came under one bureau in charge of population increase?

Mr. DE PALMA. It might, but the idea here was that we could use the United Nations effectively to help carry out this activity in the field because it is sometimes awkward for a government—the United States or any other—to be pushing population activities on another country. Countries vary in their receptivity. Our hope is that we can greatly augment this through the international organizations where our hand does not show as much.

Obviously we are the prime movers behind the effort to push the United Nations into this area.

Mr. HATHAWAY. And we are the ones putting up the most money?

Mr. DE PALMA. We are putting up half the population fund in the United Nations at this time.

Mr. PASSMAN. Will the gentleman yield?

Mr. HATHAWAY. Certainly.

Mr. PASSMAN. Of course this thing is scattered all down the line. You have $100 million for family planning in the U.S. bilateral aid, do you not?

Mr. DE PALMA. The funds contributed by the United States to the U.N. population fund are part of the $100 million programed annually from U.S. foreign aid for family planning.

Mr. PASSMAN. Thank you.

Thank you, Mr. Hathaway.

SIZE OF COUNTRY CONTRIBUTIONS TO UNDP

Mr. HATHAWAY. By the way, for the record, I was reading from page D–55 of the print.

Could you supply for the record the percentage of gross national product that all of these other 126 countries are contributing to the fund?

Mr. DE PALMA. I think that should be possible, yes.

Mr. HATHAWAY. How many countries are not contributing that you think ought to be contributing?

Mr. DE PALMA. Which fund are we speaking of?

Mr. HATHAWAY. To the development fund.

Mr. DE PALMA. U.N. development program?

Mr. HATHAWAY. Yes.

Mr. DE PALMA. It is my recollection that virtually every U.N. member and a number of non-U.N. members contribute. I am not sure whether I could spot now which particular country may not be. I have a table of the contributors which I would be glad to supply for the record.

Mr. HATHAWAY. May we have that as part of the record? Then you are going to add on to that the percentage of national product?

Mr. DE PALMA. The percentage of gross national product that their contribution represents.

Mr. PASSMAN. Should we not also put in the record the percentage of the contribution, take the total sum and if it is 2 percent, put 2 percent? When you just put it in figures, it is confusing.

Put the percentage in a different category so we can unscramble it from all these figures.

Mr. DE PALMA. Yes.

(The information follows:)

UNDP: CONTRIBUTIONS PLEDGED FOR 1970 AND THEIR RELATION TO GNP
(As of March 31, 1971)

Country	Amount	Percent[1/]	Pledge as Percent of GNP [2/] (thousandths of 1%)
Afghanistan	$119,000	.04	8.41
Albania	4,000	--	0.53
Algeria	275,000	.11	7.44
Argentina	500,000	.20	2.95
Australia	2,000,000	.83	6.70
Austria	1,600,000	.66	14.10
Barbados	10,000	--	9.00
Belgium	2,500,000	1.03	12.07
Bolivia	30,000	.01	3.77
Botswana	7,000	--	11.11
Brazil	1,150,000	.48	4.00
Bulgaria	74,000	.03	1.44
Burma	100,000	.04	4.86
Burundi	32,000	.01	19.39
Byelorussian SSR	150,000	.06	1.51
Cambodia	18,018	--	1.96
Cameroon	30,216	.01	3.59
Canada	15,000,000	6.21	24.09

Country	Amount	Percent 1/	Pledge as Percent of GNP 2/ (thousandths of 1%)
Central African Republic	3,597	--	1.88
Ceylon	180,000	.07	10.01
Chad	540	--	2.28
Chile	176,696	.07	3.32
China	157,000	.06	3.74
Colombia	250,000	.10	3.53
Congo (Brazzaville)	4,097	--	1.09
Costa Rica	4,000	--	0.54
Cuba	90,000	.04	2.45
Cyprus	17,520	--	4.00
Czechoslovakia	623,269	.25	3.20
Dahomey	3,596	--	1.63
Denmark	15,600,000	6.46	125.87
Dominican Republic	12,000	--	1.03
Ecuador	112,500	.05	8.64
El Salvador	9,700	--	1.06
Ethiopia	95,000	.04	5.95
Finland	2,000,000	.83	24.97
France	4,324,324	1.78	3.33
Gabon	43,165	.02	1.45
Gambia	3,000	--	0.94
Germany, Fed. Republic	11,202,186	4.64	8.44
Ghana	250,000	.10	12.53
Greece	400,000	.16	5.59

Country	Amount	Percent 1/	Pledge as Percent of GNP 2/ (thousandths of 1%)
Guatemala	27,000	.01	1.76
Guyana	110,000	.06	5.12
Holy See	5,000	--	3.57
Honduras	5,000	--	0.80
Hungary	100,000	.04	11.19
Iceland	31,818	.01	7.65
India	3,500,000	1.45	8.05
Indonesia	120,000	.05	1.10
Iran	585,000	.24	7.35
Iraq	220,000	.09	10.09
Ireland	190,000	.08	6.37
Israel	218,000	.09	5.44
Italy	3,500,000	1.45	4.01
Ivory Coast	90,000	.04	7.21
Jamaica	75,000	.03	7.90
Japan	4,800,000	1.98	3.38
Jordan	47,002	.02	8.59
Kenya	70,000	.03	5.57
Kuwait	300,000	.19	13.62
Laos	12,000	--	5.77
Lebanon	104,000	.05	7.78
Lesotho	8,000	--	0.96
Liberia	65,000	.03	2.54
Libya	300,000	.12	14.14
Luxembourg	40,000	.02	5.23
Madagascar	24,490	.01	3.15
Malawi	7,000	--	2.83
Malaysia	90,000	.04	2.66
Maldives	1,00	--	1.79
Mali	18,018	--	6.48
Malta	7,200	--	3.93

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Country	Amount	Percent 1/	Pledge as Percent of GNP 2/ (thousandths of 1%)
Mauritania	30,000	.01	1.59
Mauritius	3,022	--	1.73
Mexico	500,000	.20	1.87
Monaco	2,378	--	6.28
Mongolia	12,000	--	5.63
Morocco	219,124	.09	7.22
Nepal	13,230	--	1.65
Netherlands	9,444,444	3.90	37.43
New Zealand	504,032	.21	10.38
Nicaragua	28,000	.01	4.00
Niger	21,583	--	6.44
Nigeria	93,419	.04	--
Norway	5,949,881	2.46	65.96
Pakistan	1,017,000	.42	6.65
Panama	100,000	.04	6.87
Paraguay	2,000	--	0.39
Peru	170,000	.07	4.57
Philippines	500,000	.20	4.62
Poland	517,500	.21	1.57
Rep. of Korea	190,000	.07	3.22
Rep. of Viet Nam	22,000	--	0.71
Romania	183,333	.08	1.72
Rwanda	6,050	--	3.76
Saudi Arabia	300,000	.12	11.17
Senagal	44,065	.02	5.30
Sierra Leone	50,000	.02	--
Singapore	80,000	.03	5.56
Somalia	2,000	--	0.93
S. Yemen	1,300	--	0.60

Country	Amount	Percent [1]	Pledge as Percent of GNP [2] (thousandths of 1%)
Spain	475,000	.20	1.88
Sudan	170,000	.07	10.22
Swaziland	2,800	--	3.33
Sweden	21,000,000	8.70	80.00
Switzerland	3,100,000	1.27	18.31
Syrian Arab Republic	20,942	--	1.47
Thailand	355,500	.15	6.36
Togo	5,000	--	2.19
Trinidad and Tobago	90,000	.04	12.03
Tunisia	170,000	.07	16.22
Turkey	663,000	.27	5.20
Uganda	28,011	.01	1.80
Ukranian SSR	375,000	.15	1.05
USSR	3,000,000	1.23	1.05
United Arab Rep.	459,982	.19	7.68
United Kingdom	14,160,000	5.87	13.76
United Rep. of Tanzania	70,028	.03	7.78
United States	86,267,505	35.73	9.79
Upper Volta	5,000	--	1.85
Uruguay	172,500	.07	9.41
Venezuela	870,000	.36	9.51
Yemen	2,000	--	0.34
Yugoslavia	750,990	.31	7.36
Zambia	59,999	.02	4.83
Sub Total	226,111,480	93.31	
Local Costs [3]	16,210,000	6.69	
Total	242,321,480	100.00	

Mr. HATHAWAY. What is the reason for the limitation of 40 percent by the United States? Is that part of the authorizing legislation?

Mr. DE PALMA. It has been. Forty percent was a figure taken as reflecting roughly our relative capacity to pay.

Mr. HATHAWAY. I see.

This is all gift money, this is not loans going through the U.N.?

Mr. DE PALMA. No, we are speaking here of grant contributions.

Mr. HATHAWAY. Mr. Chairman, I think that is all the questions I have at this time.

Thank you, Mr. Secretary.

Mr. PASSMAN. Thank you.

Mr. McEwen?

Mr. MCEWEN. Thank you, Mr. Chairman.

REASONS FOR THE INCREASE IN THE UNDP REQUEST

Mr. De Palma, I was just running through your statement. I notice you have already testified that our contribution has been $86.3 million in the last 2 years and you are proposing that it be increased to $100 million; is that correct?

Mr. DE PALMA. That is correct, sir.

Mr. MCEWEN. And why is that proposed, the increase?

Mr. DE PALMA. Well, the U.N. development program is increasing each year. It is estimated that, as I said before, the projections the UNDP made of its prospective income have been really quite accurate in the past; it is estimated that the UNDP will collect enough from other contributors so that, if we were to contribute up to roughly 40 percent, it would take $100 million.

Mr. MCEWEN. How is this 40 percent arrived at?

Mr. DE PALMA. It is a figure, as I say, that is based on our relative capacity to pay as measured in terms of our gross national product compared to the gross national product of other UN members.

Mr. MCEWEN. Is this a figure that all of the UN members are following?

Mr. DE PALMA. No. These are voluntary contributions and each country decides for itself how much it will contribute.

Mr. MCEWEN. How many are contributing equal to our contribution in relation to their gross national product.

Mr. DE PALMA. I can tell you that over 20 are contributing at a higher proportion of their gross national product than we are.

Mr. PASSMAN. Will the gentleman yield?

Mr. MCEWEN. Yes, Mr. Chairman.

Mr. PASSMAN. Is it not true that the gross national product formula is extremely confusing; that gross national product does not really spell out anything?

You can triple your gross national product and not increase unit production 1 percent, can you not?

Mr. DE PALMA. I don't know, sir.

Mr. PASSMAN. That is the trickiest formula that is ever used. It is misleading. It is not accurate. It does not say a thing in the world. You have some people living reasonably happy in nations where the gross national product, on a per capita basis, is around $60 or $75, is that not true?

Mr. DE PALMA. Yes.

Mr. PASSMAN. Okay. I just want the record to——

Mr. DE PALMA. It is a rough measure.

Mr. PASSMAN. This GNP formula is very misleading. You can take it and prove or disprove anything you want to.

We have no legal commitment to advance one dime, do we?

Mr. DE PALMA. No, sir, these are purely voluntary.

Mr. PASSMAN. Nothing legal. This committee could decide to give you $6.80 and we would not violate any legal commitment, would we?

Mr. DE PALMA. That is correct.

Mr. PASSMAN. I thank the gentleman.

Mr. MCEWEN. May I go off the record?

(Discussion off the record.)

Mr. MCEWEN. I yield back the balance of my time.

Mr. PASSMAN. Thank you.

Mr. De Palma, these formulas are created by men like you and your staff who actually meet with your counterparts from other countries and, after your meetings, you make your recommendations and it moves up through channels to the Director of the Office of Management and Budget; is that correct?

Mr. DE PALMA. That is correct.

Mr. PASSMAN. So the members of this committee, which have served long on the committee, their judgment could be as good as yours, could it not?

Mr. DE PALMA. It could.

Mr. PASSMAN. Thank you.

UNDP AND THE EXPANDED TECHNICAL AID PROGRAM

Now we talk about the UNDP.

Under the UNDP, do you have the expanded technical aid program?

Mr. DE PALMA. Yes, sir, the two are actually combined now.

Mr. PASSMAN. I know. This package is getting bigger with more programs in it every year, is it not?

Mr. DE PALMA. I think they are consolidating, but anyway——

Mr. PASSMAN. But you have absorbed the——

Mr. DE PALMA. The expanded program.

Mr. PASSMAN. The U.N. technical aid expansion program?

Mr. DE PALMA. Yes. That activity was called the U.N. expanded program of technical assistance.

Mr. PASSMAN. Let me say, and there is nothing personal about this. you understand; we represent 206 million Americans on this side of the table. Some of my constituents are beginning to believe we are not doing a very creditable job.

There are several different outfits in Government carrying on some type of a technical aid program.

Now, under the UNDP technical aid program, you furnish technicians with respect to farming, teaching in universities and colleges, instructors, digging of wells, and developing new strains of grain; is that not true?

Mr. DE PALMA. That is correct.

Mr. PASSMAN. Isn't that identically the same thing that the bilateral technical aid program does?

Mr. DE PALMA. The same things have been done.

PROBLEMS OF RECOGNIZING OVERLAP

Mr. PASSMAN. You know that previously there was so much jealousy between the bilateral and multilateral programs that there was one physical encounter as to which had supervision over the project; do you recall that incident?

Mr. DE PALMA. I am not aware of the incident.

Mr. PASSMAN. Some of the witnesses here today may recall it. We made a record on it.

When you say it is not overlapping, that is a completely honest, educated guess, isn't it?

Mr. DE PALMA. Mr. Chairman, I really am not guessing on this. I cannot say there has never been any overlap, but——

Mr. PASSMAN. How do you know that? You have a program going on in 130 nations and territories of the world and I doubt if you have been in 10 of them. Have you?

Mr. DE PALMA. I am not speaking from personal field observation.

Mr. PASSMAN. That is what I say. It moves up through the bureaucratic entanglement and there is no overlapping, is that right?

Mr. DE PALMA. That is right.

Mr. PASSMAN. They tell me a man can make the most truthful statement ever made and let it pass through three or four mouths and when it gets to the end you don't recognize it. Is that correct?

Mr. DE PALMA. Yes, sir. It is possible.

Mr. PASSMAN. What you are doing is repeating what some of your subordinates said and that subordinate repeated what some person under him said and when you trace it down to the grassroots level you find the information is a year old in some country 10,000 miles from here, is that correct?

Mr. DE PALMA. Yes.

Mr. PASSMAN. Is that correct?

Mr. DE PALMA. Yes, that is correct.

Mr. PASSMAN. I am just trying to make a record. You testified here that there is no overlapping. Then I would make a statement that it is only a guess because out of 130 nations and territories, maybe you have been in five of them. How many individuals are in your organization?

Mr. DE PALMA. About 155.

Mr. PASSMAN. How many are involved in the bookkeeping entanglement?

Mr. PE PALMA. About a dozen.

Mr. PASSMAN. If they don't do anything else but look for duplication in technical aid, could they get to 130 nations?

Mr. DE PALMA. No. We don't rely on 10 or 12. We work through the AID organization. It is their people who check to be sure that they are not duplicating any U.N. projects and vice versa; neither one is interested in duplicating. It would be silly.

Mr. PASSMAN. I can make a statement there has been duplication.

Mr. DE PALMA. I am not saying there has not been in the past.

SOURCE OF FINANCING FOR THE PROGRAM

Mr. PASSMAN. All you have to do is read the record.

Do you know where we are going to get the money to finance this program?

Mr. DE PALMA. We are going to get it from the taxpayer.

Mr. PASSMAN. You mean in taxes or are we going to borrow it?

Mr. DE PALMA. We will borrow it, I suppose.

Mr. PASSMAN. What rate of interest are we going to pay, about 6 percent?

Mr. DE PALMA. I guess that is the current rate.

Mr. PASSMAN. Then we are going to give it away, is that right?

Mr. DE PALMA. That is right. These are grants.

Mr. PASSMAN. We are going to borrow it for 6 percent and give it away. Do you by chance receive the Daily Statement of the U.S. Treasury?

Mr. DE PALMA. I have seen that, Mr. Chairman. I don't see it regularly, but I have seen it.

U.S. BUDGET DEFICIT

Mr. PASSMAN. There is nothing personal about this. We will get you around on our side if we discuss this calmly. Can you tell us what the budget surplus is going to be for this fiscal year?

Mr. DE PALMA. No, sir.

Mr. PASSMAN. You anticipate one, do you not?

Mr. DE PALMA. I don't anticipate a budget surplus; no.

Mr. PASSMAN. Do you anticipate a deficit?

Mr. DE PALMA. Yes, sir.

Mr. PASSMAN. Do you have any idea what it is going to be?

Mr. DE PALMA. No; I don't think I have.

Mr. PASSMAN. No idea? You are disbursing U.S. funds all the time and you are this year asking for substantial increases; are you not?

Mr. DE PALMA. That is correct.

Mr. PASSMAN. This is the latest statement that I have received. It could be worse and could be better; I would hope better, but for the first 11 months and 16 days of this fiscal year we have withdrawn out of the Treasury to meet our payments $27,427,486,930 more than we have collected.

Am I making a statement of fact that this $27 billion takes on value only by reducing everybody's purchasing power by that amount? Is that correct?

Mr. DE PALMA. I would think so.

Mr. PASSMAN. It is a statement of fact. A lot of members are going to think about that. It is what you would call legal confiscation. Is that a good description? If you borrow the money it takes on value only by diluting everyone's money. It is legal to do it? It is a form of confiscation.

Furthermore, this is causing this committee great concern. With the committee's compliments, here is a recapitulation sheet showing all foreign aid requests for fiscal year 1972 and it is $13,517,628,000. That is the aggregate. We found many spigots after preparing this sheet that we didn't include. It is substantially higher than that. When you just keep going through, you find a piece in different bills. There are

some in the bill on the floor today and much more of it in Congressman Rooney's bill.

I might call to your attention the fact that the intake for the first 11 months and 16 days of this fiscal year is $193,967,250,171 as compared to $196,793,041,228 for the same period last year. In other words, not only is the deficit moving rapidly upward but the intake to the U.S. Treasury is dropping substantially.

Even though the intake is down we find most of the requests coming in are up.

TOTAL REQUEST FOR INTERNATIONAL ORGANIZATIONS

Dr. Hannah, the grand old gentleman that he is, testified and he answered this question 15 or 20 times during our hearings; that there is an asking price and a taking price on all of these items. Do you support Dr. Hannah in that statement?

Mr. DE PALMA. Experience certainly demonstrates it is true, Mr. Chairman.

Mr. PASSMAN. In that connection, how much have you reduced your request for fiscal year 1972 below your request for fiscal 1971?

Mr. DE PALMA. We have not reduced it.

Mr. PASSMAN. You have not reduced your request?

Mr. DE PALMA. No, sir. It is about the same with a slight increase.

Mr. PASSMAN. What do you call slight? Pin it down. What are you requesting for fiscal year 1972?

Mr. DE PALMA. $141 million. Cyprus is not included; that is $4.8 million.

Mr. PASSMAN. What is the total?

Mr. DE PALMA. $145.8 million.

Mr. PASSMAN. $145,935,000, isn't it? Put it all together.

Mr. DE PALMA. Could I have Mr. Frechtling speak to this?

Mr. PASSMAN. Please.

All I want you to do is speak to those figures. What is the grand total?

Mr. FRECHTLING. Mr. Chairman, assuming the framework in the authorization bill which is now under consideration by the House Foreign Affairs Committee, the request for voluntary contributions to international organizations is $141 million. In addition, there is a request for the U.N. force in Cyprus in the supporting assistance section of the bill for $4.8 million. The total request for those 11 programs is $145.8 million. Last year——

Mr. PASSMAN. Wait a minute. Go back and do this arithmetic again. I ran into some figures after I asked the question.

Mr. FRECHTLING. The program figure is 141——

Mr. PASSMAN. Forget about the program figures. Give me the grand total for this international organization account. The grand total that you are testifying for today, regardless of the labeling. What is the grand total?

Mr. FRECHTLING. The program figure, if you will include an amount which is not to be financed by NOA but with carryover——

Mr. PASSMAN. Who told you you were going to get the carryover? You are assuming that?

Mr. FRECHTLING. It is part of the request, sir.

Mr. PASSMAN. That does not mean anything. We don't have to reappropriate it. They are 1-year funds. That question will come later. It does not make any difference whether it is carryover, spillover, or runover. What we want to know is what you are requesting through the budget for fiscal year 1972 to spend.

Mr. FRECHTLING. For fiscal year 1972 the request then, sir, is $145,935,000.

Mr. PASSMAN. Thank you very much.

FISCAL YEAR 1971 TOTAL REQUEST

What did you have appropriated for the fiscal year 1971 program?

Mr. FRECHTLING. The program figure at this point, sir——

Mr. PASSMAN. At this point. Are you talking about fiscal 1971?

Mr. FRECHTLING. Yes, sir.

Mr. PASSMAN. That is your estimated program. What is that?

Mr. FRECHTLING. If I may explain, Mr. Chairman, the confusion arises from the fact that categories of aid have been changed over the last several years. There is a proposed change in some of the categories again. We are trying to give you comparable figures for the same programs.

The program figure for fiscal year 1971 for the same group of programs is $135,188,000.

Mr. PASSMAN. For these programs that we have previously discussed, you are asking for $145,935,000 compared with $135,188,000 for the program for fiscal 1971, is that correct?

Mr. DE PALMA. Yes, sir.

Mr. PASSMAN. That is an increase of $10,747,000.

NEED FOR CONGRESSIONAL EXAMINATION OF THE REQUEST

Mr. De Palma, let me ask you this: How would you feel, with this committee representing you as we do, if we would approve your present request and then have to borrow the money and pay 6 percent to give it away? We also have a $27 billion deficit so far this fiscal year and it is anticipated that we are going to have a $30 billion deficit for fiscal year 1972? You wouldn't sleep very well if you knew that you had a committee that would just receive these requests and vote them out without going into it, would you?

Mr. DE PALMA. Mr. Chairman, I wouldn't ask for this money if I didn't think there was a good justification for it.

Mr. PASSMAN. I never heard of anything that you couldn't justify. My question is, how would you feel if this committee would just rubber stamp all of these requests coming in for aid funds in the total amount of $13.5 billion from all spigots; would you like it?

Mr. DE PALMA. I would be amazed.

Mr. PASSMAN. You would be amazed. I couldn't ask for a better answer. We are not going to amaze you, if I have my way.

Mr. DE PALMA. Mr. Chairman——

Mr. PASSMAN. We are not going to be foolish.

Mr. DE PALMA (continuing.) These programs are justified, I think, on the basis of what needs to be done in order to prevent further tension and conflict from happening around the world.

Mr. PASSMAN. Providing that you play the role that we are going to have to be Santa Claus to all the peoples on the face of the earth. My dear man, we have given away since the inception of this wild program, $211 billion of American taxpayers' money. It represents over half of the borrowed money in the public debt. I am speaking of not the gross but the net and we must, somewhere along the way, Mr. De Palma, put more sense in these programs.

When we make our contribution and the other nations make their contributions, it goes into one total, does it not? It then becomes known as the UNDP account?

Mr. DE PALMA. That is correct.

Mr. PASSMAN. You disburse out of that account, is that correct?

Mr. DE PALMA. Yes, sir.

COMMUNIST NATIONS PARTICIPATION IN UNDP

Mr. PASSMAN. How many Communist nations are participating to any extent in this program?

Mr. DE PALMA. Participating in the sense of receiving or giving?

Mr. PASSMAN. Receiving.

Mr. DE PALMA. Those receiving, are: Albania, Bulgaria, Cuba, Czechoslovakia, Hungary, Mongolia, Poland, and Rumania.

Mr. PASSMAN. Mr. De Palma, I notice on——

Mr. DE PALMA. I did not include Yugoslavia.

Mr. SHRIVER. Those receiving?

Mr. DE PALMA. Receiving.

Mr. MCEWEN. Which were the givers?

Mr. DE PALMA. The countries I previously mentioned, plus Byelorussian S.S.R., Ukranian S.S.R., and the U.S.S.R.

Mr. MCEWEN. Cuba?

Mr. DE PALMA. Yes, sir.

Mr. MCEWEN. Cuba gives?

Mr. DE PALMA. Yes, sir.

Mr. PASSMAN. Pin this down. If you are shooting dice and they were loaded in your favor, you know that you are going to pick up the proceeds and you wouldn't mind rolling, would you?

Cuba put in $1 million and got out $8 million, did they not?

Mr. DE PALMA. Yes, sir; they put in $1.3 million since 1950 and got $8.1 million.

Mr. PASSMAN. That is a pretty good deal. I believe that you have another program known as the International Development Association, where some of the nations put in $1 and got out $40.

Mr. DE PALMA. Mr. Chairman, I think——

Mr. PASSMAN. I made a statement. Is that true?

Mr. DE PALMA. That is true.

Mr. PASSMAN. I would like to join that club.

Mr. DE PALMA. I think it is only fair to add that the total Soviet Bloc country contributions to the UNDP amounted to $63.7 million and the total assistance it received from the UNDP amounted to $40.2 million. In other words, they contributed about 3 percent of the total moneys and they took out about 2 percent.

Mr. PASSMAN. Get this record straight. You know as well as I do that Russia puts theirs in and earmarks those funds as to what countries get it?

Mr. DE PALMA. They have earmarked, that is correct.

Mr. PASSMAN. You are including that, too?

Mr. DE PALMA. I am including that.

Mr. PASSMAN. You know that I know that. Let's be sure to keep the record straight. When you take that out that makes a difference.

Will you turn with me to page——

Mr. HATHAWAY. Mr. Chairman?

Mr. PASSMAN. Yes.

Mr. HATHAWAY. What other countries earmark their funds besides Russia? Supply that for the record if you don't have that.

Mr. DE PALMA. I don't have the exact list. There are just a few others.

Mr. HATHAWAY. The earmarkings, would you tell us what that is? Which countries?

Mr. DE PALMA. Yes, sir.

Mr. PASSMAN. We don't earmark ours?

Mr. DE PALMA. We do not.

Mr. PASSMAN. That is a funny way to play a game. They ought to kick them out.

(The information follows:)

EARMARKING OF CONTRIBUTIONS TO THE UNITED NATIONS DEVELOPMENT PROGRAM

The United Nations Development Program differentiates between the earmarking of funds by contributing governments and restrictions placed by these governments on the convertibility of their contributions.

UNDP does not permit earmarking of funds pledged to its central account. A hypothetical example of an earmarking would be a stipulation by a donor country that its contribution could be used only for railway equipment, or only in Africa, or only for railway equipment in Africa. Such stipulations are, as a matter of principle, not accepted by UNDP.

There have been however, special occasions when a donor government or a group of governments wish to have the UNDP carry out specific programs for which special contributions are made and deposited in a trust fund which is maintained separately from the UNDP general account. An example of this type of arrangement is the trust fund set up for special technical and operational assistance to the Congo (Kinshasa) to assist that country to operate its governmental machinery and its economy in the period after the internal conflict of the early 1960s. The United States was a contributor to this fund; several other countries are still contributing to it.

The UNDP does accept, although reluctantly, contributions in inconvertible currencies. The total amount it receives in such inconvertible pledges is relatively small; for example in 1970 it amounted to $17 million, or 7.5 percent, of the $225 million pledged. The remaining 92.5 percent was pledged in freely convertible currencies. The number of countries availing themselves of the opportunity to contribute inconvertible currencies, on the other hand, was relatively large. Some 56 countries out of a total of 126 made their entire contribution in inconvertible currencies. This included for the most part small African and Asian countries whose contribution is utilized for some of the local costs of programs conducted by UNDP in those countires, but it also included some large countries (India and Pakistan) and at least one industrialized country, New Zealand. In addition some 10 countries made part of their contribution in inconvertible currencies. These included, among others, Austrialia ($1 million) and the U.S. ($2 million in U.S.-owned excess currencies).

In the case of the three Soviet Republics, USSR, Byelorussia and Ukraine, currency use is governed by special agreement. In principle the Soviet contribution is in inconvertible rubles. However, when the use of ruble equipment or ruble technicians in third countries required support payments in hard currencies (e.g. for shipping, per diem, etc.) the Soviets have in recent years been

willing to extend conversion privileges for such uses. Of the $3 million equivalent pledged in 1970, UNDP estimates $1 million is being used for ruble purchase and $2 million is being converted for support payments.

U.S. FUNDS TO CUBA

Mr. PASSMAN. Go to page 250 of Part 2 of last year's hearings where the following statements were made in connection with U.S. funds going to Cuba:

"Mr. LONG. So they are getting aid from the United States. Substantial aid?

"Mr. PASSMAN. Indirectly.

"Mr. DE PALMA. Yes, indirectly.

"Mr. LONG. But they are getting it?

"Mr. DE PALMA. They are getting it."

PROPOSED FUNDING OF EXPANDED UN HEADQUARTERS

Mr. PASSMAN. Aren't they proposing to build a new United Nations Building in New York?

Mr. DE PALMA. Yes, sir. There is a plan to expand the headquarters building.

Mr. PASSMAN. That will cost how much?

Mr. DE PALMA. Roughly $80 million.

Mr. PASSMAN. How much are they proposing to take out of this UNDP fund to help fund the construction of that building?

Mr. DE PALMA. They are proposing to contribute from the UNDP $10 million which would represent the rent which UNDP would otherwise pay if it were not housed in the new headquarters. It is no addition.

Mr. PASSMAN. Are you going to take into account the amount of money so as to show a saving or loss? How much rent is the UNDP paying in New York at this time?

Mr. DE PALMA. I am sorry that I don't have those with me. This $10 million represents the amount of commuted rent——

Mr. PASSMAN. For how long a period?

Mr. DE PALMA. Some 10 years.

Mr. PASSMAN. That would be $1 million a year?

Mr. DE PALMA. Roughly. I don't have the exact figures.

Mr. PASSMAN. You say you have 12 in your staff in New York?

Mr. DE PALMA. Here in Washington. We can get the exact figure for you.

Mr. PASSMAN. Since the United States contributes 40 percent, we are paying $400,000 a year for rent in New York for the UNDP?

Mr. DE PALMA. Roughly; yes, sir.

Mr. PASSMAN. $400,000, and that comes out of this appropriation, does it not?

Mr. DE PALMA. Yes. sir.

Mr. PASSMAN. Pretty expensive rent.

Mr. DE PALMA. Commercial rents are expensive in New York, Mr. Chairman. The UNDP rents space outside the U.N. headquarters building.

Mr. PASSMAN. When you absorb all the overhead, travel, UNDP rent and the rent here, do you have any funds left to do anything with? How much do you have left to hire so-called technicians and people?

Mr. DE PALMA. Those are the figures that I promised to put in the record. I would like to give you precise figures.

Mr. PASSMAN. If you take out all of the housekeeping, it absorbs a very substantial part, does it not?

Mr. DE PALMA. Frankly, I don't know what the percentage is now.

Mr. PASSMAN. Give us a ballpark figure. We have established that you paid $400,000 for the U.S. portion of rent for space just for the UNDP. To me that is substantial. What is your rent here in Washington for your space?

Mr. DE PALMA. We are in the State Department so——

Mr. PASSMAN. If you are going to figure rent in the United Nations you are going to have to certainly have a formula which would establish the investment in the State Department building, depreciation, and add the other expenses. Would you say it is more than New York or less?

Mr. DE PALMA. Mr. Chairman, I don't have any idea.

Mr, PASSMAN. It seems to me when you get through drawing out of that account money for rent, salaries, travel, et cetera, I am just afraid that when you finally get down to the grassroots level you don't have too much left for technical assistance.

You get my point?

Mr. DE PALMA. I understand what you mean.

FUNDING A UNDP RESERVE

Mr. PASSMAN. I don't want to be ugly about this but I think that you and I know that we could have abolished this yesterday and there wouldn't have been much harm done. You state on page 5 of your statement:

> The previous practice of fully funding special fund projects at the time of their approval has been discontinued. Henceforth, projects will be funded annually, with a $150 million reserve maintained to meet liquidation costs in the event that further resources are not forthcoming.

How do you propose to build this large $150 million reserve? Where are you going to get the funds?

Mr. DE PALMA. May I ask Mr. Frechtling to respond?

Mr. PASSMAN. Sure.

Mr. FRECHTLING. Mr. Chairman, the U.N. development program has at this point, from contributions made by various contributors over the years, reserves substantially in excess of that figure of $150 million.

Mr. PASSMAN. Undistributed reserves?

Mr. FRECHTLING. Yes, sir.

Mr. PASSMAN. Do you have them invested?

Mr. FRECHTLING. Some of them. The proposition had been, and this was the view of the management of the UNDP, that in order to avoid having any unfinished monuments——

Mr. PASSMAN. Monuments?

Mr. FRECHTLING. Yes, sir.

Mr. PASSMAN. I thought that is what it was being used for. You are very fair. Proceed.

Mr. FRECHTLING. Or unfinished projects they established a practice of fully funding the special fund projects. As part of the reforms recommended by the Jackson study——

Mr. PASSMAN. Is that another reform in addition to the first one?

Mr. DE PALMA. It is one of them.

Mr. FRECHTLING. It has been decided to abandon the practice of full funding and draw down the reserves to a minimum of $150 million.

Mr. PASSMAN. You shock me. You mean to tell me that this committee has been guilty of appropriating funds so far in excess of your needs that you could fund these programs so far in advance when it was not necessary and now you are going to discontinue that practice and take this money and put it all over into a reserve account? What is the total going to be in this reserve fund?

Mr. DE PALMA. $150 million.

Mr. PASSMAN. Exactly $150 million. How do you come out with such even figures with this kind of money? How much do you have in this reserve now?

Mr. DE PALMA. The estimated figure for 1970 is $343.3 million.

Mr. PASSMAN. We sometimes thought we may have given you too little money and now you have this large reserve and are now going to switch part of it over to a reserve. What are you going to do with the other part?

PROGRAMING OF RESERVES

Mr. DE PALMA. It is going to be programed for projects. The current basis——

Mr. PASSMAN. Programed in addition to what you are asking for this year?

Mr. DE PALMA. Yes, sir.

Mr. PASSMAN. You asked for more this year than you did last year?

Mr. DE PALMA. The program is expanding.

Mr. PASSMAN. The year before. Wait a minute. Get the record straight. You have built up a $343 million reserve. It is so far in excess of your needs until you are going to pull $150 million out and put that in a single account or dormant reserve and then you are going to take the other $193 million in reserve, add that to what you requested, and enlarge upon the program?

Mr. DE PALMA. Yes, sir.

Mr. PASSMAN. Wouldn't that necessitate the following year that you would come in and ask for funding maybe to a level equal to your reserve as well as your appropriation?

Mr. DE PALMA. I don't know what the level would be. The program is expanding.

Mr. PASSMAN. It would follow in that direction?

Mr. DE PALMA. Yes, sir.

Mr. PASSMAN. This is shocking. This committee is guilty of overfunding you.

We built up a $343 million reserve and they are going to take $150 million and put it in the dormant reserve to take care of possible liquidation, and then you are going to take the other $193 million out of the reserve and going to enlarge upon the programs that you have had in previous years.

Mr. DE PALMA. That won't all happen in 1 year.

Mr. PASSMAN. How much are you going to transfer over?

Mr. DE PALMA. I don't know how much it will be possible to transfer over next year.

Mr. PASSMAN. How much of the $193 million are you going to use?

Mr. DE PALMA. I don't know how much of it will be programed.

Mr. PASSMAN. In fact, you could actually operate a full year without

any money? That is just about the present funding level out of this this reserve?

Mr. DE PALMA. Yes, sir.

Mr. PASSMAN. You are very fair. We are going to try to help you do that.

Mr. DE PALMA. Mr. Chairman, it is pretty hard to plan——

Mr. PASSMAN. I know it is hard to do this and I hate to do this to you, but I knew all along we were letting you people inflate and balloon this account. I knew it.

Mr. DE PALMA. Mr. Chairman, we are trying—we are getting at that problem.

Mr. PASSMAN. I know that you are and I am getting at the basic trouble. You are ruining the economy of America, giving you people money to spend in foreign nations and deprive our people of the same type of projects.

PROBLEMS IN REFORMING PROCEDURES OF THE UNDP

On page 6 of your statement you say:

The problem of achieving reform and coordination of procedures involving the 14 autonomous or semiautonomous agencies participating in the United Nations Development Program is not subject to easy or quick solution.

What are these problems?

Mr. DE PALMA. Mr. Chairman, the problem——

Mr. PASSMAN. What are the 14 agencies involved? Put them in the record.

Mr. DE PALMA. All right.

(The information follows:)

FOURTEEN AGENCIES PARTICIPATING IN THE U.N. DEVELOPMENT PROGRAM

Under the terms of agreements with UNDP, a number of organizations within the U.N. system participate in the execution of UNDP-financed activities. These "participating and executing agencies" are:

1. The United Nation.
2. The United Nations Conference on Trade and Development (UNCTAD).
3. The United Nations Industrial Development Organization (UNIDO).
4. The International Labour Organization (ILO).
5. The Food and Agriculture Organization of the United Nations (FAO).
6. The United Nations Educational, Scientific and Cultural Organization (UNESCO).
7. The International Civil Aviation Organization (ICAO).
8. The World Health Organization (WHO).
9. The International Bank for Reconstruction and Development (IBRD).
10. The Universal Postal Union (UPU).
11. The International Telecommunication Union (ITU).
12. The World Meteorological Organization (WMO).
13. The Inter-Governmental Maritime Consultative Organization (IMCO).
14. The International Atomic Energy Agency (IAEA).

Mr. PASSMAN. Further down you state:

Our success in achieving this goal will also depend on our continuing support for the U.N. system and on our own capacity to monitor and evaluate its activities.

Who does the evaluating?

Mr. DE PALMA. We do that in conjunction with AID.

Mr. PASSMAN. "We" means——

Mr. DE PALMA. We in our own Bureau with our very small number of people rely very largely on AID.

Mr. PASSMAN. It is a strange thing, Mr. De Palma, this great gentleman, Dr. Hannah was in yesterday testifying and he just kept telling me: "I want to say I am only responsible for AID." Finally he said, "When I said AID I am not talking about foreign aid; I am talking about the name of the agency which I handle."

He said that "I don't testify for anything else."

You come along and say that you do it in coordination with AID. Where does Dr. Hannah's shop fit in this?

Mr. DE PALMA. Sir, we have to rely on the expertise of their staff in Washington and their people in the field.

Mr. PASSMAN. You do get into Dr. Hannah's bailiwick to coordinate and cooperate?

Mr. DE PALMA. Very definitely.

Mr. PASSMAN. Is AID in a lot of these operations?

ORGANIZING TO MAINTAIN UNDP

Mr. DE PALMA. They are helping us as much as they can. Could I just say at this point very briefly, we are also trying in my own Bureau now to do a better job of this. We reorganized our Bureau for this purpose——

Mr. PASSMAN. Reorganized?

Mr. DE PALMA. We have. We have tried to set up two units specifically in my Bureau that will monitor UNDP as such.

Mr. PASSMAN. When did you reorganize?

Mr. DE PALMA. In January of this year.

Mr. PASSMAN. Did you reorganize last year?

Mr. DE PALMA. No, sir.

Mr. PASSMAN. When was it reorganized before you reorganized in January?

Mr. DE PALMA. I don't remember the earlier reorganization. It was before my time.

Mr. PASSMAN. When did your time start?

Mr. DE PALMA. February 1969.

Mr. PASSMAN. You are kind of a veteran of this thing.

Mr. DE PALMA. I am beginning to feel like one. This reorganization is designed specifically to help us do a better job—get the information we want. I have a chart here and an explanation of the organization and I would be very glad to submit it for the record. I will not take your time now.

Mr. PASSMAN. Don't you worry about taking my time. Worry about your time.

Mr. DE PALMA. I would be glad to read it if you want me to.

Mr. PASSMAN. If you are going to read it. I would rather have you put it in the record.

Mr. DE PALMA. If I may.

(The information follows:)

A BUREAU IS REORGANIZED

Insert for Page 1471
House Appropriations Committee
Mr. De Palma's Testimony
June 23, 1971

Changes Made in International Organization Affairs

A reorganization now being carried out by the Bureau of International Organization Affairs will constitute one of the first major actions taken by the Department of State in the spirit of the recommendations of the report of the task forces on "Diplomacy for the 70's."

Although the IO reorganization was approved by Deputy Under Secretary Macomber independently of the work of the task force, which did not make recommendations on the organization of individual bureaus, it was the result of a similar self-appraisal and sought the same general goals: (1) improved overall efficiency, (2) a capability for evaluating program performance—in this case of various international organizations, and (3) a planning-management structure designed to enhance the Department's role (as directed by the President) of leader, coordinator and supervisor of U.S. foreign policy relating to our participation in international organizations.

The main elements of the reorganization follow the recommendations of a management survey made by Robert Feulner (OM/MS) with the assistance of Walter Rotschnig, Deputy Assistant Secretary of IO, John Fox (OM/IO), and Robert Granick (OM/MS). The survey had been requested by Assistant Secretary De Palma to correct various management problems which had accumulated because the Bureau's structure had not kept pace with the growth in the activities of the UN system of agencies.

Following President Nixon's announcement that the U.S. would seek increasingly to channel its development assistance through multilateral organizations, it became particularly important for the Department to acquire the management tools to perform its leadership role in this vital area.

The most apparent deficiency has been the Bureau's inability adequately to monitor and evaluate the development assistance provided by the UN Development Program through its executory agents, the UN specialized agencies.

This problem has been noted by the General Accounting Office which, as a by-product of its reports on U.S. participation in a number of specialized agencies, had likewise proposed a reorganization of IO.

The central feature of the reorganization is the creation of a specialized staff to monitor and evaluate the multilateral development activities of the UN system and to coordinate our participation in those activities. Headed by a Coordinator for Multilateral Development Programs, this staff will comprise a Multilateral Development Policy, Planning and Review Division, and a Multilateral Development Programs, Operations and Evaluation Division. These units will report to a single Deputy Assistant Secretary for Economic and Social Affairs. Under the reorganization the number of IO Deputy Assistant Secretaries will be reduced from three to two.

This specialized staff will provide a nucleus of experienced and knowledgeable officers for staff support and for coordination with other areas of the Department, AID (and successor agencies), other Departments and whatever mechanism may be established in the White House to coordinate U.S. foreign assistance.

When fully operative, the new IO unit will also enable the Department to provide greater assurance to the Congress that a shift to increased aid through multilateral channels will not impair this government's oversight of the expenditure of funds appropriated for foreign assistance.

The large bulk of our contributions to UN development programs is voluntary, pledged only after Congressional authorization is received and not assessed as a legal obligation, but the Congress rightly expects information in detail concerning the actual uses made by UN agencies of our contributions and the effectiveness of their programs. The new IO staff will be in a better position to supply such information although it will continue to be limited by a stringent personnel ceiling.

Another important feature of the IO reorganization will be the strengthening of the Bureau's ability to monitor and evaluate the regular programs and activities of the UN and its specialized agencies. This will be done by restructuring the units which backstop our participation in these agencies into what will be called Agency Directorates. The concept is modelled on that of Country Directors.

The head of each of these Directorates will supervise a staff of about two professionals. He will report directly to the IO Deputy Assistant Secretary for Economic and Social Affairs and will be the direct contact with other Departments and Agencies concerned with the work of these specialized agencies (i.e., Agriculture for FAO, Labor for ILO, Health, Education and Welfare for WHO and UNESCO, etc.). An interesting aspect of this part of the reorganization is the invitation extended to these other Departments to assign one of their officers on detail to the Directorates.

As part of the reorganization, a Division of Oceans, Space and Disarmament Affairs will also be established in the Office of UN Political Affairs to coordinate the political/legal aspects of U. S. policy toward UN activities in these fields.

This Division will provide a central focus for coordinating IO's work in these fields with that of other areas in the Department and other Departments and Agencies.

Experience had shown an increasing need for such central coordination of U. S. policy for what has become perhaps the most promising area of current UN activity—the technical programs in the new frontiers which tend to lie beyond national jurisdiction.

To complement IO's reorganization, the management survey recommended, and Assistant Secretary De Palma has strongly endorsed, the establishment of a personnel subcategory for multilateral affairs. This subcategory of the political and economic cones would include positions dealing with all multilateral organizations (not only the UN system), both in Washington and in the field.

Coupled with the new system of central personnel assignment, the establishment of the new subcategory of multilateral affairs will improve the Bureau's chances of obtaining a steady flow of top-notch officers by enhancing the attractiveness to FSO's and FSRU's of a tour of duty in IO or one of its missions.

(Note: The chart was furnished to the committee.)

Mr. PASSMAN. This has to do with one of the reorganizations.

Mr. DE PALMA. It is to help——

Mr. PASSMAN. That applies only to your own shop here in Washington?

Mr. DE PALMA. Only in my own shop.

Mr. PASSMAN. There are 12 in your shop?

Mr. DE PALMA. I estimated the number that were doing the fiscal and budget work.

THE UNDP PAYROLL AND SUPPORT COSTS

Mr. PASSMAN. If you are going to advance an estimate of the entire UNDP program at every level, how many individuals would be involved that you know? I mean people who are getting a monthly check out of this thing.

Mr. DE PALMA. For December——

Mr. PASSMAN. Give us the total. Grand total as of the latest estimate.

Mr. DE PALMA. As of December 31, 1970, the number we have is 5,610.

Mr. PASSMAN. That is on the payroll at what cost?

Mr. DE PALMA. I don't have that with me.

Mr. PASSMAN. We have got some mighty good bookkeepers backing you up there. I see a smile on the Controller's face. These are on average annual pay?

Mr. FLINNER. No, sir.

Mr. PASSMAN. All salary people or people working on per diem and consultants?

Mr. DE PALMA. I am sure some are on a consultant basis.

Mr. PASSMAN. What do you think possibly the top average would be; do you have any idea?

Mr. DE PALMA. They range fairly close to the U.S. salary scales.

Mr. PASSMAN. Would it be $15,000 a year average?

Mr. DE PALMA. Mr. Chairman, I would be just making a guess.

Mr. PASSMAN. Let's do a little multiplying; 5,610, is that right?

Mr. DE PALMA. Yes, sir.

Mr. PASSMAN. If they are getting an average of $12,000 a year, what would that amount to? Correct the figures when they come to your desk if that is not correct.

Mr. DE PALMA. These are not full time, Mr. Chairman. Many of these are on 1-, 2-, or 3-months contracts.

Mr. PASSMAN. You might have more than that, but is this the average employment?

Mr. DE PALMA. This is presumably the number that were employed during that year.

Mr. PASSMAN. You go higher and lower, do you not?

Mr. DE PALMA. I would think so.

Mr. PASSMAN. Having come out of the free enterprise sector, I am told that for every dollar you pay out in wages it takes $2.30 to maintain that individual. Does that sound about right?

Mr. DE PALMA. I don't know the figures. That seems reasonable to me.

Mr. PASSMAN. You have to pay rent and everything that goes with it?

Mr. DE PALMA. I understand.

Mr. PASSMAN. If that be true, then you would have to add that to the total. Check and see if that is not the figure you would get from the Bureau of Statistics as to what it takes to maintain one individual. In your area it may be greater because of this large rent paid to the U.N. These are interesting statistics. I do know some organizations known as fundraisers, and when they get through, for each dollar they raise only 7 cents goes to the organizations for which they raised the money for. Are you familiar with that? You have organizations like that where about 7 cents of the money raised after you pay the fees and overhead gets down to the intended recipient. Have a look at this.

Mr. DE PALMA. Mr. Chairman, could I just add——

Mr. PASSMAN. Add anything you want.

Mr. DE PALMA. The U.N. development program, which is basically what we are talking about, involves people sent out to impart their knowledge and experience and expertise so that their salaries are not pure administrative overhead. These are the people who carry the knowledge and train other people. This is——

Mr. PASSMAN. You would be surprised to know I go out every year to impart my knowledge and then I go back subsequently and I don't find the knowledge that I imparted accomplished very much. I am sure that these people are smarter than I am. I am a Member of Congress and when I follow up to see what I accomplished by imparting knowledge, the dividends are very, very meager. Do you understand?

Mr. DE PALMA. Yes, sir.

Mr. PASSMAN. You are one of the nicest fellows to ever come before this committee. You are dedicated and you work overtime trying to give us answers to these questions that would make sense out of senseless programs.

Mr. DE PALMA. I was about to thank you, Mr. Chairman.

Mr. PASSMAN. How much do I have to take off now to get you to thank me?

Mr. DE PALMA. I will settle for what I have, sir.

Mr. PASSMAN. I don't see putting the facts at the end would have anything to do with the compliment.

UN PROGRAMS IN VIETNAM

Do you have a program in Vietnam?

Mr. DE PALMA. We do, sir, but we are using funds previously appropriated. We are not asking for any more. We will complete the projects there with the funds already appropriated.

Mr. PASSMAN. That does not really mean anything. You do have a program in Vietnam?

Mr. DE PALMA. Yes, sir.

Mr. PASSMAN. From excess funds we gave you previously, you are carrying on the program in Vietnam?

Mr. DE PALMA. Correct.

UNICEF

Mr. PASSMAN. In addition to that reserve you mentioned earlier for the UNDP—not you but I am speaking of the United Nations—you have another fund United Nations Children's Fund, and they have a program in Vietnam, do they not?

Mr. De Palma. Thereis a UNICEF project for assisting the School of Social Welfare in South Vietnam.

Mr. Shriver. Would you yield?

What is that project?

Mr. De Palma. It is to build a social welfare institute to train social workers and rehabilitation specialists to help Vietnamese displaced by the war.

Mr. Shriver. Who put up the money?

Mr. De Palma. May I ask Mr. Frechtling to answer? It is a combination of Dutch and U.S. money.

Mr. Shriver. On page 7 you mention $300,000 for a children's project in Vietnam. That is the one I am talking about.

Mr. De Palma. Yes, sir. That was part of the contribution for 1970. It is mainly American money. I have forgotten what the proportion or division is between ourselves and the Dutch. We can supply that.

(The information follows:)

UNICEF PROJECT—SCHOOL OF SOCIAL WELFARE IN VIETNAM

Donor country	Amount pledged	Amount paid as of Dec. 31, 1970
United States	$750,000	$310,000
Netherlands	50,000	50,000

Mr. Shriver. I may ask that a little later.

Mr. Passman. If I remember correctly, Mr. De Palma, last year some of the witnesses testified to the fact that some of the members of the United Nations elected to make contributions directly to North Vietnam. Is that correct?

Mr. De Palma. There is a proposal on UNICEF's books for a contribution of $200,000 to buy cloth for children of North Vietnam. The money came from the Netherlands and Switzerland.

Mr. Passman. Did it move through UNICEF.

Mr. De Palma. It has not moved, Mr. Chairman, because the UNICEF has been unable to establish arrangements in North Vietnam for the proper distribution.

Mr. Passman. It is proposed?

Mr. De Palma. It is proposed.

Mr. Passman. This money would move through the children's fund?

Mr. De Palma. UNICEF.

Mr. Passman. In UNICEF, we contribute 40 percent?

Mr. De Palma. I am sorry.

Mr. Passman. We contribute 40 percent?

Mr. De Palma. We contribute 40 percent of UNICEF's regular budget.

Mr. Passman. Out of UNICEF, which is part of the United Nations, there is a proposal pending that we make a contribution to one or more projects in North Vietnam?

Mr. De Palma. One project.

Mr. Passman. At a total cost of how much?

Mr. De Palma. $200,000. It is a trust fund. It is not part of the UNICEF regular program. It is not mingled with UNICEF money.

Mr. PASSMAN. Does it come out of the funds to which we contributed?

Mr. DE PALMA. No, sir; it is an add-on special fund.

Mr. PASSMAN. Why don't they remit it directly?

Mr. DE PALMA. I don't know.

Mr. PASSMAN. It is being done in the name of the United Nations?

Mr. DE PALMA. It is proposed to do it in the name of UNICEF.

Mr. PASSMAN. That is the proposal and that is the one we go all the way out to help?

Mr. DE PALMA. I don't know.

Mr. PASSMAN. Could you find out why they want to handle this thing through UNICEF?

Mr. DE PALMA. Yes, sir.

Mr. PASSMAN. I think this committee earmarks funds in the bill for UNICEF.

Mr. DE PALMA. We have contributed special funds for South Vietnam through UNICEF, too.

UNITED NATIONS PROGRAMS IN UNITED ARAB REPUBLIC

Mr. PASSMAN. On page 10 of your statement, you say:

> Notable among the activities funded in the 1970 program are the provision of expert services, supplies, and equipment for family planning programs in Indonesia, Malaysia, the Philippines, and the United Arab Republic....

Did I read that correctly?

Mr. DE PALMA. Yes, sir.

Mr. PASSMAN. When did we reestablish diplomatic relations with the United Arab Republic?

Mr. DE PALMA. We have not.

Mr. PASSMAN. How in the world did you people—when I say you people, I am talking about several spigots of aid—get back into the United Arab Republic?

Mr. DE PALMA. This, I think, is an illustration precisely of the fact that you can use the United Nations to do some things that cannot be done unilaterally or bilaterally.

Mr. PASSMAN. You are using our money?

Mr. DE PALMA. Yes, sir. It is for population programs.

Mr. PASSMAN. You give a piece of pie to everyone.

Mr. DE PALMA. A population control program which is of great interest to this country——

Mr. PASSMAN. This causes me concern. This is not the only place in this foreign aid bill where they have money going into these Communist and extremely pro-Russian countries, including the United Arab Republic. It causes me great concern and I hope it causes you concern because, as I said, this is a test of a man's patience. You can't quarrel with that statement; can you?

Mr. DE PALMA. No, sir.

U.S. CONTRIBUTIONS UNDER PUBLIC LAW 480

Mr. PASSMAN. In addition to your request for this substantial increase over last year, it is my understanding that the U.S. contributions of commodities and shipping services are provided under the Public Law 480 Act, are they not?

Mr. DE PALMA. Yes, sir.

Mr. PASSMAN. Would that be in addition to this?

Mr. DE PALMA. Which? Which program are we talking about?

Mr. PASSMAN. Funds channeled through the United Nations for the world food program, I guess, would be the caption.

Mr. DE PALMA. Yes, sir.

Mr. PASSMAN. How much is that?

Mr. DE PALMA. May I have Mr. Frechtling reply?

Mr. PASSMAN. Sure.

Mr. FRECHTLING. For the calendar years 1971–72, the United States pledged up to $125 million, including up to $85 million in commodities, shipping services to transport the commodities estimated at $37 million, and up to $3 million in cash. The first two items would be provided under title II of Public Law 480.

Mr. PASSMAN. When we speak of Public Law 480, we have to speak of it as having a dollar value. It is the same as anything else.

Mr. FRECHTLING. Yes, sir.

Mr. PASSMAN. Could you tell the committee what the same cost would be for fiscal 1972? You used 2 calendar years there but you are still talking about 1 year. If it was cut in two pieces——

Mr. FRECHTLING. I mentioned the 2-year period in which the world food program plans its operations. The amount pledged for fiscal year 1972 would be roughly half.

Mr. PASSMAN. What is that?

Mr. FRECHTLING. That would be $42.5 million in commodities and about $18.5 million in shipping services.

Mr. PASSMAN. In other words, the cost of the commodities is what?

Mr. FRECHTLING. $42.5 million.

Mr. PASSMAN. The other cash involved?

Mr. FRECHTLING. $18.5 million. That is for the shipping services.

Mr. PASSMAN. When we talk about that we are talking about freight?

Mr. FRECHTLING. Yes, sir.

Mr. PASSMAN. In addition to your request of $145,935,000, which is an increase of $10,747,000 over fiscal 1971, there would be $61 million out of the Public Law 480 program, including the cost of the commodities and shipping.

Mr. FRECHTLING. Yes, sir.

Mr. PASSMAN. That would have to be added to the previous figure mentioned of $145,935,000; would it not?

Mr. FRECHTLING. Yes, sir.

OTHER U.S. CONTRIBUTIONS TO INTERNATIONAL ORGANIZATIONS

Mr. PASSMAN. Let's get to the other programs that would have to be added to this amount to get the grand total.

Mr. FRECHTLING. Sir, I understand your question to be what other types of contributions other than the dollars which we have requested here will go to these international programs. The other two programs are U.N. Children's Fund and UNRWA.

Mr. PASSMAN. How much do you have in the Children's Fund?

Mr. FRECHTLING. In the case of the U.N. Children's Fund it is estimated that they will receive $2.9 million.

Mr. PASSMAN. What are they requesting for 1972? We have to deal with the new request.

Mr. FRECHTLING. The dollar request is $13 million. The commodity——

Mr. PASSMAN. I want to know the total. It does not make any difference whether it is commodities or what it is. I want to know the total cost because these formulas don't give these commodities.

Mr. FRECHTLING. The total cost, including both cash and Public Law 480 commodities, would be $15.9 million.

Mr. PASSMAN. That is the grand total?

Mr. FRECHTLING. There will probably be special contributions to UNICEF for disaster relief in Pakistan and India.

Mr. PASSMAN. Program 3. Get the next one.

Mr. FRECHTLING. UNRWA, Palestine Relief Agency—the request is in terms of dollars, $13.3 million; and in Public Law 480 commodities $8.9 million, for a total of $22.2 million.

Mr. PASSMAN. Put all these pieces together—no use doing more research. Go over all of them. We have a Controller putting these figures down. What is the grand total?

Mr. FRECHTLING. Approximately $218 million.

Mr. PASSMAN. Add to that another $700,000 and get $218,700,000. Is that acceptable?

Mr. DE PALMA. We can check the figure. I assume it is right. We will check it.

Mr. PASSMAN. Give me the $700,000 and I quit right now. To me that is still money.

Mr. DE PALMA. I am sorry we rounded it off.

Mr. PASSMAN. In reality, the new total is really $218,700,000 and not $145,935,000. If we put all pieces together, is that a fair statement?

Mr. DE PALMA. That is correct.

LEGAL OBLIGATION OF UNITED STATES TO PROVIDE FUNDS FOR VOLUNTARY CONTRIBUTIONS

Mr. PASSMAN. Is the United States under any legal obligation to provide the funds requested for these voluntary contributions?

Mr. DE PALMA. No, sir.

PROGRAM DEPENDENT ON VOLUNTARY CONTRIBUTIONS

Mr. PASSMAN. Would you indicate which programs listed on page F–1 are entirely dependent on voluntary contributions and which ones also receive an assessed contribution from the United States?

Mr. DE PALMA. The following programs are entirely dependent on voluntary contributions: U.N. Development program; U.N. Children's Fund; U.N. Fund for Population Activities; World Meteorological Organization—Voluntary Assistance program; World Food program; U.N. Institute for Training and Research; WHO Medical Research—International Agency for Research on Cancer; Special Contributions for Vietnam; U.N. technical and operational assistance to Congo; and International Secretariat for volunteer service.

The United Nations Fund for Drug Abuse Control is designed to finance operational projects such as assistance to countries in com-

batting illicit production, trafficking, or other abuse of drugs. The existing United Nations agencies in this field—the staff of the Commission on Narcotic Drugs as well as the International Narcotic Control Board—will assist in the administration of operational projects. These United Nations agencies are financed from the United Nations regular budget to which the United States pays on an assessed basis; our current assessment rate is 31.52 percent.

The program costs of the IAEA operational program such as fellowships and equipment are met entirely from voluntary contributions to that program. The staff of the International Atomic Energy Agency, which is financed from the regular budget of IAEA and supported by assessed contributions, are responsible for administration of the program. The United States is currently assessed at the rate of 31.45 percent.

The U.N. Relief and Works Agency receives a modest amount of assistance from the World Health Organization (WHO) and the U.N. Educational, Scientific, and Cultural Organization (UNESCO), which is financed by their regular budgets. In 1971, WHO is providing a public health administrator, two medical officers, a sanitary engineer, and a public health nurse to UNRWA at a cost of $119,852. The U.S. assessment for the WHO budget is 30.87 percent. UNESCO furnishes technical advice and some staff for UNRWA's educational program, estimated to cost $378,000 in 1971. The United States is assessed 29.80 percent of the UNESCO budget. These contributions by WHO and UNESCO represent slightly more than 1 percent of UNRWA's total resources in 1971. The remainder of 98.9 percent is provided by voluntary contributions.

DEVELOPMENT ASSISTANCE THROUGH MULTILATERAL INSTITUTIONS

Mr. PASSMAN. You mention on page F–1 that it has been recommended that the international institutions expand their role in development assistance, and you indicate the President proposed "that the United States channel an increasing share of its development assistance through multilateral institutions as rapidly as practicable." Is it not true that we lose a great deal of control over U.S. funds when they are channeled through these multilateral institutions?

Mr. DE PALMA. I believe that it is obvious that the United States or any other donor country will not have the same measure of control over the use of its contributions to multilateral institutions that it has over the use of its bilateral assistance funds. It is one of the essential attributes of the multilateral institutions that there is a sharing of decisions on policies and programs, just as there is a sharing of financial support.

We do, however, exert influence on the policies and programs of the multilateral institutions. As a major contributor, we are always represented on their governing bodies. Americans are at present the executive heads of two of the major programs, the U.N. development program and UNICEF, and are occupying other high-level positions on the staffs of the multilateral programs. The substantial body of information and experience which we have gained in our bilateral assistance programs is brought to bear on the development of programs of the multilateral institutions.

Mr. PASSMAN. When funds are provided to these multilateral institutions, you have to pay for an additional administrative function to disburse the funds from the particular institution, don't you?

Mr. DE PALMA. If you are saying that when we participate in a multilateral institution we incur administrative expenses in the U.S. Government which are additional to the administrative expenses of the institution itself, I would agree.

Mr. PASSMAN. It would therefore seem that when funds are placed through these international organizations, you would be required to pay increased administrative expenses. Would you comment?

Mr. DE PALMA. I regret that we do not have definitive data on the ratio of administrative to program costs in the multilateral institutions and in our bilateral programs. But such information as is available suggests that administrative costs of the multilateral programs are relatively lower. Therefore, it is possible that the total administrative costs of multilateral programs, including the cost of our own staff, are not relatively higher than in bilateral aid.

I think it fair to assume that the staff work which we and other donors expend on multilateral programs contribute significantly to the management of multilateral programs and may substitute for work which those institutions would otherwise have to finance from their budgets.

Mr. PASSMAN. As you are well aware, last year a great deal of criticism was directed at the international organizations in general and the U.N. development system specifically. Some of these criticisms were: (a) They did not have an effective system of establishing priorities in terms of greatest needs, (b) they lacked central coordinated direction with respect to programing and budgeting resources, and (c) they did not evaluate past and present efforts properly. There were other criticisms involved. I point this out because now we are supposed to place a greater reliance on these institutions. What has been done to correct these deficient areas, if anything?

Mr. DE PALMA. I presume that you are referring primarily to the findings of the team headed by Sir Robert Jackson, which produced a study on the capacity of the U.N. development program in late 1969. We have supported many of the basic recommendations of the Jackson capacity study for improvement of the UNDP, and are gratified that the Governing Council of UNDP has approved a number of important reforms. I might cite here the five major improvements:

Adoption of a United Nations development cooperation cycle, a process which emphasizes country programing in order to coordinate UNDP assistance with the recipient countries' development plans. The cycle also provides new procedures for the formulation, appraisal, approval, implementation, evaluation, and followup of specific projects.

Assignment to the UNDP Administrator of responsibility for all aspects of project implementation, thus clarifying his responsibility vis-a-vis the executing agencies.

Guidelines for organizational changes at headquarters, including establishment of a unit for program analysis and long-term policy planning, and of four regional bureaus with direct access to both the Administrator and field operations.

Maximum delegation of authority to the resident Representatives, including full authority for all aspects of UNDP programs in their respective countries, and recognition of their central coordinating role with respect to all other development assistance programs undertaken by organizers of the U.N. system.

A new financial system designed to provide a suitable framework for the U.N. development coordination cycle, combined with improved financial control and budget planning, as well as fuller utilization of financial resources. The previous practice of fully funding special-fund projects at the time of their approval has been discontinued. Henceforth, projects will be funded annually, with a $150 million reserve maintained to meet liquidation costs in the event that further resources are not forthcoming.

Mr. PASSMAN. Don't you believe we should reduce our contributions if they cannot be used effectively?

Mr. DE PALMA. We are sufficiently impressed by the movement of the UNDP toward a more effective administration, to recommend our contribution next year be increased.

Mr. PASSMAN. Why shouldn't the United States be recognized for its contribution, if we have to provide funds at all for foreign aid, instead of having the U.S. dollars thrown in a pot and mixed up with other donors' funds?

Mr. DE PALMA. Our contributions to multilateral programs are widely known in the governing bodies of those programs, as well as in the higher levels of the governments of recipient countries, particularly among the officials concerned with the use of the aid provided by those programs. Furthermore, we are taking steps to keep our embassies in assisted countries currently informed of U.S. contributions, requesting that they use this data as appropriate in contacts with government leaders and information media.

Mr. PASSMAN. With this increased emphasis on the multilateral approach to foreign aid, do you anticipate this appropriation item will increase over the next several years?

Mr. DE PALMA. I expect that, if the international organizations continues to show improvement in their management of resources, we will propose increases in the appropriation for voluntary contributions.

POPULATION AND FAMILY PLANNING PROGRAMS

Mr. PASSMAN. You indicate on page F–1 that multilateral programs have certain advantages over bilateral programs, and you mention specifically in the areas of population and family planning and surveys of minerals with strategic implications. Is it not true AID had large bilateral programs in several of these areas at the present time? I don't believe these countries are turning down this bilateral aid.

Mr. DE PALMA. It is not a question of countries turning down U.S. bilateral assistance, but of their preference for requesting some types of aid from a multilateral source. There are several sectors where direct U.S. economic assistance is unacceptable to potential recipients, but welcome—and effective—when provided through a multilateral channel or by private international groups which receive official U.S. support.

Population and family planning programs are one such sector. In several Latin American countries, for example, local governments will not undertake official programs or accept direct bilateral support. In these countries, the U.N. Fund for Population Activities, by contributing to the International Planned Parenthood Federation, a private group, has enabled the IPPF bear the costs of private assistance. Similarly, the UNFPA has funded population and family planning projects in several African countries where there are no U.S. AID programs at all or direct U.S. assistance is unwelcome.

Multilateral assistance is not identified with the ideology or foreign policies of one country. For this reason, it may be more acceptable to the recipient, no only in socially sensitive population/family planning programs, but in potentially significant strategic fields, such as transport and communications, or in ideologically important areas, such as education. An African country, for example, wished to avoid giving the United States, or any other major donor, a special position in that country's search for strategic minerals, and hence requested technical assistance from the U.N.

PERCENTAGE OF U.S. CONTRIBUTIONS TO INTERNATIONAL ORGANIZATIONS

Mr. PASSMAN. What percentage is the U.S. contribution to the entire amount provided to each of these programs listed on page F–1?

Mr. DE PALMA. I have a table listing both the maximum percentages to be included in our pledges of fiscal year 1972 funds and the estimated percentages that our contributions will represent. May I offer it for the record?

(The information follows:)

U.S. VOLUNTARY CONTRIBUTIONS TO INTERNATIONAL ORGANIZATIONS AND PROGRAMS
ESTIMATED AMOUNTS AND PERCENTAGES, FISCAL YEAR 1972

	Amount (Thousands of Dollars)	Maximum Percent of Total Program	Estimated Percent of Total Program
United Nations Development Program	100,000	40.00	35.71
United Nations Children's Fund	15,886		
Cash	13,000	40.00	33.60
P.L. 480 Commodities	2,886	.....	
UN Fund for Population Activities	7,000	50.00	50.00
UN Fund for Drug Abuse Control	2,000	.....	
IAEA Operational Program:	1,550		
Cash	945	40.00	37.50
In Kind	605	.....	
WMO Voluntary Assistance Program:	1,500		
Cash	150	40.00	24.81
Equipment and Services	1,350	.....	
UN/FAO World Food Program:	47,880		
Cash	1,500	40.00	10.00
Shipping Services	14,066a/	.....	
P.L. 480 Commodities	32,314a/	50.00	50.00
United Nations Institute for Training and Research	400	40.00	33.33 b/
WHO-Medical Research	312	14.26	14.26
International Secretariat for Volunteer Service:	143		
Cash	73	28.00	28.00
Personnel	70	.....	
UN Relief and Works Agency:	22,200)		
Cash	13,300)	70.00	55.00
P.L. 480 Commodities	8,900)		
Indus Basin Development Fund (Grants)	15,000	.....	41.64 c/

a/ Based upon effective pledge levels as of December 31, 1970.
b/ Cumulative percentage.
c/ Percentage share overall, of grants and loans, for duration of the program. Contributions are called every six months as funds are required according to the fixed proportions.

Mr. PASSMAN. Does the U.S. contribution generally run about 35 percent?

Mr. DE PALMA. We expect that our proposed contribution of $100 million for the U.N. development program in 1972 will be about 35 percent. The percentage for the smaller programs will vary from 55 percent for UNRWA down to 14 percent for the Cancer Agency.

Mr. PASSMAN. What is the percentage of the U.S. assessed contribution to the United Nations?

Mr. DE PALMA. It is 31.52 percent for the years 1971–73.

Mr. PASSMAN. Therefore, these amounts set forth on page F–1 represent only the U.S. portion of the contributions or only around 35 percent of the total program for these institutions; is that correct?

Mr. DE PALMA. Yes, sir.

PUBLIC LAW 480 COMMODITIES PROVIDED TO INTERNATIONAL ORGANIZATIONS

Mr. PASSMAN. Are Public Law 480 commodities and excess local currencies also provided by the United States to these organizations?

Mr. DE PALMA. Yes; to some of them.

Mr. PASSMAN. Please tell the committee how much is involved in these two areas for fiscal year 1972, and which organizations are receiving these additional funds or commodities.

Mr. DE PALMA. I would like to make it clear that payments that we make in excess currencies are part of our total cash contribution and are not additional contributions. We purchase the excess currencies from the U.S. Treasury, using part of our appropriated dollars.

I have a table showing the estimated amounts of excess currencies and commodities to be contributed to various organizations in fiscal year 1972, which the committee may wish for the record.

(The information follows:)

INTERNATIONAL ORGANIZATIONS RECEIVING CONTRIBUTIONS IN THE FORM OF EXCESS CURRENCIES OR AGRICULTURAL COMMODITIES UNDER PUBLIC LAW 480

[In thousands of dollars]

	Fiscal year 1972 (estimate)			
	Dollars	Excess currency	Public Law 480 commodities	Total
UNDP	97,500	2,500		100,000
UNICEF	13,000		2,886	15,886
UN/FAO world food program	1,500		[1] 32,314	33,814
IAEA operational program	1,500	50		1,550
UNRWA	8,980	4,320	8,900	22,200
Total	122,480	6,870	44,100	173,450

[1] In addition, the United States will provide shipping services estimated at $14,066,000.

Mr. PASSMAN. How does this compare to the 2 previous years?

Mr. DE PALMA. The comparable estimates for fiscal year 1971, are $6,150,000 in excess currencies and $44,100,000 in commodities; and for fiscal year 1970, $10,560,000 in excess currencies and $48,206,000 in commodities.

UNEXPENDED BALANCE FOR INTERNATIONAL ORGANIZATIONS PROGRAM

Mr. PASSMAN. What will be the unexpended balance for this program in fiscal year 1971 and 1972? Please break that down by each organization.

Mr. DE PALMA. The provisional figures on expenditures during fiscal year 1971, indicate that the unexpended balance in our accounts as of June 30, 1971, is $181.9 million. Most of that amount, about $120.6 million, represents funds obligated in fiscal year 1971; and the remainder, $61.3 million, represents funds obligated in fiscal year 1970 and earlier years.

It is important to note some of the reasons for the size of the pipeline. Generally speaking, the U.N. organizations are on a calendar-year basis; and the end of the U.S. fiscal year, June 30, is only the halfway point of their fiscal period. Since the United States follows a general policy of making its payments on a matching basis, requiring the receipt of certified lists of contributions received from other Governments, it is normally late in the calendar year—after the close of the U.S. fiscal year—before substantial payments are made by the United States.

In addition, the United States usually makes its contributions in the form of irrevocable letters of credit, requesting that funds be drawn down only when cash is needed for disbursement. The management of the U.N. program can, of course, make firm financial commitments based on these letters of credit. Under U.S. accounting procedures, expenditures are not recorded when the letters of credit are issued but only when the funds are actually drawn down. Of the approximately $61.3 million unexpended from FY 1970 and prior years, about $46.6 million represents unredeemed letters of credit.

Lastly, it should be noted that there is a relatively substantial unexpanded balance shown for the U.N. Force in Cyprus (UNFICYP). Our payments to the U.N. have been kept at about 40 percent of total cumulative payments. Payments from other govrnments, particularly in recent years, have been lagging. In the meantime, the U.N. has continued to incur obligations, particularly to troop-contributing countries, that should be met by contributions from U.N. members. We believe that we should be able to match additional payments by others when they are made, and are hopeful that current efforts by the U.N. to obtain further pledges from others will be successful.

With respect to expenditures during fiscal year 1972, we project a substantial increase in UNDP expenditures, in line with the upward trend in recent years; an increase in expenditures by the U.N. Fund for Population Activities, as its program moves from the planning to the operational stage; and in expenditures for the U.N. Force in Cyprus, as other countries increase their matching contributions. We estimate fiscal year 1972 expenditures at $171 million, reducing the unexpended balance to $156.8 million by the end of that fiscal year.

TOTAL U.S. CONTRIBUTIONS TO INTERNATIONAL ORGANIZATIONS

Mr. PASSMAN. Would you please provide for the record a table showing the total U.S. contributions to international organizations and programs similar to the one on pages 227 and 229 of last year's hearings?

Mr. DE PALMA. I would be very happy to, Mr. Chairman.

(The information follows:)

CONTRIBUTIONS TO INTERNATIONAL ORGANIZATIONS AND PROGRAMS 1/
ESTIMATED EXPENDITURES AND UNEXPENDED BALANCES, FY 1971 AND 1972
(thousands of dollars)

Organization	Unexpended 6/30/70	FY 1971 Obligations	Total Availability	FY 1971 Expenditures	Deobligated	Unexpended 6/30/71	FY 1972 Proposed	Total Availability	FY 1972 Expenditures	Unexpended 6/30/72
UN Development Program	131,093	86,268	217,361	93,006		124,355	100,000	224,355	118,000	106,355
UN Children's Fund	9,500	13,000	22,500	16,000		6,500	13,000	19,500	14,000	5,500
UN Population Fund	6,150	14,000	20,150	1,450		18,700	7,500	26,200	10,200	16,000
UN Institute for Research and Training	-0-	400	400	-0-		400	400	800	400	400
UN Assistance to Congo	500	-0-	500	250		250	-0-	250	250	-0-
World Food Program	1,600	1,500	3,100	1,300		1,800	1,500	3,300	1,800	1,500
IAEA Operational Program	2,342	1,550	3,892	653	117	3,122	1,550	4,672	2,300	2,372
WMO Voluntary Assistance Program	2,241	1,500	3,741	609		3,132	1,500	4,632	2,500	2,132
WHO Medical Research	150	150	300	150		150	312	462	150	312
Special Contributions for Vietnam	1,850	950	2,800	990		1,810	-0-	1,810	1,045	765
UN Fund for Drug Abuse Control	-0-	2,000	2,000	400		1,600	2,000	3,600	1,000	2,600
International Secretariat for Volunteer Service	45	70	115	79	1	35	73	108	80	28
UNRWA	5,260	14,300	19,560	16,360		3,200	13,300	16,500	13,300	3,200
UN Force in Cyprus	12,000	4,800	16,800	-0-		16,800	4,800	21,600	6,000	15,600
Total	172,731	140,488	313,219	131,247	118	181,854	145,935	327,789	171,025	156,764

1/ Includes funds appropriated for Technical Assistance, Supporting Assistance, UNRWA Arab Refugee Training, and Development Loans, Alliance for Progress

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U.S. CONTRIBUTIONS TO INTERNATIONAL ORGANIZATIONS AND PROGRAMS, FISCAL YEARS 1970–72, ESTIMATED[1]

[In thousands of dollars]

	1970			1971			1972		
	State contributions appropriation	Foreign assistance voluntary[2]	Other appropriation	State contributions appropriation	Foreign assistance voluntary[2]	Other appropriation	State contributions appropriation	Foreign assistance voluntary	Other appropriation
United Nations and specialized agencies:									
United Nations	[3] 41,270			[3] 46,451		[4] 20,000	[3] 52,438		
United Nations children fund		13,000	[5] 4,306		13,000	[5] 2,886		13,000	[5] 2,886
Special contributions for Nigerian relief			[6] 10,079			[5] 1,017			
United Nations development program		86,268			86,268			100,000	
United Nations force in Cyprus		6,000			6,000			4,800	
United Nations fund for drug abuse control					2,000			2,000	
United Nations fund for population activities		4,000			3,500	[7] 4,000		7,500	
United Nations High Commissioner for refugees program			1,000			1,000			1,000
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			71						
United Nations technical and operational assistance to the Congo		220							
Food and Agriculture Organization	8,336			10,083			10,083		
UN/FAO—world food program		1,300	[6] 66,500		1,500	[5] 46,400		1,500	[5] 46,400
Intergovernmental Maritime Consultative Organization	111			112			131		
International Atomic Energy Agency	3,374			3,672			3,977		
IAEA—operational program		1,378			1,550			1,550	
International Civil Aviation Organization	3,731			3,848			3,972		
International Labor Organization	6,653			3,759			7,816		
International Telecommunication Union	611			703			752		
United Nations Educational, Scientific and Cultural Organization	10,531			10,531			12,019		
Universal Postal Union			75			67			78
World Health Organization	19,533			21,681			23,741		
International Agency for Research on Cancer		150			150			312	
Drug monitoring program			144						
World Meteorological Organization	699			775			775		
WMO—voluntary assistance program		1,500			1,500			1,500	
Special contributions for Vietnam		692			950				
Subtotal	94,849	129,208	91,075	101,615	131,118	84,270	115,704	145,862	59,264

Inter-American organizations:									
Organization of American States	13,641			16,030			19,318		
OAS-CIAP			3,000						3,000
Inter-American Export Promotion Center			500			600			675
Special development assistance fund			3,800			4,800			4,900
Special multilateral fund (education and science)			2,300			7,000			10,000
Pan American Health Organization	8,402			9,263			10,437		
Special fund for malaria eradication			500						
Inter-American Indian Institute	62			62			62		
Inter-American Institute of Agricultural Sciences	2,437			2,695			2,909		
Inter-American Tropical Tuna Commission			427			452			470
Pan American Institute of Geography and History	90			90			151		
Pan American Railway Congress Association	5			5			15		
Postal Union of the Americas and Spain			20			22			20
Subtotal	24,637	0	10,547	28,145	0	12,874	32,892	0	19,065
Regional organizations:									
North Atlantic Treaty Organization	5,891			4,762			5,206		
North Atlantic Assembly	61			60			80		
Central Treaty Organization			129			135			135
Multilateral science fund			20			20			20
Multilateral technical cooperation fund			75			105			105
Population program			20			20			20
Colombo Plan Council	6			8			9		
Indus Basin development			7,530			4,925		15,000	
International Control Commission for Laos	320								
Organization for Economic Cooperation and Development	4,630			4,972			5,352		
Population fund			100						60
Southeast Asia Treaty Organization	322			344			393		
South Pacific Commission	198			199			215		
Subtotal	11,428	0	7,874	10,345	0	5,205	11,243	15,000	340
Other international organizations:									
Customs Cooperation Council				257			274		
General Agreement on Tariffs and Trade			571			624			717
Hague Conference on Private International Law	10			10			11		
Intergovernmental Committee for European Migration			3,500			3,250			3,250
International Bureau of Exhibitions	12			12			7		
International Bureau of the Permanent Court of Arbitration	1			1			1		
International Bureau, Protection of Intellectual Property	13			15			15		
International Bureau for the Publication of Customs									

See footnotes at end of table, p. 697.

U.S. CONTRIBUTIONS TO INTERNATIONAL ORGANIZATIONS AND PROGRAMS, FISCAL YEARS 1970–72, ESTIMATED [1]

[In thousands of dollars]

	1970			1971			1972		
	State contributions appropriation	Foreign assistance voluntary [2]	Other appropriation	State contributions appropriation	Foreign assistance voluntary [2]	Other appropriation	State contributions appropriation	Foreign assistance voluntary	Other appropriation
Other international organizations—Continued									
Tariffs	17			17			17		
International Bureau of Weights and Measures	66			76			86		
International Center, Preservation of Cultural Property							90		
International Coffee Organization	200			230			280		
International Commission for Conservation of Atlantic Tunas			10			13			15
International Commission for the Northwest Atlantic Fisheries			7			6			6
International Cotton Advisory Committee			24			21			23
International Council of Scientific Unions and Associated Unions	97			97					110
International Criminal Police Organization			29			29			49
International Hydrographic Organization	16			16			18		
International Institute for Cotton			[3] 1,816			[3] 1,318			[3] 1,050
International Institute for the Unification of Private Law	10			9			9		

International Lead and Zinc Study Group			5			5			5
International North Pacific Fisheries Commission			23			23			26
International Rubber Study Group			8			9			9
International Secretariat for Volunteer Service		70			70			73	
International Seed Testing Association			1			1			1
International Union of Official Travel Organizations			12			15			15
International Whaling Commission			1			1			1
International Wheat Council	30			33					
Interparliamentary Union	27			29			29		
Maintenance of certain lights in the Red Sea	4			4			4		
North Pacific Fur Seal Commission			4			4			4
Permanent International Association of Navigation Congresses			2			2			2
Subtotal	503	70	6,013	806	70	5,321	841	73	5,283
Total	131,417	129,278	115,509	140,911	131,188	107,670	160,680	160,935	83,952
Grand total by years—All appropriations		376,204			379,769			405,567	

[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] Administered by the Bureau of International Organization Affairs, Department of State, from technical assistance and supporting assistance appropriations.

[3] Excludes offsets for repayment of U.N. bonds: Fiscal year 1970, $3,950,415; fiscal year 1971, $3,927,811; and Fiscal year 1972, $3,874,471.

[4] Special contribution for expansion of United Nations headquarters.

[5] Public Law 480.

[6] Includes $4,000,000 cash and $6,079,000 under Public Law 480.

[7] Development loan appropriation.

U.N. Development Program

Mr. Passman. The first program we will consider is the U.N. development program (UNDP) for which the fiscal year 1972 estimate is $100 million, an increase of $13,732,000 above the current fiscal year 1971 allocation. Would you please explain the need for this large increase?

Mr. De Palma. We have requested $100 million for contribution to the UNDP next year—an increase of $13,732,000 over this year's pledge—for several reasons.

The increase would be consistent with the goals and objectives of the Peterson report and of recent presidential messages on foreign aid, which recommend greater emphasis on the use of multilateral channel for assistance to developing countries.

It would demonstrate concretely our readiness to cooperate with other donor countries as well as with the less developed countries, in carrying out the strategy for the Second Development Decade, which was adopted by the General Assembly of the United Nations in 1970.

An increase in our contribution would also assist the UNDP in maintaining the growth of its field programs. A sustained growth in the capacity of the UNDP to deliver technical assistance programs, seems quite feasible when one takes into account several factors. The annual increase in UNDP expenditures over the last 5 years has averaged 16 percent. The management and staff of the participating agencies have shown that they recognize the challenge which an accelerated delivery schedule will impose on their existing methods and organizations, and have agreed that vigorous steps will be taken to meet this challenge. Furthermore, the Administration of the UNDP plans increased use of direct contracts with governmental and nongovernmental institutions and firms, thereby adding to the existing roster of participating agencies, a new dimension for delivery of technical assistance.

Finally, we believe that an increase in our contribution is justfied in terms of the reforms adopted with respect to financial practices. As I noted in my opening statement, the UNDP Governing Council has decided to abandon the practice of full funding of longer term special-fund projects, and to earmark a maximum of $150 million for an operational reserve to offset uneven cash flows in and out and to meet liquidation costs in the event that further voluntary contributions are not forthcoming. This decision means that the balance of $343 million in unexpended resources brought forward from December 31, 1970, will be progressively reduced over the next 5 years. Since 1969, UNDP's annual expenditures have exceeded contributions for the same year.

I should note that the magnitude of UNDP's financial pipeline is not substantially different than the pipeline for our bilateral worldwide technical assistance appropriation. In the calendar year 1970, UNDP expenditures represented 43 percent of available funds, while AID's expenditures in fiscal year 1970 were 53 percent of available funds. For 1971, the UNDP has recently estimated that its expenditures will rise to 49 percent of available funds (including the $150 million operational reserve), while AID estimates its fiscal year 1971 expenditures at 47 percent of available funds. Managers of technical assistance pro-

grams cannot be expected to spend funds as rapidly as they receive them. They will necessarily have some funds in their pipelines to meet commitments: To field personnel to go for extended periods on contract, to suppliers for the production of equipment, and to assisted countries who agree to provide buildings, housing for experts, and other local cost items on the understanding that they will receive external aid.

Mr. PASSMAN. At the present time, how many projects are presently being administered by the UNDP, of all types?

Mr. DE PALMA. There are two types of UNDP field projects. The first is the large-scale special-fund project, planned for 2 to 5 years' duration, and costing on an average slightly more than $2 million; in 1970 UNDP was implementing 880 such projects.

The second type involves the services of U.N. experts or the provision of fellowships, costs an average of $2,500 each, and may be completed in several months. During 1970, UNDP was engaged in 2,751 such "technical assistance" projects.

UNDP ADMINISTRATION AND EVALUATION

Mr. PASSMAN. How is the UNDP able to effectively administer and evaluate such a large number of projects?

Mr. DE PALMA. In the administration and evaluation of its program, the UNDP utilizes not only its own staff but also the services of the United Nations and 13 other international agencies. For most of these organizations, participation in UNDP constitutes the major part of their activity in the field of economic development. Project implementation is also contracted directly by the UNDP, or subcontracted by the international executing agencies to agencies, institutions, and firms in the member states.

Evaluation of UNDP operations is performed on several levels. The UNDP's own staff and procedures for internal evaluation are being strengthened. Projects are reviewed before implementation by the 37 member countries of the UNDP Governing Council. The larger countries, with their own bilateral assistance programs, informally provide evaluation input both at the UNDP headquarters and in the field, based on their knowledge of local conditions.

Futrhermore, the Joint Inspection Unit of the U.N., established several years ago, devotes a substantial portion of its time to scrutiny of UNDP operations. The financial operations of the UNDP are audited by the U.N. Board of Auditors, composed of the auditors-general of three member nations and their national staffs.

UNDP FUNDS TO ILO

Mr. PASSMAN. Does the UNDP provide funds to the International Labor Organization?

Mr. DE PALMA. Yes; as it does to other specialized agencies, such as the World Health Organization and the Food and Agriculture Organization, which it designates as executing agencies to manage UNDP-approved projects.

Mr. PASSMAN. If so, how much was provided in 1971, and what is the estimate for 1972?

Mr. De Palma. In 1971, the UNDP is allocating about $22,280,000 to ILO for the costs of UNDP projects. For 1972, the estimate is $22,340,000.

Mr. Passman. As you well know, last year the contribution to this organization was reduced by 50 percent in the State-Justice appropriation bill. The money provided by the UNDP was not intended to offset this reduction, was it?

Mr. De Palma. No, sir; and it has not offset the reduction. The funds are provided by the UNDP to finance UNDP technical assistance and special-fund projects—projects approved by the UNDP, not by the ILO. None of this money is available to finance regular ILO activities, which are supported by assessments on members.

UNDP funds are made available to the ILO for no other purpose except to carry out UNDP activities, and the ILO is accountable to the UNDP for the expenditure of those funds. The UNDP provides a percentage of the project costs (11 percent in the case of special-fund projects and 14 percent in the case of technical assistance projects) to finance overhead costs to the organization of managing those projects. If there is any discrepancy between the amount of overhead allotted by UNDP and the actual cost of ILO's management activities, actual costs are likely to exceed the allotment.

JACKSON REPORT ON THE UNDP

Mr. Passman. Last year, we discussed the conclusions reached by Sir Robert Jackson of Australia in his report on the capacity of the U.N. development system. As we all know, these conclusions were highly critical of the U.N. development system. Would you tell the committee briefly what has transpired since last year in trying to correct these highly criticized areas?

Mr. De Palma. The report was considered at a special session of the 37-member Governing Council of the UNDP in March 1970, and at the regular session in June. The United States supported many of the basic recommendations of the Jackson capacity study, and worked closely with a number of other Governments in the two sessions, to elaborate them and to insure their acceptance.

The reforms approved in June 1970 by the Governing Council—and endorsed with only minor reservations by the United States—include the adoption of a United Nations development cooperation cycle (UNDCC). The UNDCC provides for the programing of UNDP assistance, and for the formulation, appraisal, approval, implementation, evaluation, and followup of specific projects. The UNDCC lays particular stress on country programing in order to coordinate UNDP assistance with the recipient countries' own development plans. A UNDP country program will be formulated by the Government of each recipient country in cooperation with representatives of appropriate organizations of the U.N. system, under the leadership of the UNDP resident representative. When completed, country programs will be transmitted by the resident representatives to the Administrator, who will submit them along with his recommendations to the Governing Council for approval. The Governing Council delegated to the Administrator for a 3-year period, authority to approve projects falling within the framework of country pro-

grams, and made clear that the Administrator is responsible for all aspects of project implementation.

Of particular importance was the Governing Council's unanimous acceptance of the need for organizational changes in the UNDP, both at headquarters and in the field. Insofar as headquarters reorganization is concerned, the Governing Council provided the Administrator with guidelines, including provision for the establishment of a unit for long-term policy planning and four regional bureaus with direct links to both the Administrator and the resident representatives. Provision was made for inclusion in these new offices of an expanded capacity for program and project evaluation. At the country level, the Governing Council called for maximum delegation of authority to the resident representatives, and recognized the need to strengthen their role. In this regard, it called for recognition of the resident representatives as having full overall authority for the UNDP programs in their respect countries, and it stressed the importance of their central coordinating role with respect to all other development assistance programs undertaken by organizations in the U.N. system.

A number of important decisions were also taken to provide for a new financial and budgetary system designed to improve the management and utilization of UNDP resources. The major features of the new system include: (1) Creation of a single fund by complete amalgamation of the special-fund and technical assistance components; (2) abolition of the "full funding" concept employed for special-fund projects, which will make possible greater flexibility and fuller utilization of resources; (3) adoption of a more precise system for the allocation of resources between country programs, intercountry programs, program support services, and administrative services; and (4) provision for improved budget planning. The Administrator was also instructed to seek common budgeting policies and accounting systems throughout the U.N. system of organizations.

The Governing Council's consensus on organizational and operational reform of the UNDP was approved in July 1970 by the Economic and Social Council, and in December 1970 by the General Assembly. The Administrator's proposals for implementation of the reforms were considered by the Governing Council at its session in January 1971, and their implementation has begun.

The reforms mentioned above include what the United States felt were the most important and valid recommendations of the Jackson study. They deal with the problems which have been highlighted in other critical studies of the U.N.'s developmental programs. These reforms will markedly increase UNDP's effectiveness, enabling it to respond more quickly and more precisely to the needs of the developing world.

CHANGES IN AGENCY STRUCTURES

Mr. PASSMAN. One of the conclusions reached in this report was that the U.N. system's capacity to handle development projects was over-extended. What has been done to correct this situation?

Mr. DE PALMA. Various measures have also been taken by the 14 participating and executing agencies, to comply with a 1970 decision by the Economic and Social Council (ECOSOC), which recommends that they adapt their organizational structures to their increased op-

erational activities financed by the UNDP. ECOSOC particularly recommended that (1) Within each agency, one organizational unit should have overall responsibility for the implementation of UNDP projects; (2) higher efficiency and speedier implementation of projects should be achieved; (3) improvement should be sought in the swift recruitment and deployment of field staff; and (4) administrative overhead costs involved in the execution of UNDP projects should be minimized in order to secure increased resources for direct assistance to recipient countries. Although compliance with this resolution is still not complete, less than a year has passed since approval of the ECOSOC resolution. The problem of achieving reform and coordination of procedures involving the 14 autonomous or semiautonomous international agencies executing UNDP projects, is not subject to easy or quick solution. The U.S. Government is working in the governing bodies of all of these organizations, however, to insure that the greater coordination and more efficient operation called for by the capacity study, the Governing Council consensus, and ECOSOC and General Assembly resolutions, may be fully realized.

In addition, it is expected that, in the future, greater use will be made by the UNDP of direct contracting to institutions and firms outside the U.N. system. A start was made in this direction in June 1971, when the Governing Council approved two large-scale projects to be implemented by the UNDP utilizing direct contracts.

UNDP PROGRAM LEVEL

Mr. PASSMAN. What is the total proposed program level for the UNDP in fiscal year 1972?

Mr. DE PALMA. The UNDP estimates its expenditures in 1972 will amount to $325.2 million, an increase of 17.5 percent over 1971. It is projected that this program would be financed by $290.6 million in new pledges from Governments and other new resources in 1972, and by drawing down $34.6 million from prior year reserves.

NEW PROJECTS

Mr. PASSMAN. What part of the proposed U.S. contribution of $100 million for fiscal year 1972 will be allocated for new projects, and what part for ongoing projects?

Mr. DE PALMA. UNDP estimates that its project expenditures in 1972 will be about $260.9 million, or 80 percent of total program expenditures; and that of this amount, approximately 77 percent represents allocations for ongoing projects and 23 percent for new projects. On this basis, about $80 million of the proposed 1972 U.S. contributions will go for project costs, of which 77 percent or $61 million will be allocated for ongoing projects, and 23 percent or $19 million for new projects.

SPECIALIZED AGENCIES

Mr. PASSMAN. What specialized agencies received funds from UNDP last year and in what amounts?

Mr. DE PALMA. The participating and executing agencies received a total of $231.3 million from UNDP for project and agency overhead cost expenditures in 1970. This amount was distributed as follows:

Agency:	*Millions*
United Nations (including UNCTAD)	$43.1
International Labor Organization	27.6
Food and Agricultural Organization of the United Nations	77.8
United Nations Educational, Scientific, and Cultural Organization	34.3
International Civil Aviation Organization	5.3
World Health Organization	12.5
International Bank for Reconstruction and Development	8.7
Universal Postal Union	0.8
International Telecommunications Union	5.9
World Meteorological Organization	5.3
Intergovernmental Maritime Consultative Organization	0.3
International Atomic Energy Agency	1.7
United Nations Industrial Development Organization	8.1

RESTRICTED USE OF FUNDS

Mr. PASSMAN. Does any country restrict the use of its contribution?

Mr. DE PALMA. The United Nations development program differentiates between the earmarking of funds by contributing governments and restrictions placed by these governments on the convertibility of their contributions.

UNDP does not permit earmarking of funds pledged to its central account. A hypothetical example of an earmarking would be a stipulation by a donor country that its contribution could be used only for railway equipment, or only in Africa, or only for railway equipment in Africa. Such stipulations are, as a matter of principle, not accepted by UNDP.

There have been, however, special occasions when a donor government or a group of governments wish to have the UNDP carry out specific programs for which special contributions are made and deposited in a trust fund which is maintained separately from the UNDP general account. An example of this type of arrangement is the trust fund set up for special technical and operational assistance to the Congo (Kinshasa) to assist that country to operate its governmental machinery and its economy in the period after the internal conflict of the early 1960's. The United States was a contributor to this fund; several other countries are still contributing to it.

The UNDP does accept, although reluctantly, contributions in inconvertible currencies. The total amount it receives in such inconvertible pledges is relatively small; for example, in 1970 it amounted to $17 million, or 7.5 percent, of the $225 million pledged. The remaining 92.5 percent was pledged in freely convertible currencies. The number of countries availing themselves of the opportunity to contribute inconvertible currencies, on the other hand, was relatively large. Some 56 countries out of a total of 126 made their entire contribution in inconvertible currencies. This included for the most part small African and Asian countries whose contribution is utilized for some of the local costs of programs conducted by UNDP in those countries, but it also included some large countries (India and Pakistan) and at least one industrialized country, New Zealand. In addition some 10 countries made part of their contribution in inconvertible currencies. These included, among others, Australia ($1 million) and the United States ($2 million in U.S.-owned excess currencies).

In the case of the three Soviet Republics—U.S.S.R., Byelorussia, and Ukraine—currency use is governed by special agreement. In principle, the Soviet contribution is in inconvertible rubles. However, when the use of ruble equipment or ruble technicians in third countries required support payments in hard currencies (that is, for shipping, per diem, and so forth), the Soviets have in recent years been willing to extend conversion privileges for such uses. Of the $3 million equivalent pledged in 1970, UNDP estimates $1 million is being used for ruble purchases and $2 million is being converted for support payments.

DELINQUENT MEMBERS

Mr. PASSMAN. Are any members delinquent in their contributions to the UNDP?

Mr. DE PALMA. As of March 31 of this year, 16 countries had not completed payments on their pledges for 1969 and prior years. The total amount outstanding is $1,386,263. This compares with the total of over $2 billion which has been paid by all donors since the inauguration of the UNDP. I have a table listing those countries and their outstanding payments which I would be happy to provide for the record.

(The information follows:)

Bolivia	$90,000	Mauritania	$3,561
Bulgaria	27,490	Nicaragua	28,000
Dahomey	115,728	Pakistan	40,337
Dominican Republic	10,000	Peru	165,840
Ecuador	219,008	Senegal	130,000
El Salvador	7,700	Sudan	160,000
Gabon	2,248	Tunisia	10,000
Iraq	220,000		
Mali	156,351	Total	1,386,263

ADMINISTRATIVE EXPENSES

Mr. PASSMAN. How much of the fiscal year 1972 request of $100 million will be allocated for administrative expenses?

Mr. DE PALMA. Assuming that actual expenditure pattern of the UNDP for 1970 will continue through 1972, our contribution of $100 million for 1972 programs would be allocated as follows: 4.7 percent or $4.7 million for administrative expenses, 9.6 percent or $9.6 million for agency overhead expenses, and 4.1 percent or $4.1 million for program support services. The balance of 81.6 percent or $81.6 million would be devoted to project costs.

UNICEF

Mr. PASSMAN. The next program is the U.N. Children's Fund (UNICEF) for which the fiscal year 1972 estimate is $13 million, the same as last year. Has any country restricted the use of its contribution in any way?

Mr. DE PALMA. In 1970 countries contributed $8.7 million for specific purposes, in addition to contributions to general resources. The sum of $6.2 million was for disaster relief and rehabilitation, and $1.5 million for long-term programs. The United States contributed $4.2 million to disaster relief and $310,000 for the Saigon School of Social Welfare, a long-term program.

Mr. PASSMAN. Are any members delinquent in their contributions?

Mr. DE PALMA. Since contributions to UNICEF are voluntary and not assessed, UNICEF does not consider countries delinquent when they have not paid up to amounts promised. UNICEF endeavors to collect voluntary contributions which have not been paid. I have a table listing those contributions which governments said they would make but which have not yet been paid. I would be happy to provide this for the record.

(The information follows:)

Contributions receivable from Governments as at 31 December 1970

Governments	General resources and specific projects: For years prior to 1970	General resources and specific projects: For 1970	Local cost of field offices 1969/70	Total contributions receivable
	$	$	$	$
Afghanistan		9,000.00		9,000.00
Algeria	40,000.00	40,000.00	54,000.00	134,000.00
Antigua		148.59		148.59
Austria		10,000.00		10,000.00
Bolivia	15,600.00	8,100.00		23,700.00
Brazil		42,443.06	3,105.59	45,548.65
Brunei		4,899.61		4,899.61
Burma		62,845.29	19,109.62	81,954.91
Cameroon		25,179.86		25,179.86
Chile		60,000.00	1,151.43	61,151.43
China		60,000.00		60,000.00
Costa Rica	4,421.00	60,000.00		64,421.00
Cuba		48,000.00		48,000.00
Denmark		398,876.67		398,876.67
Dominican Republic	60,000.00			60,000.00
Ecuador		1,197.84		1,197.84
Gambia		1,919.85	959.92	2,879.77
Haiti	10,000.00			10,000.00
India			160,000.00	160,000.00
Indonesia		50,000.00		50,000.00
Iraq		84,010.08		84,010.08
Israel		42,500.00		42,500.00
Italy		578,468.90		578,468.90
Khmer Republic		5,003.60		5,003.60
Kuwait	10,000.00	10,000.00		20,000.00
Laos	2,500.00	3,500.00		6,000.00
Liberia		20,000.00		20,000.00
Libya		17,600.00	4,200.00	21,800.00
Luxembourg		2,000.00		2,000.00
Malawi		1,199.90		1,199.90
Mexico		100,000.00		100,000.00
Mongolia	2,300.00	2,300.00		4,600.00
Nepal		1,259.88		1,259.88
Nicaragua	20,000.00			20,000.00
Pakistan		119,172.62	82,948.34	202,120.96
Paraguay	20,000.00			20,000.00
People's Democratic Republic of Yemen		600.00		600.00
People's Republic of the Congo		14,388.49		14,388.49
Peru	76,810.64	100,000.00		176,810.64
Philippines		122,269.84	22,222.22	144,492.06
Senegal	8,992.81		8,992.80	17,985.61
Sweden	194,689.92			194,689.92
Switzerland		231,481.48		231,481.48
Thailand	93,750.00	93,750.00	17,858.52	205,358.52
Tonga		1,000.00		1,000.00
Trinidad and Tobago	18,000.00			18,000.00
United States of America		917,114.11		917,114.11
Zambia		16,802.02		16,802.02
	577,054.37	3,957,031.69	374,346.44	4,908,432.50

Mr. PASSMAN. How much of the fiscal year 1972 request of $13 million will be used for administrative expenses?

Mr. DE PALMA. UNICEF estimates the ratio of administrative expenditures to total expenditures in 1972 at 7.7 percent. Approximately $1 million of our $13 million would be used for administrative expenses.

U.S. POPULATION PROGRAM

Mr. PASSMAN. The next program is the U.N. population program for which the 1972 estimate is $7,500,000, the same as last year. What will be the total level of funding for this program in fiscal year 1972?

Mr. DE PALMA. The UNFPA has not yet announced a target for contributions in calendar year 1972. The 1970 target (oversubscribed) was $15 million; the announced 1971 target is $25 million. This target could be increased to $30 million if sufficient contributions are received. The UNFPA is expected to program effectively some $33 million during 1971.

We expect that the 1972 target for contributions may be set as high as $50 million. Accordingly, we now believe the $7.5 million estimate included in the fiscal year 1972 request for voluntary contributions to international organizations may be too low.

Mr. PASSMAN. Do any countries place restrictions on their contributions?

Mr. DE PALMA. Yes, there are two kinds of restrictions.

First, some developing countries, with limited foreign exchange reserves, contribute in inconvertible local currencies paid into U.N. bank accounts and spent only for U.N.-approved family planning projects.

Second, one contributor, Japan, earmarked $500,000 (of its $1.5 million contribution) for the International Planned Parenthood Federation. That was the only earmarked contribution received by the UNFPA toward its 1970 or (to date) its 1971 target for contributions.

Mr. PASSMAN. Why does the United States provide funds for this program when AID is proposing to allocate $100 million for this same purpose?

Mr. DE PALMA. The request for $7.5 million of fiscal year 1972 funds for contribution to the U.N. fund for Population Activities is part of the proposed foreign assistance program of $100 million for population activities, and not additional. The distribution of population/family planning programs by country and international organization for the fiscal years 1970, 1971, and 1972 are shown on page B–17 of the Congressional Presentation Book. As that table shows, the U.S. contributions to the U.N. population program are an integral part of the total U.S. support of family planning activities abroad, for which specific amounts of foreign assistance funds have been earmarked in recent years.

The U.S. Government supports local family planning programs in many developing countries. It also contributes, along with many other donors, to the UNFPA, which supports family planning activities in several of the same countries. This does not result in duplication of effort. It is a means of providing assistance to different aspects of complex programs, just as several other donor governments and private organizations contribute to other aspects of the same complex programs.

But first, let me note that the assistance is not, of course, provided entirely to the same countries. As I said earlier, the UNFPA and private organizations, such as the IPPF, can support family planning activities—by governments and by private national groups—in some countries where U.S. bilateral assistance in the field of family planning is unacceptable. Furthermore, the UNFPA finances numerous regional activities carried out by the several specialized agencies.

It is our belief, expressed by President Nixon in his July 1969 message to Congress on population, that "the United Nations, its specialized agencies, and other international bodies should take the leadership in responding to world population growth. The United States will cooperate fully with their programs."

The advantages to contributing to, and working through, multilateral agencies, and the U.N. in particular, on population matters include, in our view:

First, sharing the cost of accomplishing our goal. By contributing to the UNFPA on a matching basis, we attract greater amounts of money from other donors for population programs that would otherwise be the case; we accomplish our purpose at a fraction of the cost to the United States of a bilateral program.

Second, the assistance provided is more broadly based. In general, multilateral assistance can draw on the resources of the entire world, and is not tied to resources in one country. This can lead to a choice of techniques better suited to the needs of the recipient country, and possibly to a less costly assistance program.

Third, multilateral assistance is seen as apolitical. I have discussed this point earlier.

Fourth, multilateral assistance can meet the total requirements of the recipient country. A single multilateral assistance program can be designed to meet all or most of the requirements of a developing country for external assistance. The UNFPA has such a program in Mauritius and is negotiating similar programs in other countries. Few, if any, bilateral programs attempt this broad coverage. Coverage by one program can be more efficient, and lead to less duplication, than the sometimes overlapping programs of several bilateral agencies.

Fifth, multilateral assistance strengthens the role of the U.N. in population growth control. Providing multilateral assistance gives the family of international organizations a greater stake in the solution of this most pressing economic and social development problem; keeps their work program practical, rather than theoretical; and encourages the LDC's and other participants to take a greater interest in these organizations which help them.

Finally, in addition to the separate advantages of each type of program, there are advantages to having both bilateral and multilateral programs. This increases the ways in which we can exercise U.S. influence and gives us greater flexibility in accomplishing our goals.

U.S. bilateral programs can, of course, accomplish many purposes for which multilateral programs are less well suited. The United States can frequently respond more rapidly to urgent needs, as only our Government and the recipient government need be involved. Fur-

thermore, the United States leads the world in certain skills and experience which be best drawn on in bilateral programs.

Mr. PASSMAN. Will any of this fiscal year 1972 request be funded from AID funds as was the case last year?

Mr. DE PALMA. It seems likely. As I noted earlier, it will depend on several factors.

First, we do not yet know the UNFPA target for contributions for calendar year 1972. That target will be a factor in determining our pledge. Second, we have not yet made any decision concerning the amount of our pledge to the UNFPA for calendar year 1972. I expect we will need to make a decision on this later this year. If the UNFPA target should be of the magnitude now being discussed, the U.S. pledge would exceed the $7.5 million estimate and a transfer of funds from another appropriation, as provided by title X of the Foreign Assistance Act, would be needed.

U.N. FUND FOR DRUG ABUSE CONTROL

Mr. PASSMAN. The next program is the U.N. Fund for Drug Abuse Control for which the fiscal year 1972 estimate is $2 million. I note you provided $2 million for this program in fiscal year 1971. If I remember correctly this program was not in last year's justifications but it was discussed before the Senate Appropriations Committee last fall; is that correct?

Mr. DE PALMA. Yes, sir. The need for funds to make an initial contribution to a multilateral program on drug abuse control did not emerge until mid-1970. In their testimony before the Senate Appropriations Subcommittee, both the Secretary of State and the AID Administrator noted this new requirement.

Mr. PASSMAN. Would you tell the committee the source of the $2 million which was provided this program in fiscal year 1971?

Mr. DE PALMA. The money was obtained through reprograming the amounts available under multilateral technical assistance.

Mr. PASSMAN. Since this is a new organization, has the staff been selected and is it now in operation?

Mr. DE PALMA. The staff is being selected even though the fund did not come into existence until April 1. The Secretary General of the United Nations has appointed as his personal representative Ambassador Carl Schurmann, former Netherlands Ambassador to the United States and to the United Nations. In the latter capacity he presided over the plenary meetings of the 1961 Conference on the Single Convention on Narcotic Drugs. Ambassador Schurmann's efforts are now being directed toward increasing financial support of the Fund and in drawing up plans for assisting countries in establishing more effective drug administration and control machinery, as well as for the training of enforcement and customs personnel, and for the creation of pilot projects aimed at developing substitute crops or other means of livelihood for opium farmers.

Mr. PASSMAN. Does this organization plan to attack the problem at the source by stopping the growth of the plant?

Mr. DE PALMA. The substitution of crops or other means of livelihood for opium farmers is one of the major approaches to the problem of eliminating opium production.

International Atomic Energy Agency Program

Mr. Passman. The next program is the International Atomic Energy Agency operational program for which the fiscal year 1972 estimate is $1,550,000, the same as last year. What is the total estimated program level for 1972 for this operation?

Mr. De Palma. The total estimated program level for 1972 is $3,715,000, to be financed almost entirely by cash contributions from governments. This figure does not include in-kind contributions which we and others may make.

Mr. Passman. You indicate that the U.S. contribution is in cash and in kind. Would you please explain what makes up the "in kind" portion?

Mr. De Palma. The contributions in kind, which we estimate will be approximately $606,500, will be about equally divided between the U.S. Atomic Energy Commission and the National Academy of Sciences. The Atomic Energy Commission plans to spend $198,250 for equipment grants, and $55,000 for training courses and a study tour in the U.S. and $50,000 for providing the services of experts. The National Academy of Science will use its portion for approximately 40 fellowships to be awarded for training in American institutions.

World Meteorological Program

Mr. Passman. The next program is the World Meteorological Organization—voluntary assistance program for which the fiscal year 1972 estimate is $1,500,000, the same as last year. What is the proposed funding level for this program in 1972?

Mr. De Palma. The Organization has set a target for voluntary assistance program expenditures of $5,500,000 per year for the financial period 1972–75. This amount includes donations of equipment and services, cash contributions, and expenditures for long-term fellowships.

Mr. Passman. What part of the fiscal year 1972 request will be in cash and what part will be made "in kind"?

Mr. De Palma. The cash contribution is expected to total about $150,000, based on matching 40 percent of the total unrestricted cash contributions. The remainder, $1,350,000, will be used for "in-kind" contributions to the equipment and services part of the WMO voluntary assistance program. The foregoing breakdown represents a balance in terms of the Organization's needs for cash and in-kind donations to operate this program.

U.N./FAO World Food Program

Mr. Passman. The next program is the U.N./FAO world food program for which the fiscal year 1972 estimate is $1,500.000, the same as last year. Is this total request used only for administrative expenses?

Mr. De Palma. Yes; this amount is pledged specifically for the administrative costs of the program.

Mr. Passman. You indicate the United States has pledged $85 million in commodities and $37 million in shipping services to transport these commodities. Why are the transportation charges so high?

Mr. De Palma. The wording of this part of our pledge was as follows: "Shipping services to transport all commodites contributed

by the United States, such services being estimated at $37 million." I should emphasize that the $37 million figure is merely an estimate of the shipping costs based upon previous years' experience and taking into account the possibility of cost increases. Depending upon the destination and timing of each shipment and the quantities involved, the costs may be actually less than the amount projected in the pledge. On the basis of experience in 1969 and 1970, the ratio of ocean shipping costs to export value for donations to WFP has approximated 40 percent. To the extent possible, WFP shipments are made via U.S. carriers and, being usually relatively small in quantity, must generally be shipped at liner rather than bulk shipping rates.

Mr. PASSMAN. Would you provide a list of the 122 emergency operations, indicating the country, the type of project and the cost?

Mr. DE PALMA. Yes; sir.

(The information follows:)

WORLD FOOD PROGRAM EMERGENCY OPERATIONS
(In thousands of dollars)

Completed Projects

Country	Type of Project	Cost
Latin America and Caribbean		
Bolivia	Emergency assistance to Bolivian Highlands	788
Brazil	Flood victims feeding	372
	Flood relief in Rio de Janeiro	3
Chile	Storm and flood relief	414
Cuba	Hurricane victims relief	795
Dominican Rep.	Drought relief	2,380
Ecuador	Flood victims in two Provinces	42
El Salvador	Refugees	499
Guyana	Refugees feeding	124
Honduras	Flood victims relief	67
Jamaica	Drought relief	491
Peru	Assistance to livestock	386
	Earthquake victims	853
Surinam	Flood victims	77
Trinidad	Hurricane victims relief	482
North Africa and Near East		
Algeria	Rehabilitation of need and refugees	721
	Afforestation	1,375
Iraq	Assistance for Euphrates flood victims	750
Jordan	Displaced persons	4,019
	War victims	126
Morocco	Relief of the flood victims	2,524
Sudan	Assistance to Ethiopian Refugees	344

World Food Program (Continue)

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Country	Type of Project	Cost
Sudan	Displaced Sudanese 1969	435
Syria	Refugee feeding and flood victims relief	329
	Assistance to Euphrates flood victims	430
	Displaced persons	1,352
	1968 Euphrates floods	540
	Floods	597
Tunisia	Flood victims	1,904
UAR	Displaced persons	555
	Assistance to flood victims	51
Yemen	Famine relief	1,686
	1969 drought victims	1,734
West Africa		
Burundi	Emergency feeding of refugees	310
	Relief of refugees	126
Cent. Af. Rep.	Emergency food aid to Sudanese refugees	422
Chad	Famine relief	182
Congo (Br.)	Refugees feeding	9
Congo (Kins.)	Malnutrition relief in the Kivu	42
	Relief of malnutrition in the Kivu	25
Dahomey	Political refugees feeding	21
Gabon	Refugee children	180
Gambia	Drought	358
Ivory Coast	Refugee children from Nigeria	38
Mali	Drought relief	924
Mauritania	Drought	642
Niger	Drought	296
Nigeria	Civil war victims	3,050
Senegal	Food relief for rural dought stricken population	365
	Drought	399

World Food Program (continue)

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Country	Type of Project	Cost
Europe and East Africa		
Botswana	Famine and drought relief	2,030
	Aid to drought stricken areas	1,363
Greece	Relief of earthquake victims	141
	Emergency food assistance for earthquake victims	183
Kenya	Famine relief	1,597
Lesotho	Aid to drought stricken areas	693
Mauritius	Cyclone	179
Roumania	Food assistance to flood stricken areas	1,747
Somalia	Feeding of needy due to crop failure	495
Tanzania	Rehabilitation of needy and refugees	32
	Feeding of Mozambique refugees in Tanzania	182
	Feeding of Rwandian refugees in Tanzania	31
	Feeding of Congolese refugees in Tanzania	7
Turkey	Food assistance for earthquake victims	1,303
	1967 earthquake in Pulumur and Tercan	525
	Floods and storms	173
	Drought	893
Uganda	Refugees feeding	235
	Sudanese refugees in Nakapiripirit	234
Yugoslavia	Earthquake, Banja Luka	140
Zambia	Congolese refugees	17
	Angolan refugees	14
	Refugees	30
	Mozambique refugees	7
Asia		
Afghanistan	Drought in seven provinces	1,106
	Drought stricken victims in Paktia	342
Ceylon	Cyclone victims relief	177
	Flood victims	208
India	Food assistance in drought stricken areas	7,453
	Drought emergency in Bihar and Uttar Pradesh	5,811

World Food Program (Continue)

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Country	Type of Project	Cost
Indonesia	Relief of victims of volcano eruption in Bali	951
	Famine relief, isl. of Lombok	608
	Flood victims	800
	Flood victims, East Java	558
	Resettlement of refugees in the West Kalimannan	958
Iran	Relief of the earthquake victims	276
Malaysia	Relief of flood victims	212
Nepal	Food assistance for earthquake emergency	124
Pakistan	Emergency food aid for drought (W. Pakistan) cyclone (E, Pakistan)	2,819
	Flood emergency East Pakistan	625
	Flood emergency East Pakistan	3,874
Philippines	Relief of typhoon victims	165
	Volcano eruption	14
Thailand	Hurricane victims relief	76
W. Samoa	Assistance for hurricane victims	569

Current Projects

Latin America and Caribbean		
Chile	Drought	2,293
Colombia	Floods in two departments	124
Costa Rica	Floods	98
Haiti	Drought - stricken area in the North West	2,166
North Africa and Near East		
Algeria	Flood victims	2,476
	Drought	656
Sudan	Assistance to refugees from (Congo Kinshasa)	101
	Drought in Eastern Kassala	1,487
	Ethiopian refugees 1971	224

World Food Program (Continue)

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Country	Type of Project	Cost
Yemen		
	Drought victims in the Tihama and North of Sada'a and Sana'a	1,731
	Drought	3,365
Western Africa		
Chad	Drought and floods	60
Equatorial Guinea	Emergency food assistance to hospitals and schools	649
Gambia	Drought	286
Ghana	Drought victims	182
Mauritania	Drought	1,756
Niger	Expellees from Ghana	1,812
Senegal	Portuguese Guinea refugees	109
Togo	Drought	299
Europe and Eastern Africa		
Cyprus	Drought	1,249
Hungary	Flood victims	2,164
Lesotho	Drought	997
Somalia	Drought	684
Swaziland	Drought	702
Tanzania	Mozambique refugees in Mputa	739

U.N. Institute for Training and Research

Mr. Passman. The next program is the U.N. Institute for Training and Research for which the fiscal year 1972 estimate is $400,000, the same as last year. In what ways has this organization helped make the U.N. more effective?

Mr. De Palma. The impact of the UNITAR program on the effectiveness of the U.N. tends to be longer-range, indirect, cumulative, and thus difficult to measure. But I think it is fair to say that UNITAR is showing results which make this investment well worthwhile. On the training side, a very important step was the decision of the Board of Trustees to establish a U.N. staff college to serve the entire U.N. system. We have for years urged the U.N. to develop an in-house capacity to train intermediate and higher-grade staff in the secretariats as many American businesses do. We support the idea of a staff college, with the understanding that no additional burden will be placed on the UNITAR budget, and that it will be financed out of the training budgets of U.N. agencies. On the research side some useful studies are being completed which focus on practical questions of how to improve the efficacy of the U.N. Examples are an operational analysis of the coordinating role of the Economic and Social Council (ECOSOC) with respect to the economic and technical activities of the U.N. system; a study of the criteria for evaluating U.N. assistance for developing countries; a study of the problems and remedies of marine pollution which is an area of increasing interest to the world community; and a study of safeguards established and administered by the International Atomic Energy Agency (IAEA) to insure that nuclear materials and information made available by the agency for nonmilitary purposes are not diverted.

World Health Organization—Medical Research

Mr. Passman. The next program is the World Health Organization-Medical Research for which the fiscal year 1972 estimate is $312,000, an increase of $165,000 above last year's allocation. Would you please explain the large increase?

Mr. De Palma. The International Agency for Research on Cancer was established in 1965. Its statute provided that for the first 5 years each member should pay $150,000 annually. Toward the end of the initial trial period (1969), the Governing Council forecast a rising need for funds. Some members also proposed a change in the quota system. to provide that each member would pay a basic contribution of $150,000 plus an additional sum related to capacity to pay. Under this arrangement, the United States and the U.S.S.R. are to pay $312,352 (14.26 percent) in 1971. The total budget for the year is $2,190,000.

Mr. Passman. Have there been any breakthroughs in cancer research discovered by this program?

Mr. De Palma. The National Cancer Institute (NCI) believes that the work of the International Agency for Research on Cancer (IARC) affords a unique opportunity to study cancer through the world. NCI states that these studies are a valuable contribution to its work as its officials now believe at this stage of study that it is likely that 85 percent of cancer is caused by external or environmental fac-

tors and that by making comparisons of these conditions in areas where the incidence of cancer is exceptionally heavy, NCI is able to focus on environmental causes that are similar. An example of the value of comparative studies is liver cancer, the incidence of which is increasing in this country. By using studies made by IARC in Mozambique, West Africa, NCI and IARC are able to cooperate in concentrating on selected studies of environmental conditions, which is now giving them a better insight as to the causes of cancer.

International Secretariat for Volunteer Service

Mr. Passman. The next program is the International Secretariat for Volunteer Service for which the fiscal year 1972 estimate is $73,000, an increase of $3,000 above last years' allocation. In addition to the U.S. contribution, we also detail two Peace Corps staff members to the organization; is that correct?

Mr. De Palma. Yes, sir.

Mr. Passman. Who pays the salaries of the two staff members?

Mr. De Palma. The Peace Corps pays the salaries of these two officers.

Mr. Passman. What volunteer programs have you started in the last year and in what countries were they started?

Mr. De Palma. The International Secretariat for Volunteer Services recently started two programs which we think hold a great deal of promise. I'm speaking of a multinational volunteer team which is organized, prepared, and sent to the Yemen at the request of that government. This team of volunteers participates in projects of agricultural improvement sponsored by the UNDP. It is a small team of only six members from Switzerland, Austria, Italy, United Kingdom, India, and the United States. The other multinational team which has been sent is in Panama at the request of that country. These volunteers will participate in community development and agricultural projects. Volunteers from Chile, Costa Rica, Panama, Ireland, Germany, Austria, and the United States make up this team.

United Nations Relief and Works Agency

Mr. Passman. The next program is the United Nations Relief and Works Agency for which the fiscal year 1972 estimate is $13,300,000, the same as last year. In addition to the $13,300,000 request, how much will the United States provide in Public Law 480 commodities?

Mr. De Palma. We propose to provide $8.9 million in agricultural commodities as part of our estimated contribution to UNRWA of $22.2 million in fiscal year 1972.

Number of refugees

Mr. Passman. What are the total Arab refugees presently being handled by this agency?

Mr. De Palma. At the end of 1970 there were 1,436,829 Palestinian refugees from the 1948–49 Arab-Israeli war registered with UNRWA and distributed as follows: East Bank of Jordan, 517,136; Israeli-occupied West Bank of Jordan, 269,996; Gaza (Israeli occupied), 312,922; Lebanon, 176,896; and Syria 159,879.

Mr. PASSMAN. Are all these refugees the result of the 1948–49 Arab-Israel conflict or are some a result of the 1967 war?

Mr. DE PALMA. UNRWA's formal mandate is restricted to refugees of the 1948–49 war. The numbers I gave you relate only to this war. UNRWA has been authorized, however, to provide humanitarian assistance "on an emergency basis and as a temporary measure" to persons other than registered refugees from the 1948–49 conflict and who are displaced and in need of continued assistance as a result of the June 1967 hostilities. This temporary assistance was initially authorized in the Emergency Session of the General Assembly in July 1967, and has been reaffirmed by subsequent annual General Assemblies. There are over 300,000 persons in this category; they are not eligible for rations but are receiving limited services from the Agency.

GUERRILLA USE OF UNRWA CAMPS

Mr. PASSMAN. Many complaints have been leveled against UNRWA about the failure to carry out some of its basic purposes in allowing the guerrilla and terrorist groups to use UNRWA camps. Would you please comment on this situation?

Mr. DE PALMA. On the basis of our knowledge of UNRWA operations, and taking into account assurances received from the Commissioner General, we believe that UNRWA is taking all measures possible, under the circumstances and in accordance with its mandate, to comply with the limitations contained in section 301(c) of the Foreign Assistance Act. UNRWA is doing everything it can to insure that all contributions, including ours, are used exclusively for assistance to eligible refugees who are present in the area where they are registered and who are in need of that assistance. We have been assured that UNRWA's inventory and distribution controls insure that virtually no diversion of commodities can occur without immediate detection. UNRWA reports that persons receiving military training have their food and other needs met by the organizations in question, and not by the Agency. In Jordan, during the fighting last September between commando and Jordanian army forces, UNRWA operations were interrupted and some UNRWA supplies and epuipment were lost. Apart from these losses, UNRWA has maintained its control over its own operations and property in Jordan. A large percentage of UNRWA's assistance to refugees, furthermore, is in the form of health and educational services which are provided directly to the refugees themselves.

Mr. PASSMAN. Since this program has been in operation about 22 years, I assume it is not likely the program will terminate in the foreseeable future. Is that correct?

Mr. DE PALMA. We believe that the Arab refugee problem is likely to be solved and UNRWA's program terminated only as a part of an overall settlement of the Arab-Israeli dispute. The interrelationship of the various elements of a Middle East peace settlement, including a just settlement of the refugee problem, was recognized in United Nations Security Council Resolution 242 of November 22, 1967. We are working within the framework of this resolution to assist current Middle East peace efforts in every way possible.

U.N. Force in Cyprus

Mr. Passman. The last program is the United Nations Force in Cyprus for which the fiscal year 1972 estimate is $4,800,000, a decrease of $1,200,000 below last year. How were you able to decrease this program by $1,200,000 below last year's allocation?

Mr. De Palma. In an attempt to deal with the problem of the growing UNFICYP deficit, the United Nations reduced its Force in Cyprus from 3,600 to 3,100 through the reorganization and redeployment of the Force beginning in early 1970. Consequently the costs to the United Nations of the Force were reduced. In accordance with our 40-percent matching principle, the United States obligated only $4.8 million for its pledge to UNFICYP for fiscal year 1971. We are requesting $4.8 million for fiscal year 1972.

Mr. Passman. Will the United States provide any commodities or services in addition to its cash contribution in fiscal year 1972?

Mr. De Palma. At present, we have no plans to do so.

PAST INCIDENTS

Mr. Passman. What incidents have occurred on Cyprus in the last year?

Mr. De Palma. Several serious incidents occurred within the Greek Cypriot community in Cyprus which could have endangered the precarious peace on the island. Continuing instability in Cyprus resulted in the March 1970 assassination attempt on President Makarios and in the assassination of a former Greek Cypriot Minister of the Interior.

Fortunately there have been relatively few serious intercommunal incidents in the past year. The worst incident occurred in August 1970 when Greek National Guardsmen arrested three Turkish Cypriots for violating a curfew, killing one and wounding the other two, while they were in Greek Cypriot custody. UNFICYP investigated the incident and arranged for compensation to the families of the three Turkish Cypriots. Another potential danger to the peace occurred in March 1971 when the Turkish contingent of 800 men, which is stationed in Cyprus under the terms of the London-Zurich agreements, rotated new troops into Cyprus. Two Turkish warships came dangerously close to the island, arousing the fears of the Cypriot Government. UNFICYP monitored the troop rotation and was able to reassure the Cypriot Government that the rotation would not provoke an incident. Several intercommunal incidents occurred in June 1971 which were settled quietly by UNFICYP.

WITHDRAWAL OF FORCE

Mr. Passman. When do you think we will be able to pull out the United Nations Force on Cyprus?

Mr. De Palma. Frankly, in light of the lack of progress in the intercommunal talks, we feel there is little prospect of withdrawing UNFICYP from Cyprus in the near future. U.S. and NATO interests require the maintenance of peace in that part of the Mediterranean. While we hope that the intercommunal talks will be successful and will lead to the restoration of normal conditions on the island, we fear that

peace and stability would not be maintained if UNFICYP were to be withdrawn prematurely.

Mr. PASSMAN. How many troops make up the United Nations Forces?

Mr. DE PALMA. At present UNFICYP is composed of 3,177 men of whom 3,007 are military personnel and 170 are civilian police.

Mr. PASSMAN. I now yield to Mr. Roybal.

UNITED NATIONS FUND FOR DRUG ABUSE

Mr. ROYBAL. I am interested in the United Nations Fund for Drug Abuse Control. How does that work? What specifically are we doing to control the illegal importation of drugs to the United States?

Mr. DE PALMA. Sir, I can speak directly to the things we are doing through the U.N. We are doing, many things on a wide front. We have given very high priority to this program in the U.N. but it is a very new program, started only this year. At our urging, the Secretary General established a Special U.N. Fund for Drug Abuse Control, starting the first of March of this year. It is to finance programs that help governments and international bodies combat illicit trafficking in drugs. We have pledged $2 million to the fund for this year and so far have actually paid over $1 million. This fund is to work up a whole series of projects, some of which were explained in the statement which I made.

In addition, we believe that the 1961 Single Convention on Narcotic Drugs should be strengthened to provide enforceable and obligatory international controls on the cultivation of the opium poppy and other narcotics producing plants, and on the production, manufacture, and export of opium, opium derivatives, and other narcotics, in order to limit these activities to the minimum essential for legitimate medical and scientific needs.

We are now engaged in a very intensive effort to get this convention amended. We have draft amendments to the convention which we are negotiating with a whole series of governments. If adopted, this will enable the international community for the first time to require, as a matter of right, full information in the consultive agencies on the production of opium, to order reductions in the consultive agencies of production where there is a significant danger of illicit diversion and where world needs are already being met, and to order worldwide remedial measures, including a partial or full embargo on the export or import of drugs of this kind.

CONVENTION ON PSYCHOTROPIC DRUGS

We have also negotiated a convention covering psychotropic drugs. That is now before the Senate. That one we have negotiated.

Mr. ROYBAL. Does this mean that the convention will deal with the growing of the poppy in Turkey and Mexico?

Mr. DE PALMA. Yes; it does.

Mr. ROYBAL. And other parts of the world?

Mr. DE PALMA. Yes.

Mr. ROYBAL. Will it also deal with the overproduction of hard drugs in the United States that are exported to other parts of the world?

Mr. DE PALMA. The other convention will deal with that.

Mr. ROYBAL. Which one?

Mr. De Palma. The one on psychotropic drugs.

Mr. Roybal. Is that the one now before the Senate?

Mr. De Palma. That is correct.

Mr. Roybal. That will deal with the overproduction of hard drugs, not only in the United States, but elsewhere throughout the world?

Mr. De Palma. Elsewhere?

Mr. Roybal. Elsewhere.

Mr. De Palma. Yes, sir.

Mr. Roybal. There are then two conventions?

Mr. De Palma. That is correct, one dealing with opium and opium derivatives and the other dealing with psychotropic drugs.

Mr. Roybal. I am interested in the amount of money to be invested in this program by the United States and how much of this budget is going for that purpose.

Mr. De Palma. As I have said, we have pledged $2 million already for this U.N. drug control fund. We are asking for $2 million more in this submission. This obviously is only a beginning. If this job is to be done the way we would like to have it done, it will require more money in the future.

Mr. Roybal. Do you envision a permanent structure dedicated to this specific purpose in the future?

Mr. De Palma. Yes, sir. There is a specific unit in the U.N. secretariat and also a special representative that the Secretary General has appointed, a Dutchman, Ambassador Schurmann, to run this program. We are working very closely with the U.N. on it.

FUTURE STRUCTURE OF DRUG CONTROL PROGRAM

Mr. Roybal. Do you have any idea what the structure of that particular program will be at the moment?

Mr. De Palma. They are thinking of a whole range of activities, including dealing with production, trying to get substitution of crops, trying to encourage people not to grow the stuff. They are also dealing with enforcement machinery, helping governments build up their enforcement machinery or create such machinery where they do not even have it.

Many, many other activities of this kind.

Mr. Roybal. Then this will result in a multilateral effort?

Mr. De Palma. Right, to back up our bilateral effort.

Mr. Roybal. Also to insist on the substitution of other crops so that poppy and other drugs will not be grown?

Mr. De Palma. That is exactly correct.

Mr. Roybal. I think it is an excellent program.

Mr. De Palma. We have no illusions about this job. It is a very tough job.

Mr. Roybal. That I understand, but this is a beginning, you have to start somewhere.

Mr. De Palma. Exactly.

Mr. Roybal. This I think is an excellent start.

How much altogether is being spent on this program? We are putting in $2 million.

Mr. De Palma. The fund was only established in March of this year. We were the first to contribute. So far only three other countries have contributed the small amount of $44,000. We are expecting sig-

nificant contributions from other governments. The effort is just now underway to get the contributions.

Mr. ROYBAL. You must have a projected budget for this year.

Mr. DE PALMA. The budget for this year is going to have to be on the order of $2 million plus a fraction. For next year we have not formulated a budget. We want to see what the collections are this year and then project something for next year. This only just got underway, as I say.

Mr. ROYBAL. But the program does call for a multilateral effort.

Mr. DE PALMA. Absolutely.

Mr. ROYBAL. I think it is excellent. I think this is the only way that this problem can actually be licked.

Mr. DE PALMA. I think the efforts we are making unilaterally now are absolutely essential because you cannot wait for this U.N. program to get underway. Once it gets underway, it is our hope it will come in behind our efforts and will continue in a sustained effort to control the drugs.

Mr. ROYBAL. Am I to assume then that the $2 million that the United States is putting into this project is going to be used mostly for organizational purposes?

Mr. DE PALMA. I would say initially that would have to be the case, yes, for the first year.

Mr. ROYBAL. Probably for the first year.

Mr. DE PALMA. Yes, but already we are looking for some small projects to get started.

Mr. ROYBAL. Because we should not organize too long, the need is so great?

Mr. DE PALMA. No. I can assure you we are pushing this just as hard as we can. We have had people working full time on it along with the U.N. people.

Mr. ROYBAL. Thank you very much.

Mr. PASSMAN. Thank you.

Mr. De Palma, I think we all recognize that somehow or other we must bring under control the tremendous increase in narcotics which are being consumed, but I would think that too many can get in on this deal.

PRESIDENT'S PROGRAM FOR DRUG CONTROL

Our President has inaugurated a crash program, has he not, and asked for around $100 million?

Mr. DE PALMA. He has, yes.

Mr. PASSMAN. Many other agencies have programs going. I think the President stated only recently that he wanted to bring all of these programs into one and to have one individual heading all of them.

Do you remember that?

Mr. DE PALMA. Yes, sir.

Mr. PASSMAN. I think he is absolutely correct.

Mr. DE PALMA. Yes, sir; but I do not think we want to contemplate the United States doing it all by itself over a long period of years.

Mr. PASSMAN. I am only telling you what the President said, that he wanted all of these agencies to be consolidated into one agency.

Mr. DE PALMA. Yes, sir.

Mr. PASSMAN. Where he had the power to do the things necessary to bring it under control.

Mr. DE PALMA. Yes, sir.

Mr. PASSMAN. Some of these nations who are contributing little tidbits to this fund are likewise the nations who are growing the poppy and it is a source of income to those nations and they are somewhat reluctant to do anything about it; are they not?

Mr. DE PALMA. They have been, but we hope we can——

Mr. PASSMAN. It is actually getting worse; is it not?

Mr. DE PALMA. It certainly has not gotten any better.

Mr. PASSMAN. I just wish you people would cooperate with the President and not get this thing scattered into a lot of little pieces. You people come in and make a great big case as to what you are accomplishing and maybe you are not accomplishing anything. I would rather see us approach this thing on a bilateral basis and just give the administration, whether it is Republican or Democrat, all the money they need to do just what Mr. Nixon says he is going to do, consolidate the operation into one agency under one head and give him the authority to knock heads together and make it abundantly clear to these nations around the world that you are either going to cooperate or else; is that not about what he said?

Mr. DE PALMA. I could not agree with you more. All I say is, I hope you agree it is also important to try to get other governments to put up money.

Mr. PASSMAN. I do not know whether it is your place to try. There is too little that you have accomplished. I think this is too important a program to delay.

I think to bring this under control, it is going to take a crash program and I think we are fast getting into it. I think the machinery is oiled, it is in action. I think Mr. Nixon means business. I wish you people would give them a chance to operate before you go spending all your money for organization.

Mr. DE PALMA. I do not think this is a one-shot program.

Mr. PASSMAN. I am not going to argue with the President. I know what he has proposed and I am going to support him.

Mr. Shriver?

OTHER U.N. PROJECTS

Mr. SHRIVER. Thank you.

I agree with you on this. Where did this $2 million come from which we put up last year? Was it in last year's budget?

Mr. DE PALMA. It was a reprograming of funds from last year's budget. It was not in our initial request. This fund was created after we testified before this committee.

Mr. SHRIVER. OK. From what you said, we are not getting any money from anybody else except for this $40,000.

Mr. DE PALMA. Sir, they just started, they have just appointed a man to go out and collect money. I do not think we have any way of knowing. We certainly expect to get substantial contributions. I will not say how much.

Mr. SHRIVER. On page 9 you say you are reviewing the ratio of our contributions to the U.N. Fund for Population Activities.

Mr. DE PALMA. We have told them although we contribute on a 50-percent matching basis, we reserve the right to review that formula

in the future. We have come down from an almost exclusive supplier of those funds to 50 percent.

Mr. SHRIVER. What is the status of the world weather watch plan for which you are requesting an additional $1.5 million?

Mr. DE PALMA. Sir, this is one of the very successful U.N. programs. It is moving on schedule. Dr. White of NOAA tells me it is completely on target, working exactly the way it was designed to work.

We are now gradually building up facilities around the world for weather reporting and transmission of the reports so that they can build up a global weather network, which we have never had before.

Mr. SHRIVER. On page 16, you mention some studies completed by the U.N. Institute for Training and Research. Would you tell us the results of the brain-drain study and the one dealing with comparative studies on measures against racial discrimination?

Mr. DE PALMA. Sir, these were, I must say, rather academically inclined studies, which analyzed numbers of people going from the less-developed countries to the more-developed countries, who were trained in the more developed countries and stayed there, and so forth.

It was an attempt to analyze it from the point of view of the loss to the less-developed countries. They were not—these two studies were not studies that had any very direct operational aspects to them. They were analyses.

Mr. PASSMAN. Will the gentleman yield?

Mr. SHRIVER. Certainly.

Mr. PASSMAN. Off the record.

(Discussion off the record.)

U.N. RELIEF AND WORKS AGENCY

Mr. SHRIVER. Concerning the U.N. Relief and Works Agency, you mention on page 19 that some services will be reduced unless someone comes up with an additional $1 million for fiscal 1971. Are you requesting funds to meet this shortfall?

Mr. DE PALMA. No; we are not, as we are hopeful that contributions from other governments, in combination if necessary with further reductions in planned expenditures, will enable UNRWA to balance its budget.

Mr. SHRIVER. You go on to say the U.S. share has been reduced from 70 percent to about 55 percent in 1970. A table you inserted into last year's hearings at my request shows the total U.S. share of this program to be 60.57 percent in fiscal 1971. Could you comment on this?

Mr. DE PALMA. The estimate of 60.57 percent for fiscal year 1971 was made in the spring of 1970. We are now at a point where we have more complete figures for 1971. The unexpected increase in contributions from other governments, as a result of the Working Group and other special fund-raising activities undertaken this year, accounts in large measure for the decrease from 60.57 percent to around 55 percent.

JAPAN'S CONTRIBUTIONS TO INTERNATIONAL ORGANIZATIONS

Mr. SHRIVER. Has Japan increased its percentage contribution to these agencies in line with its economic growth? Give us the statistics on this.

Mr. De Palma. Between 1965 and 1970 Japan's gross national product increased from $88.3 billion to an estimated $196.5 billion or 123 percent. During the same years Japan's contributions to the U.N. Development Program and other U.N. voluntary programs generally increased, but in some cases at a slower rate than the growth of its GNP.

During this period Japan increased its annual pledge to the UNDP from $2.9 million to $4.8 million, an increase of 65.5 percent. Its contribution to UNICEF rose from $236,200 to $686,000, or 190.4 percent, and to the World Food Program, from $222,222 to $470,000, or 111.5 percent. Japan's contribution to UNRWA, which had been in the range of $30,000 to $50,000 through 1969, was increased in 1970 to $350,000.

SOUTH AFRICAN REFUGEES

Mr. Shriver. You are not requesting any funds for programs involving people in South Africa or refugees from that country. Is that correct?

Mr. De Palma. Yes, that is correct.

Mr. Shriver. Are you familiar with an AID bilateral education project for such people? How does it differ from what you have previously requested funds for? How do the dollar amounts compare?

Mr. De Palma. The AID program to which you refer has been chiefly directed toward U.S.-sponsored projects in secondary education, whereas the projects for which we have previously requested funds were U.N. programs in higher education. The AID program more directly serves U.S. policy interests and has been, and continues to be, separate from the U.N. program.

Southern Africa refugee assistance for fiscal year 1972, which is included in AID's Southern Africa regional program, continues a project begun in fiscal year 1962 to provide educational assistance to refugees by helping African countries of asylum finance the cost of refugee education. Selected refugees from the Portuguese territories, Rhodesia, South Africa, and Zambia will be given educational opportunities to acquire sufficient skills to earn a living and help develop a reservoir of trained manpower for future leadership positions in Africa.

The funding of AID's proposed fiscal year 1972 program is set at $300,000. The U.S. contribution to the U.N. fund was intermittent, amounting to a total of $125,000 over a 5-year period, with our last contribution having been made in 1968.

PERCENTAGE BILATERAL/MULTILATERAL AID

Mr. Shriver. On page 287 of last year's hearings, you inserted information at my request showing that 80 percent of our foreign aid expenditures in fiscal year 1970 (as defined by AID) were allocated on a bilateral basis, the remaining 12 percent on a multilateral basis. What are those percentages for fiscal year 1971?

Mr. De Palma. The total estimated expenditures in fiscal year 1971 for all types of foreign assistance is $4.124 million. Of this total $3.709 million, or 90 percent is bilateral assistance, and $415 million, or 10 percent, is multilateral. The bilateral amount includes AID, MAP, Peace Corps and Public Law 480. The multilateral consists of U.S. participation through the Treasury Department in international fi-

nancial institutions and AID contributions to international organizations and other multinational activities.

Mr. PASSMAN. Mrs. Reid?

COUNTRIES DELINQUENT UNDP CONTRIBUTION

Mrs. REID. Thank you. Are any member countries delinquent in their contributions to the UNDP at this time?

Mr. DE PALMA. As of March 31 of this year, 16 countries had not completed payments on their pledges for 1969 and prior years. The total amount outstanding is $1,386,263. This compares with the total of over $2 billion which has been paid by all donors since the inauguration of the UNDP. I have a table listing those countries and their outstanding payments which I would be happy to provide for the record.

(The information follows:)

Bolivia	$90,000	Mauritania	3,561
Bulgaria	27,490	Nicaragua	28,000
Dahomey	115,728	Pakistan	40,337
Dominican Republic	10,000	Peru	165,840
Ecuador	219,008	Senegal	130,000
El Salvador	7,700	Sudan	160,000
Gabon	2,248	Tunisia	10,000
Iraq	220,000		
Mali	156,251	Total	1,386,263

U.N. FUND FOR DRUG ABUSE CONTROL

Mrs. REID. Have there been any accomplishments thus far as a result of the establishment of the U.N. Fund for Drug Abuse Control?

Mr. DE PALMA. The Fund is very new, having been formally established only 3 months ago (April 1, 1971). However, the Fund is initiating research to determine precisely how, within the general framework of the Fund's purposes, specific U.N. member nations can be assisted in controlling drug abuse.

INTERNATIONAL AGENCY FOR RESEARCH ON CANCER

Mrs. REID. What specific achievements have resulted from the work of the International Agency for Research on Cancer?

Mr. DE PALMA. The U.S. National Cancer Institute (NCI) considers the work of the International Agency for Research on Cancer (IARC) as being highly important, from both the scientific and international cooperation aspects. Some of the most significant activities and achievements of the Cancer Agency are those involving international cooperation, such as studies on cancer-causing air pollutants in populations of different countries, cancer virology investigations in countries which could not conduct the work themselves, determining and seeking important clues to account for the differences in various cancers among selected populations in different countries, and a whole series of scientific activities which include the development of a common terminology. The Cancer Agency affords a unique opportunity to study cancer through the world; much of this research could only be conducted through an international organization like the IARC. NCI

states that these studies are a valuable contribution to its work, as its officials now believe that at this stage of study, it is likely that 85 percent of cancer is caused by external or environmental factors. By making comparisons of these conditions in areas where the incidences of cancer is exceptionally heavy, NCI is able to focus on environmental causes that are similar. An example of the value of Cancer Agency comparative studies is the study of liver cancer, the incidence of which is increasing in this country. By using studies made by IARC in Mozambique, West Africa, NCI and IARC are able to cooperate in concentrating on selected studies of environmental conditions, which is now giving them a better insight as to the causes of cancer.

COOPERATIVE ACTIVITIES BETWEEN INTERNATIONAL SECRETARIAT FOR VOLUNTEER SERVICES AND U.S. NATIONAL CENTER FOR VOLUNTARY ACTION

Mrs. REID. Have there been any cooperative activities between the International Secretariat for Volunteer Services and our own National Center for Voluntary Action?

Mr. DE PALMA. No; there haven't been any to date.

LIMITATIONS ON USE OF CONTRIBUTIONS

Mrs. REID. Do any countries which make contributions to international organizations limit the use of their contributions to a particular country or area or a particular project or program?

Mr. DE PALMA. Programs in the U.N. system supported by voluntary contributions accept in varying degrees contributions which are restricted to specific uses.

U.N. development program.—We ourselves insist that U.S. contributions to the UNDP may not be used for projects in Cuba. Section 301 (b) of the Foreign Assistance Act of 1961, as amended, provides that the President shall seek to assure that no U.S. contribution shall be used for assistance to Cuba under the Castro regime.

With respect to restrictions on other contributions, we have already been asked to supply for the record a full statement (see insert, pages 672–73).

UNICEF.—The U.S. contribution to UNICEF's regular program is not restricted as to use. However, funds have been contributed separately to UNICEF for a special project in Vietnam, for Nigerian relief, and more recently for the relief of Pakistani refugees.

In 1970, other countries contributed $8.7 million for specific purposes, including $6.2 million for disaster relief and rehabilitation.

U.N. population program.—Contributions by the United States in fiscal years 1968 and 1969 were earmarked for specified activities within the U.N. system. However, as the direction and management of U.N. population activities improved, the United States made an un-

restricted pledge to the U.N. Fund for Population Activities in 1970 and has encouraged other nations to do the same. The only earmarked pledge to the UNFPA in 1970 or 1971 was made by Japan, which asked that $500,000 of its $1.5 million pledge be used for support of the International Planned Parenthood Federation.

U.N. fund for drug abuse control.—The contributions received thus far have not been earmarked for any specific purposes.

IAEA operational program.—The U.S. cash contribution, which represents about 40 percent of the annual U.S. pledge, is unrestricted. The remainder represents fellowships tenable in the United States, the services of U.S. experts, and equipment procured in the United States. Some other donor governments also restrict the use of resources they have pledged.

WMO voluntary assistance program.—The U.S. cash contribution to the program (about 10 percent of our pledge) is unrestricted. In addition, the United States contributes U.S. equipment, the services of U.S. experts, and training services in the United States. This practice is followed by some other donors.

World food program. The commodities and shipping services pledged by the United States are made available under title II of Public Law 480, and the specific uses and destinations are subject to the laws and regulations pertaining to that title.

UNITAR. The U.S. contribution is unrestricted, as are virtually all contributions of other states.

WHO medical research. All contributions to the International Agency for Research on Cancer are unrestricted.

International secretariat for volunteer services. The U.S. contribution is, pursuant to law, earmarked for informational clearinghouse functions.

UNRWA. Pursuant to section 301(c) of the Foreign Assistance Act, contributions are made on the condition that UNRWA takes all possible measures to assure that funds will not be used to furnish assistance to refugees receiving military training by guerrilla organizations or who have engaged in acts of terrorism. The commodities contribution of $8.9 million is subject to laws and regulations under title II, Public Law 480.

In fiscal years 1970 and 1971, an additional $1 million was also pledged as a special contribution for expansion of technical and vocational training of Arab refugees as authorized by section 302(e) of the Foreign Assistance Act. Other donors also earmark some of their pledges for specific purposes, such as schools.

U.N. Force in Cyprus. U.S. cash contributions are not subject to limitation on use, nor are those of other countries.

Mr. PASSMAN. Thank you, gentlemen, for your appearance. We will adjourn until 1 p.m. tomorrow afternoon.

THURSDAY, JUNE 24, 1971.

LATIN AMERICA

WITNESSES

HERMAN KLEINE, 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
ARTHUR H. BOEHME, JR., DEPUTY DIRECTOR, OFFICE OF DEVELOPMENT PLANNING, BUREAU FOR LATIN AMERICA, AGENCY FOR INTERNATIONAL DEVELOPMENT
JOHN ROTHBERG, SPECIAL ASSISTANT, OFFICE OF DEVELOPMENT PLANNING, BUREAU FOR LATIN AMERICA, AGENCY FOR INTERNATIONAL DEVELOPMENT
CHARLES FLINNER, CONTROLLER, AGENCY FOR INTERNATIONAL DEVELOPMENT
ALLAN R. FURMAN, DEPUTY DIRECTOR, OFFICE OF LEGISLATIVE AFFAIRS, AGENCY FOR INTERNATIONAL DEVELOPMENT

Mr. PASSMAN. The committee will come to order.

We will continue our examination of the foreign aid requests for fiscal year 1972. We have before the committee this afternoon the Honorable Charles A. Meyer, Assistant Secretary of State, Inter-American Affairs; and the Honorable Herman Kleine, Deputy U.S. Coordinator, Alliance for Progress.

Of course, we have the Honorable Charles Flinner, controller, and other supporting witnesses.

We will now be pleased to hear from Charles A. Meyer, Assistant Secretary of State for Inter-American Affairs, and U.S. Coordinator, Alliance for Progress.

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 before this distinguished committee to discuss the fiscal year 1972 appropriations request for economic assistance in Latin America. With your permission, I will limit myself to a few brief general comments. Mr. Kleine will discuss the proposed program in somewhat greater detail.

As you know, four successive administrations have carefully weighed the implications for our national well-being of development progress in the Americas.

Each has concluded that the course and pace of development in the Americas will importantly affect our national well-being, and that our assistance programs can and do make significant contributions to this development.

They have also asked whether we, as a compassionate people, could ignore the urgent development needs of our less-off neighbors.

Each has concluded that failure to be helpful would be inconsistent with our standards of neighborly decency.

For these reasons each of the recent administrations has further concluded that our economic assistance programs serve important U.S. purposes and interests.

It was for these reasons that President Nixon has repeatedly emphasized our U.S. commitment to hemispheric development.

At the same time, the experience of the past decade teaches or reinforces many lessons.

Among these, first we have learned that the task of development must essentially be left to each country itself. Solutions to the problems of development in other countries cannot be "manufactured in the U.S.A." Fundamentally, success or failure depends upon the vigor and wisdom with which national efforts in the developing countries themselves was marshaled. Although our assistance is often critically important to timely and adequate progress, we recognize that our contributions will be effective only when made in response to the initiatives and in support of far larger efforts on the part of our partner countries. We have learned that assistance offered independently of such priorities, efforts, and initiatives is frequently ineffective. We have learned that productive and healthy country relationships can only prosper within this mature view of our respective roles.

We have also learned that the problems of development are not susceptible to quick or easy solutions. Their depth and complexity impels humility on the part of any who would assist in their solution. Many of the profound developmental problems of the hemisphere—especially those resulting from massive rural to urban demographic shifts and rapid population increases, in fact, were only dimly perceived until recently.

For example, in a recent study for the IDB, Dr. Raul Prebisch focused Latin American attention on the fact that even the relatively high rates of growth of output and income attained in the last 1960's did not succeed in absorbing the growing labor force. Consistent with our own conclusions, he pointed to the need for still higher levels of investment to avert the threat of progress being overwhelmed by demographic calamity. His sobering assessment, once again emphasizes the essentiality of vastly increased national efforts, and the continued flow of external private and public sector capital, technical, and managerial resources.

Despite their best efforts, many countries will remain extremely vulnerable for years to come to fluctations in world prices for their key commodity exports. The cost, for example, to Colombia of a 5-cent-a-pound drop in the price of coffee would be about $44 million a year, while Brazil would lose more than $130 million. Dominican Republic export earnings would fall $20 million with each 1-cent fall in sugar prices. These spectres of the same troubles that have stopped Latin American development progress so often in the past threaten constantly to undermine encouraging present attainments.

The difficulty to which Dr. Prebisch pointed in absorbing labor in modern industry shows that a large proportion of the underprivileged people can be left behind despite considerable growth and modernization in the economy at large. Vigorous efforts are required to assure

that the benefits of growth are distributed to the common man. Far too many are left behind in rural stagnation or in the helpless destitution and desperation of the burgeoning urban slums. In much of the Americas, despite historically unparalleled gains in health, education, agriculture and industry, the benefits of progress still elude much of the population. For example despite an increase of over 70 percent in primary school enrollment, three-eighths of the elementary school-age children are still not enrolled.

We have learned that addressing effectively the problem of bringing tangible benefits to the common man in terms of jobs, schooling, health facilities, and housing will require both building upon the considerable momentum already achieved, and more importantly, upon devising new and innovative approaches as yet barely tested or on the drawing board. Traditional approaches and existing technologies will not suffice to solve the historically unique and crushing problems of underdevelopment.

I believe that the program you are examining today fits well these lessons of the past. In addition, reflecting our own budgetary stringencies, it is a lean and minimum program.

Further stringency, in fact, would seem unwise. Indeed, and parenthetically, although interpretations of the data vary, it appears that the net flow of payments of trade, public and private sector lending and amortization reflows has swung to our favor in recent years. Further reductions in the assistance program, therefore, would not only force postponement of developmentally important programs, but also exacerbate the feeling that our poorer neighbors are actually transferring resources to us.

The program before you has been tested against tough standards of effectiveness. Its implementation is within existing administrative and organizational capabilities. Its focus is on bringing the management, research and technical skills of our country to bear, together with Latin American efforts, and in the context of Latin American priorities, in bettering the opportunities for the little man to share in the benefits of change. For this reason, its principal emphasis is in education and agriculture.

Also, while building on the past, it is in many ways an innovative program, assisting Latin American countries to devise and test critically needed new methods of managing and organizing resources and technology in education, agriculture, and other sectors. Devising solutions to complex technical and managerial problems is at the heart of our unique capacity, as a nation, to be helpful to others. We feel that our assistance program must increasingly draw upon these special national talents.

Finally, I would like to reiterate how important we feel your favorable consideration of this program will be in terms of our overall relations with the hemisphere. As you know, despite recurring uncertainties, most Latin American countries remain convinced of the sincerity of the U.S. commitment to assisting in their development. This confidence has important consequences:

First, this confidence is an essential component of healthy and constructive relations within the hemisphere. It is clear that countries beseiged by the great difficulties of rapid change and underdevelopment are likely at times to view issues and their interests differently than

their better-off neighbors and friends. Their political and economic urgencies and problems are not the same as ours. They will, for example, at times, be impelled by narrow economic nationalisms to adopt policies, which if held over the long run, would be self-defeating. Or from motives rooted strongly in the need to buttress national and institutional pride, they may insist upon diverting resources to modest military modernization programs, even though external threats calling for increased military capabilities are limited. We cannot avoid these divergencies in viewpoint or policy and I do not think these differences are necessarily unhealthy. In part, they are inevitable concomitants of a process of rapid change, and a groping toward greater national self-confidence and self-esteem. Most will continue to be transient so long as both sides continue to feel that larger purposes bind us together, and that our differences must be tempered and subordinated to our overriding joint concerns. In the past and currently, this overriding—if not transcendental—joint interest has been our mutual concern with hemispheric development. I cannot stress too strongly the importance of the continuing confidence of Latin America in our commitment to this joint concern. A weakening of confidence in the U.S. commitment to their foremost concern can only undermine our larger relationships by weakening precisely the bond between us which our Latin American partners view as most important.

Second, confidence in our willingness to be helpful translates directly, for policymakers almost everywhere in the hemisphere into the alternatives they perceive as open to their countries in pursuing development.

A decline in our apparent willingness to help cannot but signal a faltering U.S. commitment, and a requirement that policy alternatives open to Latin American development strategists be reassessed. Put simply the current, but always uneasy confidence in the availability of U.S. help provides additional room to national policymakers for economically and politically humane policies. They recognize that with our help, development can be less painful, less turbulent, and more manageable than would otherwise be possible. I feel that we cannot—and should not erode the confidence which is essential to the pursuit of developmental policies most in keeping with those larger human values which we and Latin America hold in common.

I know that in examining this program, you will keep in mind its importance, in human terms, for the millions of Latin American citizens to whom it offers a significant chance to help themselves, as well as the importance to our national interest, that their aspirations are met.

Mr. PASSMAN. Thank you.

We will now be pleased to hear from Herman Kleine, Deputy U.S. Coordinator, Alliance for Progress.

STATEMENT OF DUPUTY U.S. COORDINATOR, ALLIANCE FOR PROGRESS

Mr. KLEINE. Mr. Chairman, it is a pleasure to appear before your committee once again. I welcome the opportunity to discuss with you the fiscal year 1972 request for appropriations for development assistance programs for Latin America. Assistant Secretary Meyer has reviewed some of the broader issues surrounding the proposed assist-

ance program. I would like to discuss some of its more specific aspects with you.

We are requesting funds to permit us to carry out a program in fiscal year 1972 at approximately the same level as in fiscal year 1971. The total program request is $405.1—$310 million in development loans and $95.1 million for technical assistance grant activities. An additional $5.85 million of the supporting assistance appropriation request is earmarked for use in Latin America: $3 million for Haiti and $2.85 million to fund public safety programs in some 15 Latin American countries.

Consistent with overall stringencies in our national budget, it is a minimum program. It is pared down to activities which if deferred or interrupted could cause considerable loss of momentum toward important developmental objectives.

We have applied vigorous tests to assure that the activities proposed support Latin American efforts and initiatives. In designing the program, we have tested proposed activities by asking: Are U.S. inputs really needed? Can they be effective? Can the needs be equally or better addressed through assistance from other countries or through multilateral agencies?

In this process of identifying country needs and priorities, and evaluating performance and absorptive capacity, we have found the Inter-American Committee for the Alliance for Progress (CIAP) country reviews increasingly useful. They provide an important forum for assessing, jointly with representatives of the country concerned and other assistance agencies, country progress, strategies, policies, and assistance needs. In the case of the CIAP review of the United States, the first of which was held in October 1970, this forum also furnished a constructive setting for an exchange of views with the Latin American countries about the implications of our policies for their development.

PROGRESS AND PROBLEMS

With 3 consecutive years of encouraging rates of economic growth, Latin America moves into the new decade with reason for guarded optimism. A 3.8-percent per capita gain in GNP was registered for the hemisphere as a whole in 1970. Gains slightly better than 3 percent per capita were achieved both in 1968 and 1969. This performance exceeds the 2.5-percent target set at the outset of the Alliance for Progress. Yet, and without intending to disparage the major accomplishments reflected in this substantial growth, it is abundantly clear that more than economic growth is required if the common man in Latin America is to share more significantly in the benefits of progress. While growth is essential, further strenuous efforts are needed to assure that economic gains are translated into more opportunities for employment, better wages, education, and better health services and housing. For the most part, this is well understood throughout the hemisphere. Most countries have come not only to accept, but increasingly have come to act upon these distributive priorities. This is reflected, for example, in the considerable effort and energy which, in recent years have been given to devising new policy approaches and building institutional competence, and individual expertise in managing or mounting efforts in the agricultural, education, and health

sectors. The results of these efforts have been impressive. Dramatic improvements in institutional skills, policies, and in the sheer determination to come to grips with the complex human problems of development, represent in my view, a singularly impressive, silent revolution.

For example, in the past decade, secondary school enrollment in the hemisphere has almost doubled—primary enrollment has increased by more than 60 percent. This change is also reflected in the increasing absolute amount, and percentage shares, of central government allocations to the social sectors.

For the region as a whole, central government expenditures, for example, on agriculture doubled in real terms over the decade, while in Central America they more than tripled. For education, Central American central government expenditures devoted to education increased 121 percent in constant prices, with Costa Rica, increasing 179 percent and Nicaragua 175 percent.

Yet—despite these impressive efforts, progress is insufficient and outsized problems persist.

Population growth, and the rapid migration of millions from the countryside to the city, pose the principal obstacles to more far-reaching progress. Normally complex and costly problems, such as expanding access to modernized education systems to the school-age populations, or the provision of health services or housing to burgeoning city populations, are aggravated and compounded by population growth and migration.

Unemployment is substantial in the capital cities of Latin America and underemployment is almost pervasive. Our sketchy estimates suggest that some 40 percent of the labor force is probably underutilized. While these estimates are only very rough, they point to a considerable loss of productive and human potential which is wasteful and tragic in the extreme. The trends of the past decade show that high rates of growth will not, under contemporary industrial conditions, necessarily provide the employment opportunities that opened up in our earlier U.S. industrial revolution.

It is evident that the problems which beset the hemisphere are in many ways historically unique. Traditional approaches to these problems will not, of themselves, suffice. If these problems are to be solved, new, more effective, and widely diffused technologies and methods of organizing and managing resources must be designed and brought to bear. Thus, in the education sector, investment and operating costs per student must be reduced, while quality and coverage are increased. The costs of traditional approaches to mass education are simply prohibitive for most countries in the hemisphere. Economically attractive alternatives to capital intensive, labor-saving agricultural methods must be sought. Migration must be encouraged away from those areas in which job creation and the provision of needed public facilities are most costly, to areas in which comparative economies in providing employment and services can be realized. New technologies for growing, marketing, storing, and processing foods, together with better price incentives and credit structures are needed to boost production and improve nutritional standards. Technological breakthroughs aimed at improving the nutritional intake of burgeoning city populations at reduced consumer prices must also be pushed.

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The bilateral assistance program has increasingly emphasized these institutional and innovative aspects of development.

DEVELOPMENT LENDING

The proposed program for fiscal year 1972 continues and reinforces the trend of recent years towards concentration upon institution building and sectoral lending, particularly in the education and agricultural sectors, which together would receive the bulk (61 percent) of the proposed loan financing. Sector loans blend capital inputs with training, research, and institution building assistance. These loans normally support government programs embodying significant changes in organizations, policies, and legislation. Interrelated problems are simultaneously addressed with needed inputs whose timing and relationships are determined by prior analysis of the problems to be solved. For example, in education, a typical education sector loan might be in support of a national program to increase substantially the number of secondary level students matriculating by enlarging the system and reducing costs per student. An additional basic objective might also be improving the quality of the education offered as well. The program might include provision for normal school construction and curriculum design, other teacher training and recruiting programs, secondary school construction, curriculum and teaching materials redesign. These aspects of the program normally would be tested against demographic studies, curriculum research, and detailed cost studies. Also the program might include provision for technical assistance in school construction and maintenance, and budget and program evaluation. In support of the program, the borrowing country might for example, undertake to increase the Ministry of Education budget, establish a tenure system for qualified teachers, and revise key administrative procedures and educational policies. A considerable portion of the program would be devoted to training nationals in the skills required by the program. A brief look at past sector loans might be useful.

In El Salvador we are supporting a comprehensive educational reform program involving an instructional television program at the junior high school level—a major innovative effort to achieve widespread changes in instructional methods within a much shorter time than traditional procedures would permit. By 1972 the original target, 25 programs a week on all subjects at the junior high level, is expected to be reached. Major curriculum revisions have already been effected; over 600 teachers have been retrained for the new curriculum, modern methodology and TV utilization; 2,300 additional primary classrooms and a new normal school have been constructed; 2 million texts and teachers guides have been printed and distributed, and a start has been made in improving the management of the Ministry of Education.

Another example of innovation is the approach being taken in Colombia in the agriculture and urban-regional sectors. It was clear in Colombia that a close relationship existed between the Government's development plan goals and the need to deal with problems identified through analysis of the agriculture and urban/regional development sectors. Important factors bearing on problems of unemployment and

poor distribution of income are the lack of job opportunities in rural areas and the relative attractiveness of large urban centers. The result is large-scale movement of people to the cities, straining facilities for housing, education, health and sanitation, as well as swelling the ranks of the urban unemployed. Given the high degree of interdependency between the agriculture and urban/regional sectors, approaches were developed for each sector within the framework of common overall objectives. In agriculture, through acceleration of agrarian reform, the objective is creation of jobs and better living conditions in rural areas. Concurrently, support is being provided to programs in the urban sector for creating jobs in the intermediate cities where urban problems are less acute, through expansion of industrial activity as well as improvements in municipal services and housing. Both programs have the common objectives of reducing the demographic pressures on the larger cities. A further link between the two programs is that stimulation of industrial employment will in many instances involve the manufacture and distribution of farm inputs. By integrating the programs in this manner, it is possible to magnify substantially the impact of any given amount of assistance.

Such comprehensive sector programs are increasingly becoming the hallmark of the bilateral program. Much of our proposed technical assistance effort, I might note, is closely geared to ongoing or proposd sectoral lending activities.

The sector loans proposed for fiscal year 1972 are as follows:

	Millions
Colombia:	
Agriculture	25.0
Education	20.0
Urban	20.0
Panama: Agriculture	12.0
Uruguay: Agriculture	7.0
Total	84.0

The total lending program proposed for fiscal year 1972, by field of activity, is distributed as follows:

Category	Amount	Sector percent of total program
Food and agriculture	$129,500	41.9
Industry and mining	10,000	3.2
Transportation	10,000	3.2
Health and sanitation	19,500	6.3
Education	70,500	22.9
Housing and urban development	34,000	10.9
Private enterprise promotion	34,500	11.0
(Tourism, capital markets, and export promotion feasibility studies)	2,000	.6
Total	310,000	100.0

The emphasis in the lending program is upon developing or strengthening host country institutions. Our aim is to help key institutions which can continue to serve the needs of the country long after the AID input has ceased.

It is also important to note that $33 million of our proposed loan program are directly related to the new initiatives outlined by Presi-

dent Nixon—capital markets, tourism, export development, and the transfer of scientific and technological knowledge. Many other loans support these initiatives.

TECHNICAL ASSISTANCE

Technical assistance programs of $95.1 million are proposed in fiscal year 1972. Major areas of concentration continue to be education and agriculture—usually linked to sector loan programs—and population. These three sectors account for $51 million—54 percent—of our total grant request of $95.1 million; 116 of our 148 active technical assistance grant projects (excluding 44 projects included under "Program Development and Support") in fiscal year 1972 are in these three sectors. Stress is also given to export development, tourism, and on transfers of scientific and technological knowledge. These latter areas, identified by the Latin American countries as requiring major efforts, have also been designated by President Nixon as meriting increased U.S. support. We anticipate that assistance in these areas—as well as assistance related to the complex problems of urbanization and mass unemployment—will occupy an increasingly important role in our programs in the years ahead.

This year's proposal also reflects our growing reliance upon multilateral institutions. Within the proposed $95.1 million of the Alliance technical assistance grant request, some $17.7 million is programed in support of CIAP- and OAS-assistance activities in education and science, capital markets, and export promotion. This is almost double the level of our contributions to the OAS in fiscal year 1968.

POPULATION AND HEALTH

Our efforts in health and population during fiscal year 1972 will continue to emphasize family planning. This emphasis reflects both the basic relationship of family planning to development progress and the fact that other agencies—especially the Pan American Health Organization—are actively concerned with health programs. Population programs in Latin American totaled $11 million in fiscal year 1970 and an estimated $15.6 million in fiscal year 1971. For fiscal year 1972 we are proposing a $17.6 million program—a program that represents a 60-percent increase over our fiscal year 1970 program and a 123-percent increase over the Latin American Bureau's population program in fiscal year 1968. Our fiscal year 1972 population program will:

Improve health delivery systems with special focus on family planning clinical services.

Expand the information and educational components of the program to bring about better understanding of the implications of population growth for development.

Improve demographic data and program evaluation methodology in order to better define the nature of the population problem and provide the means for more precise planning.

Proposed U.S. assistance will be used to provide funds to national public health services, social security hospitals, and private associations for clinical and other equipment and for training and assistance to key medical, paramedical and administrative personnel.

U.S. support to population programs in Latin America is increasingly being channelled through international organizations. These organizations, which also receive funds from many donors, including European governments, foundations, and individuals, contributed almost $10 million from private funds to population in Latin America in fiscal year 1970. This includes the first IBRD loan for population to support the Jamaican Government's national family planning program. In addition, Latin American governments and private Latin American groups contribute funds, facilities and manpower in steadily increasing quantities.

Assistance is also provided regionally to such private organizations as the Pan American Federation of Associations of Medical Schools (PAFAMS). AID/W funds the Population Division of PAFAMS to enable it to introduce courses in demography and maternal/child health with strong emphasis on family planning into the curriculum of all Latin American medical schools. PAFAMS works with the medical community of Latin American countries to strengthen family planning programs by reaching medical students and doctors through professional meetings on family planning and through medical journals.

While the bulk of U.S. assistance in this field goes into family planning programs, part of the program is also concerned with the delivery and quality of all health services, consistent with our belief that family planning programs should be integrated into broader health care programs for mothers and children.

EDUCATION

For the future, technical assistance in education will continue to emphasize technological innovation, training, and research. Particular emphasis will be placed upon combining these inputs in ways which strengthen country capacity to analyze and solve important problems.

For example, proposed technical assistance in countries with education sector loans, such as Brazil, Colombia, and Panama, will provide U.S. expertise in education management, planning, research technology and evaluation.

A regional educational experimentation project with Florida State University will provide training for Latin American educators with special emphasis on lowering unit costs.

In Guatemala, a literacy and basic education program is proposed utilizing radio broadcasts to the rural areas which will reach a much higher proportion of the population than can be served by the formal education system.

In Ecuador, AID will continue to support community literacy and adult education pilot programs to bring educational opportunities to low-income groups not reached by the traditional education system.

AID will also continue to support important existing activities such as (1) the labor education efforts of the American Institute of Free Labor Development, (2) upgrading the curricula, faculties, and administration of key universities and ministries of education using experts from U.S. universities and (3) providing U.S. technical assistance expertise upon request to assist Latin American countries in improving management techniques and in exploring and experi-

menting with alternative techniques of education and education technologies.

AGRICULTURE

Many past efforts to improve Latin American agriculture have been directed primarily toward the transfer and adaptation of the production technologies of developed nations, particularly through the development of research and training programs. In recent years, it has become increasingly apparent that technical assistance projects in agriculture have limited impact unless viewed as an integral part of the agriculture sector as a whole. Attention must be given to such factors as inefficient marketing nets, expensive inputs, limited credit, low farm prices and inadequate technology. Hence, our technical assistance programs in countries such as Colombia, Panama, Costa Rica, and Guatemala are increasingly being integrated into more comprehensive attempts to treat diverse but integrally related aspects of the agricultural sector in an effort to increase production, achieve more efficient distribution, extend employment, and improve income distribution.

We are also continuing agricultural technical assistance of narrower scope where the project addresses a key bottleneck. For example, in Guatemala, California Polytechnic Institute is helping to strengthen agricultural vocational schools—Mississippi State University is giving advice in food crop, seed production, and processing in Guatemala, Honduras, Colombia, Brazil, and Paraguay. In Bolivia, Utah State University is helping to improve wheat yields and to improve sheep and alpaca breeding and marketing practices. Nebraska University is assisting Colombia in improving graduate research and training, improvement of agricultural economics, developing low cost adapted machinery for tropical crops, and strengthening home economics teacher training.

In Guyana, Florida State University is conducting studies which promise to open up major, heretofore untapped areas of the country to productive, diversified agriculture.

TIGHTENING OF THE AID TECHNICAL ASSISTANCE PROGRAM

I am pleased to report that the grant funded technical assistance program, while continuing its good momentum, has at the same time throughout fiscal year 1971 continued to be further tightened and concentrated. Total U.S. personnel serving in Latin America, excluding public safety and loan financed PASA's and contracts, has dropped from a high of 1,877 in fiscal year 1967 to 1,168 in fiscal year 1970, 1,147 in fiscal year 1971 and an estimated 1,026 in fiscal year 1972. This represents a 45 percent reduction from fiscal year 1967 to fiscal year 1972. During fiscal year 1971, 53 grant projects and subprojects will have been completed and/or terminated while 29 new projects and subprojects were started and 192 continued. I estimate that during fiscal year 1972, 55 additional grant projects will be completed while 12 new projects will be initiated. As one example of how we have managed to maintain program momentum while our overseas direct-hire staff has continued to drop, I am pleased to report that in fiscal year 1971 we programed 4,735 participants, which represents an increase

of 581 or 14 percent over the number programed in fiscal year 1970. The return of these participants to their home countries, where their newly acquired skills are so badly needed, yields development returns, we feel, which can be many multiples of the investment we and their countries made in their training.

We have sought, too, to strengthen our project monitoring and evaluation system. Hence, over the course of this fiscal year we have completed the installation in Latin America of rigorous agencywide project evaluation system. Pursuant to this system, each activity is formally evaluated at least once a year. New projects are submitted to a carefully structured screening of goals in relation to overall country strategies, costs relative to probable achievements and alternative approaches, general administrative practicality, appropriateness and size of country inputs, and the overall technical and managerial soundness of the course of action proposed.

We feel that these tightening steps add another significant dimension of confidence for us, the taxpayer, and Congress, that the funds you appropriate, are prudently and wisely spent.

RULES OF OPERATION

Mr. PASSMAN. Thank you.

I would like to state at the outset for the benefit of the witnesses that we are operating under different rules this year as established by the House and the full committee. Each member of the committee may, after convening the session, consume 5 minutes in questions and answers until we have gone around the table, and then we revert back to the old system of each member consuming all the time necessary to make the proper record.

We have experienced already, even after explaining this rule, that we can ask a 15-second question and get a 7-minute answer. We want these answers to be accurate, but long elaboration, if it is not necessary, simply means that it deprives the members of asking maybe one or two questions. At a subsequent time after we have gone around the table, if the witnesses want to elaborate, that is different.

TOTAL REQUEST FOR FOREIGN AID

Before yielding to the other members, I would like to make a few observations for the record. The total request for foreign aid and assistance for fiscal year 1972, as of the time we prepared this sheet, lifting the items from the budget, is $13,517,628,000, which is $1,400 million above that requested under the same titles the previous year, with the possible exception of the World Bank which was added.

Then we look at the daily Treasury statement, dated June 16, 1971. We observe under the heading withdrawals that the amount withdrawn for the military in fiscal year 1971 thus far is approximately $3 billion less than was withdrawn to meet military commitments in the previous year.

If we move down to the total withdrawals we find that we have withdrawn from the U.S. Treasury $27,427,486,930 more than we have collected in revenues as of that date. We were then running a deficit as of that date of some $27,427 million.

The time has come for the committee members, in my opinion, and the witnesses to deal more realistically with this foreign aid request because yesterday we were examining the United Nations development program and they indicated their request was the minimum by which they could operate but we staggered into a little reserve account they had of $343 million. They were going to take out of this $343 million reserve, $150 million and create a buffer or dormant account, which they could pull out some year if we cut them below what they thought they should be cut.

The remainder would be used to increase the annual program.

That was the most shocking thing that I have ever run into.

THE REQUEST FOR LATIN AMERICA

The point, before I yield, is that you are requesting for Latin America for fiscal year 1972, $410,924,000; is that correct?

Mr. KLEINE. Yes, sir.

Mr. PASSMAN. Under this particular program, that exceeds by $67,482,000 the 1971 program; is that correct?

Mr. KLEINE. Yes, sir.

Mr. PASSMAN. This only covers part of the foreign aid for Latin America. To get the grand total you have to go to these other spigots, such as Public Law 480?

Mr. KLEINE. Yes, sir.

Mr. PASSMAN. We have to pick up the Inter-American Development Bank?

Mr. KLEINE. Yes, sir.

Mr. PASSMAN. We have to go through all 27 spigots listed on my table to see what they would be entitled to and put that together and get the grand total; would we not?

Mr. KLEINE. Yes, sir.

Mr. LONG. Couldn't we have this done for us?

Mr. PASSMAN. I am leading to that.

Would you prepare a table at this point in the record giving a recapitulation of what was put into the budget for Latin America out of all of these spigots, including the Inter-American Development Bank?

Mr. KLEINE. Yes, sir.

(The information follows:)

Total assistance to Latin America in fiscal year 1972 budget request

	Thousands
Economic assistance	$410,924
Military assistance—grants	9,868
Public Law 480:	
Title I—Sales	47,400
Title II—Donation	103,730
Inter-American Development Bank	986,760
Latin American Highway (Darien Gap)	20,000
Total	1,578,682

Mr. PASSMAN. May I also put in the record, as I read the record, that last year yearly disbursements to Latin America were $1,678 million. Is that in accordance with your record?

Mr. KLEINE. I have a figure, Mr. Chairman, for economic development programs financed by AID in Latin America.

Mr. PASSMAN. No; we want it all inclusive. Just that one spigot is like giving a person a pair of shoelaces without shoes to go with them. This is where the people have been so badly fooled on this thing in the past. This week when Dr. Hannah was testifying as to the amount requested for AID, he finally said, "I am not talking about foreign aid; I am only talking about the Agency for International Development."

The people always thought he was talking about total aid but Dr. Hannah said. "No, it was an abbreviation for the name of our agency."

Could we have this figure verified? It is always necessary to get these figures in the record before we move into the examination. Are you familiar with that figure, Mr. Controller?

Mr. FLINNER. No, sir, I don't recall that. Was that expenditures or unexpended?

Mr. PASSMAN. We are talking about disbursements. The $1,678 million is correct and we shall place the table in the record at this point showing where the funds came from.

(The information follows:)

Yearly disbursements to Latin America

1. AID, fiscal year 1970	$409,900,000
2. Public Law 480, titles I and II, fiscal year 1970	74,500,000
3. Military assistance, fiscal year 1970	27,400,000
4. Export-Import Bank, fiscal year 1970	452,000,000
5. International Bank for Reconstruction and Development, fiscal year 1970	311,600,000
6. International Development Association, fiscal year 1970	7,600,000
7. Inter-American Development Bank, calendar year 1970	395,000,000
Total	1,678,000,000

LATIN AMERICA'S SPIGOTS OF AID

Mr. PASSMAN. To show you how this thing can be misconstrued or misinterpreted, last year, under the AID agency only $409.9 million is shown being disbursed to Latin America. When you put the other pieces together, it totals $1,678 million. Now you can understand why we get worked up on this side of the table.

Mr. KLEINE. That is the figure for multilateral and U.S. aid?

Mr. PASSMAN. Yes. We have AID, Public Law 480, Military Assistance, Export-Import Bank, International Bank for Reconstruction and Development, International Development Association, and the Inter-American Development Bank. We are picking up the several pieces.

Finally, following through on the figures given to us from these accounts, you have in the pipeline for these same programs $5,279,821,371 as of December 31, 1970. Is that what your records show as of December 31, for all spigots?

Mr. KLEINE. That is the figure for all spigots again for bilateral and multilateral aid.

Mr. PASSMAN. I don't care, it is still foreign aid. Give it any name you want to. I am talking about aid that goes into Latin America through various agencies where the United States provides funds.

On that basis, if we didn't appropriate a dime, you would have slightly in excess of a 3-year pipeline if you just disbursed $1,678

million yearly, when you consider the pipeline of $5,279 million.

I have consumed my 5 minutes getting these statistics into the record. I have not asked a question, but I shall subsequently.

At this time I yield to Mr. Shriver.

LOAN TO EAST CARIBBEAN DEVELOPMENT BANK

Mr. SHRIVER. Thank you, Mr. Chairman. Mr. Kleine, last year you testified on page 1170 that you were planning a $6 million loan to the East Caribbean Development Bank. Subsequently you authorized a loan to that Bank, not for $6 million but for $10 million. Why was the amount increased from the time that you testified until the time that you made the loan?

Mr. KLEINE. During the continuing negotiations we established that the contributions that were to be made from other sources outside of the region—I am referring to the United Kingdom and to Canada—were larger than had been anticipated.

Mr. SHRIVER. What difference does that make?

Mr. KLEINE. In terms of aid, the U.S. commitment given in 1967 was to match the contributions of the United Kingdom and Canada to this institution. The United Kingdom and Canada have committed a total of $20 million ($10 million from each) to the Bank's share capital and an additional $9 million to a special fund for softer loans of the Caribbean Bank. Based on the estimated volume of need that would be met throughout the Caribbean area by this Bank, our estimate of the Bank's capacity to begin operations soon, and our confidence in its leadership, we subsequently decided on authorizing the $10 million.

Mr. SHRIVER. You didn't know when you were testifying?

Mr. KLEINE. No, sir.

Mr. SHRIVER. Yet you knew on July 21 when you put out a press release it was going to be $10 million shortly after you were here?

Mr. KLEINE. Negotiations were continuing, sir. I believe we testified sometime in April. We did not know then what the precise result of the negotiations would be.

Mr. SHRIVER. We are having difficult times in this country, and I wonder why we had to even participate in the Development Bank. Would you like to comment on that? Is it because of the agreement we entered into back in 1967?

Mr. KLEINE. Our agreement in 1967 was based on the assessment that the Caribbean area was in need of external financing, and that it would be to our interest to help. We decided to participate, not as a full member of the Bank, but as a lender to the Bank. We thought it would be better if the United States were to support the countries in the Caribbean through a regional body rather than to undertake a bilateral program. In this way, we thought that there would be an impetus and incentive to get more regional integration than there would otherwise be if we assisted through a series of bilateral country relationships.

LOAN TO THE WEST INDIES UNIVERSITY

Mr. SHRIVER. I see on page 113 of the justifications that you are proposing another East Caribbean regional loan for $10 million.

Mr. KLEINE. Yes, sir. That is not through the Caribbean Development Bank. That is for the University of the West Indies that is serving as an important institution of higher learning for the area.

Mr. SHRIVER. What kind of a loan is that going to be?

Mr. KLEINE. It is to help strengthen faculty, improve curriculum, and expand the facilities of the university to meet an anticipated expanded enrollment, and thus become more significantly involved in the development of the region.

Mr. SHRIVER. For how long a period is the loan?

Mr. KLEINE. The loan has not yet been negotiated. The terms, maturity, and interest rate would be determined during the negotiations, based on an estimate of the capacity of the borrower. It would be, I expect, a concessional loan.

Mr. SHRIVER. Low interest rate?

Mr. KLEINE. Yes, sir.

Mr. SHRIVER. Long period of time?

Mr. KLEINE. Yes, sir.

Mr. SHRIVER. I am on another subcommittee of the Appropriations Committee dealing with education in this country. Many of our own institutions are in great need of this kind of loan. We don't have such loans for them, and we don't have the finances to do all the things we want to do in this country for higher education. I wonder why we have to get into this new loan project. I wonder, too, who else is contributing to the university.

Mr. KLEINE. The university is receiving support from the United Kingdom and the governments of the East Caribbean regional area. Canada has also been providing substantial support. We have had some technical assistance projects with the university. For example, there is one in family planning. It is an institution that is——

Mr. SHRIVER. Where is it located?

Mr. MEYER. Trinidad, Jamaica, and Barbados.

Mr. SHRIVER. Three sites?

Mr. MEYER. That is why it is called the University of the West Indies.

Mr. SHRIVER. It is not the one in the Virgin Islands?

Mr. MEYER. No, sir.

Mr. PASSMAN. Would the gentleman yield?

Then it is British because these islands are or were British possessions, is that correct?

Mr. MEYER. It is located in the territory of former British possessions.

Mr. PASSMAN. Are any of the islands still their possessions?

Mr. MEYER. These countries are independent.

Mr. PASSMAN. They were previously Great Britain's possession; is that correct?

Mr. KLEINE. That is correct.

Mr. PASSMAN. They were Great Britain's when it started. They have an obligation to continue helping them because they are their offspring, aren't they?

Mr. MEYER. Yes, sir.

Mr. PASSMAN. This institute is domiciled on their own former possession; is that right?

Mr. MEYER. Yes, sir.
Mr. PASSMAN. Thank you.

TOTAL ASSISTANCE TO BRAZIL

Mr. SHRIVER. Just one more question. How much are you requesting for technical assistance to Brazil in 1972? According to the table inserted at my request last year, Brazil's gross national product increased by 9 percent from 1968 to 1969. The increase was 6.4 percent when put on a per capita basis. In other words, they have had good, strong growth. I wonder why it is necessary to increase the amount of development loans to that country for 1972.

Mr. KLEINE. The request for technical assistance is $10.3 million.

Mr. SHRIVER. How does that compare with 1971?

Mr. KLEINE. In 1971, $11.2 million.

Mr. SHRIVER. What about the rest of the program?

Mr. KLEINE. The fiscal year 1971 lending program to Brazil is $57.5 million and $60 million in loans is proposed for fiscal year 1972. But for 1970 it was higher, $75 million.

Mr. SHRIVER. Your total is going to be less than prior years?

Mr. KLEINE. Yes, sir, $10.3 million compared to $11.2. Roughly the same on the developing lending.

Mr. SHRIVER. No, the loan program is higher, so the total in 1972 is higher than the 1971 program. Thank you.

IMPOUNDMENT OF FUNDS

Mr. PASSMAN. As I move to Dr. Long, I dont' know what effect it will have, but, gentlemen, please cut back on giving away our money. I am very fond of the President but when we look at what the budget deficit is going to be for fiscal years 1971 and 1972, it looks like it will exceed $60 billion.

Did you have any funds impounded out of your area for fiscal year 1971?

Mr. KLEINE. No, sir.

Mr. PASSMAN. Thank you.

Dr. Long?

PROJECTS IN COLOMBIA AND VENEZUELA

Mr. LONG. Mr. Kleine, I am planning to go to the northern part of South America in August and I am considering visiting Colombia, and Venezuela. It might be worthwhile to take a quick trip to some of these little countries like Trinidad, and so on, along the coast. I think my principal emphasis will be on Colombia and Venezuela.

I have traveled through a good many countries since I have been on this committee and the first question I ask is, "Can you show me a project that you are proud AID has done here?"

I do not have an easy time seeking them.

Mr. MEYER. We will be proud to help you see any person or programs you wish to visit.

Mr. LONG. I would like to see some. I was in Kenya and I didn't see a thing. Nobody showed me anything, and I spent 4 days there. I was in Ethiopia and did see the Haile Salassie University but I couldn't see anything else there. The people were very able, and I was

quite impressed with them, but I am a little mystified as to why it is so difficult to see something when you are eager to do so.

This time I hope that I can see some things that I could get my teeth into.

Mr. KLEINE. We will be very glad to cooperate.

Mr. LONG. The most rewarding trips I ever had were in Mexico when I went up to the Guadalajara Province and saw some of the rural cooperatives and Guatamala and Costa Rica, where I saw a few things. Outside of that, with all my travels it has been slim pickings.

Mr. KLEINE. In Colombia, as the Assistant Secretary mentioned, there will be ample opportunities for viewing AID programs. In Venezuela, as you know, our program is very limited. There is a little technical assistance, training of people, participant training. There are not very many projects to look at. There have been activities in the past and I am sure that our people will do everything that they can to be helpful.

Mr. LONG. Here are some questions now. I am making a trip in August so I give you a little notice.

PUBLIC SAFETY PROGRAMS IN LATIN AMERICA

I note that your $2.85 million for public safety programs is to aid Venezuela and 14 other nations, primarily to improve the quality of their national police forces and constabularies.

What is the threat to the stability that these forces meet? Is it primarily urban or rural guerrilla activity or nonpolitical activity or daily crime?

Mr. KLEINE. The threat to internal stability varies from country to country.

Mr. LONG. Take Venezuela.

Mr. KLEINE. In Venezuela, the program is essentially to bolster the efficiency and effectiveness of the civil police force.

Mr. LONG. Against what?

Mr. KLEINE. It is just to improve and modernize the police organizations and help make them more professional.

Mr. LONG. Against crime or guerrillas or what is it?

Mr. KLEINE. In Venezuela it is for improved performance of the normal civil police functions.

Mr. LONG. You are talking about street crime?

Mr. KLEINE. Yes, sir; and rural and urban violence in general.

Mr. LONG. There is no guerrilla problem in Venezuela? I thought there was?

Mr. MEYER. The level of violence has subsided. There is a little isolated band up in the north or northeast.

Mr. LONG. Are we arming them against those or are we just letting that go?

Mr. MEYER. I think that the emphasis of the program has shifted more toward institution building, as the level of violence has gone down.

Mr. LONG. What about Colombia?

Mr. KLEINE. Colombia has had a long history of violence which occurred primarily in the rural areas for a number of years, but the rural guerrillas are splintered and isolated. Again, the purpose of

our public safety assistance is to help modernize and make more professional the service capacity of the civilian police force, in the cities primarily.

Mr. LONG. Is this really something we ought to be getting into? Do they have as much street crime as we do? I would be very surprised to hear that they do because I have been to very few countries which have as much street crime as we have.

Mr. KLEINE. Sir, we are not "getting into it." These assistance programs are of long standing. Street crime and criminal violence are a serious problem in parts of Colombia. We are helping the country to modernize its police capability for coping with these serious problems.

Mr. LONG. $3 million worth?

Mr. KLEINE. The total level of our assistance to Latin America public safety has gone down every year for the past 5 years, from about $7 million in 1966 to the $2.85 million level that we are proposing for 1972.

Mr. LONG. Is this money spread out evenly among these 15 countries or concentrated mostly in one or two countries?

Mr. KLEINE. It is spread out, sir.

PUBLIC SAFETY PROGRAM IN GUATEMALA

Mr. LONG. Take Guatemala. I spent some time there so I know a little bit about it. When I was there I was guarded by the Marines and carloads of pistoliera. I had to live in the Ambassador's house. What do we spend there? They killed the former U.S. Ambassador there. And the first morning I was there they killed one of the members of their own Congress. His body was found down in the ravine of an agricultural training station that I visited later in the morning. I was there about 10 in the morning and apparently the body was there since early that morning. They found it later on that day.

Mr. KLEINE. The level that we are requesting for fiscal year 1972 is $377,000.

Mr. LONG. For Guatemala?

Mr. KLEINE. Yes, sir.

Mr. LONG. What is the mission there? Is that a guerrilla thing or something else?

Mr. KLEINE. In Guatemala we are helping, again, to strengthen the civil police force, strengthening its organizational capacity and its communications and transportation.

Mr. LONG. Again, is this aimed at the guerrilla problem or is this aimed at something else? I don't know whether you know what I am talking about but in so many of these countries they don't have our street crime problem. They have a political crime problem but that is about it. When I was in Cairo I was told that a girl would be safer on the streets of Cairo than in Washington, D.C. A U.S. official said he would be willing to let his daughter walk around the streets of Cairo; he wouldn't around the District of Columbia.

Mr. KLEINE. In Guatemala there is a lot of violence, guerrilla violence and urban criminal violence.

Mr. LONG. Is this crime as we understand it? Is this political?

Mr. KLEINE. It is both.

Mr. LONG. Which is it mostly?

Mr. KLEINE. It is difficult to establish exactly the motivation of a particular crime. The belief is that the violence level has been materially reduced by the improved capacity of the civilian police force which is the one that our public safety program supports. The Guatemalan Government has other security forces as well.

Mr. LONG. I wonder if we are giving them too much or too little for these problems. I don't see how you are going to get very much, if anything for $3 million, spread among 14 countries, if they have a real problem to confront. If they don't have a problem, then I think it is a question whether you really accomplish anything by putting a little money into each country.

What is that money spent for?

Mr. KLEINE. Largely for the U.S. technical advisers in the country, plus training and limited equipment.

Mr. LONG. Can I see something or are there people sitting around in office buildings when you go there?

Mr. KLEINE. No, sir, they are working directly——

Mr. LONG. Do we have a training school there for them?

Mr. KLEINE. We did assist Guatemala to provide funds for setting up of a police academy, which academy is about to be constructed. In the meantime, we are providing advice and training in order to promote this same objective of professionalizing the police force.

Mr. LONG. Elaborate on that for the record.

Mr. KLEINE. Surely.

(The information follows:)

PUBLIC SAFETY PROGRAM IN LATIN AMERICA

For fiscal year 1972, $2.85 million is being requested to assist in the development of police institutions and capabilities in 15 Latin American countries.

Approximately $1.6 million, or 54 percent of this total will be to maintain U.S. technical advisers in the programed countries. Their purpose will be to provide day-to-day assistance to the host government's civil security forces. Depending on the individual country, this assistance may be in the areas of police administration and organization, general police operations, patrol procedures, telecommunications, training, equipment maintenance, crime investigation, or in the scientific aids.

Another $654,000, or 23 percent, will be for training an estimated 318 selected Latin American police officials in the United States. The vast majority will receive training in modern police concepts and operations at the International Police Academy in Washington, D.C. The smaller number, less than one-third, will undertake specialized training, such as at the FBI Academy or at technical institutions.

Public safety projects also include commodity input to complement the U.S. technical advice and training. For fiscal year 1972, $489,000, or 17 percent, of the proposed total will be for equipment to improve police communications, mobility, investigations and in general to better equip the police personnel for the day-to-day performance of their duties.

The remaining 6 percent of the $2.85 million will be for administrative costs of the public safety divisions, such as for in-country travel and for training aids.

As the breakout of the $2.85 million indicates, the main thrust of public safety assistance lies in the technical advice provided the recipient government's forces on a continuous basis. This is complemented with U.S. training and, to a smaller extent, with commodities. Our aim is not to do their work for them but to encourage and develop through self-help actions a high degree of professionalism, of public acceptance and respect. It is to also develop their capability to maintain law and order and to enforce the laws of their country employing humane and nonviolent practices.

Mr. LONG. Thank you. I used up my time.
Mr. PASSMAN. Mr. McEwen?

TOTAL AMOUNT OF LOANS OR GRANTS MADE TO COLLEGES AND UNIVERSITIES IN LATIN AMERICA

Mr. MCEWEN. Thank you, Mr. Chairman.
Mr. Kleine, what can you tell us about the total amount of loans or grants made to colleges and universities in Latin America?
Mr. KLEINE. Would you care to have that cumulative or by fiscal years?
Mr. MCEWEN. Both for the fiscal year and cumulative, if you could Submit that for the record.
Mr. KLEINE. Yes, sir.
(The information follows:)

PROJECT LOANS AND GRANT FINANCED UNIVERSITY CONTRACTS TO LATIN AMERICAN UNIVERSITIES

[Dollars in thousands]

Year	Grant financed university contracts to Latin American universities	Project loans to Latin American universities	Year	Grant financed university contracts to Latin American universities	Project loans to Latin American universities
1961	$3,157		1968	4,450	
1962	5,243		1969	4,392	1,300
1963	7,056		1970	3,967	
1964	3,889	$700	1971	3,982	
1965	5,897	4,600			
1966	8,337		Total	60,330	6,600
1967	9,960				

Sources: (1) W-443 current technical service contracts—1968, 1969, 1970. (2) Implementation approval documents, 1971. (3) Loan report—Statement of loan implementation progress. (4) W-442 report, AID-financed university contracts 1961-67; CSD contract profile cards.

GRANTS OR LOANS FOR SEWAGE TREATMENT AND POLLUTION ABATEMENT PROJECTS

Mr. MCEWEN. My next question, Mr. Kleine, is, as Deputy Coordinator of the Alliance for Progress, have you made grants or loans relating to sewage treatment, or pollution abatement projects?
Mr. KLEINE. Yes, sir; we have.
Mr. MCEWEN. Can you furnish for the record the number of projects and the amount of dollars and if they are both grant and loan, broken down as to grants and loans for the fiscal year and cumulative?
Mr. KLEINE. Yes, sir.
(The information follows:)

AID Grants and Loans Relating to Sewage Treatment and Pollution Abatement

Grants:

AID has one grant project relating to sewage treatment and pollution abatement. This project, begun in FY 61 in Brazil and entitled Urban Water and Sewage System Improvement is closely related to several AID water and sewage loans made to Brazil. Cumulative obligations through FY 70 amounted to $3,103,000 with obligations for FY 71, FY 72 and FY 73 estimated at $62,000, $55,000 and $55,000 respectively.

Loans:

COUNTRY	LOAN	AMOUNT	FISCAL YEAR
Brazil	Guanabara Sewerage, 512-L-057	$2,175,000	1966
	Guanabara Water, 512-L-058	2,925,000	1966
	Health Sector (Water), 512-L-074	15,400,000	1968
	Urban Sanitation (Sewerage), 512-L-080	25,000,000	1970
Colombia	Cali Sewerage System, 514-L-029	3,700,000	1963
	Medellin Sewerage Engr., 514-L-036	193,000	1966
	Bogota Sewerage, 514-L-037	434,000	1966
Costa Rica	Metro Water Supply	3,500,000	1961
Guyana	Water Supply Improvement, 504-L-057	2,600,000	1968
Honduras	Small Water Supply Systems, 512-M-008	1,050,000	1963
Jamaica	Community Water Supply, 532-M-001	2,200,000	1962

COUNTRY	LOAN	AMOUNT	FISCAL YEAR
Jamaica	Community Water Supply, 532-L-001	1,500,000	1963
Panama	Water & Sewer, 525-L-005	6,000,000	1962
	Water & Sewer, 525-L-019	2,967,000	1966
	Colon Sewer, 525-L-011	400,000	1965
	Panama City Sewerage, 525-L-026	6,600,000	1967
	Panama Water Supply Systems, 525-L-028	15,000,000	1967
Paraguay	Water Supply System, 526-A-003	1,000,000	1958
Peru	Lima Water and Sewerage, 527-L-022	8,600,000	1962
TOTAL		$101,244,000	

In addition to AID loans, several loans in this area have been made from the IDB's Social Progress Trust Fund which is capitalized 100% by U.S. funds. A list of those loan follows:

IDB SOCIAL PROGRESS TRUST FUND LOANS

COUNTRY	LOAN	AMOUNT	FISCAL YEAR
Argentina	Water Systems	$3,500,000	1965
	Water Supply	5,000,000	1966
Bolivia	Water Supply System	2,600,000	1965
Brazil	Water and Sewerage Systems	12,900,000	1962
	Water System-State of Guanabara	12,500,000	1962
	Sewerage System-State of Guanabara	11,000,000	1962
	Water System-City of Salvador	4,100,000	1962
	Water & Sewerage System of Belem	2,500,000	1964

COUNTRY	LOAN	AMOUNT	FISCAL YEAR
Chile	Water Systems-Concepcion and Talcahuano	2,400,000	1962
	Water Systems-Rural Towns	2,500,000	1964
	Public Health & Related Matters	1,200,000	1965
Colombia	Water Sewerage Systems-Cucuta	5,100,000	1962
	Water Systems	2,400,000	1962
	Water & Sewerage Systems	7,800,000	1963
Costa Rica	Sewerage System-San Jose	100,000	1964
	Water & Sewerage System	100,000	1964
Dominican Rep.	Water Supply Systems-5 localities	1,100,000	1965
Ecuador	Sewerage Systems	3,000,000	1962
	Water & Sewerage Systems 18 cities	5,300,000	1963
	Sewerage Systems-Guayaquil	200,000	1965
El Salvador	Water & Sewerage System- 34 Towns	2,700,000	1962
	Sewerage Systems-5 cities	800,000	1962
	Water Supply & Sewerage Systems-100 Towns	4,400,000	1965
Guatemala	Water & Sewerage Systems	3,500,000	1962
	Potable Water & Sewerage Systems	3,000,000	1965
Honduras	Water System-Tegucigalpa	2,100,000	1962
	Water Supply-Systems-6 cities	300,000	1965
Mexico	Water Systems-12 cities in Yucatan	9,100,000	1962
	Water & Sewerage Systems Cities of Queretaro & Durango	4,500,000	1965
Nicaragua	Studies of Sewerage Systems	100,000	1963
Panama	Water Systems-7 cities	2,700,000	1962

COUNTRY	LOAN	AMOUNT	FISCAL YEAR
Peru	Potable Water Systems-150 Rural Towns	1,600,000	1964
	Water Supply & Sewerage Systems	8,100,000	1966
Uruguay	Sanitation Works	2,500,000	1962
Venezuela	Water Systems-330 Towns	10,000,000	1962
	Water Systems-55 Towns	9,900,000	1962
	Potable Water Systems-300 Towns	10,000,000	1965
TOTAL		$160,600,000	

Finally, AID has made special grants to PAHO for community water systems. These grants, made between FY 1960-1967 toal $1,073,000.

Mr. McEwen. That is all.

Thank you, Mr. Chairman.

Mr. Passman. Thank you, Mr. McEwen.

Mr. Kleine, Mr. Secretary, we are all Americans and we are all taxpayers. Do you share my concern about the trend that started many years ago and is gaining momentum all the time, that during the period of our greatest prosperity that we continue to spend tens upon tens of billions of dollars above our income? Does it cause you the same amount of anxiety that it causes me?

Mr. Meyer. Yes, sir.

Mr. Passman. It is serious.

Mr. Kleine. It is a serious matter, very much so.

IMPOUNDING OF FUNDS FOR PROJECTS IN THE UNITED STATES

Mr. Passman. Of course, I think we all realize that we should take care of our country ahead of all other countries; you wouldn't quarrel with that statement?

Mr. Meyer. No, sir.

Mr. Passman. Gentlemen, under Mr. Johnson's administration we had literally hundreds of projects closed down in America. Some contracts were 80 percent complete but they just cut off the funds and small contractors went broke because you could get no letter from the Corps of Engineers guaranteeing they would get the money. It was assumed they would but banks won't make loans on that basis.

They closed up projects for flood control, reclamation, diversion channels, and general projects that meant something to this country. Yet, during that period, not one dime was impounded for any foreign aid program. They had 4,416 projects going in 99 nations of the world, either regular projects or subprojects.

Under the present administration there was a law placing a ceiling on expenditures, but this administration impounded $12 billion for various types of projects that meant something to America. Some of them much, much more urgent than a lot of projects that you people are funding, and some that you could put off 100 years and I doubt would do any harm.

We stopped American projects but not a single dime on any foreign aid project anywhere on the face of the earth lost a penny. Can you blame me for being just a little bit frustrated, Mr. Secretary?

Mr. Meyer. No, Mr. Chairman. I would like to add that, you have been very effective in exerting discipline on the appropriations we have requested for AID programs in Latin America. Our current request for these programs is the lowest in history.

OVERFUNDING OF AID PROGRAMS

Mr. Passman. I appreciate that compliment but I am still ashamed of myself for overfunding your operation. This committee, for 16 years, made an average cut of over 20 percent below what the President requested. I think that you are familiar with that?

Mr. Kleine. Yes, sir.

Mr. Passman. Without exception we left every program overfunded. They would come back in the following year and they would have money running out of their ears.

As I mentioned earlier, yesterday we ran into a little reserve of unneeded money in the amount of $343 million, accumulated because the U.N. Development Program had changed their formula rather than to fund in advance they would go to 1 year. And we asked the question: "What are you going to do with the reserve?"

"We are going to put $150 million into a sinking fund or dormant account and just forget about it," which, in effect, meant they could use this dormant money to supplement their program if they felt we reduced their program too much. We then asked:

"What are you going to do with the remaining money since you asked for an increase over last fiscal year."

They answered: "We are going to use that money to enlarge the program."

Do you get my point?

There are a lot of wonderful members on this committee.

We have disbursed a net of over $211 billion on foreign aid and assistance since we started this program. When you pick up the interest that we have paid on the money that we have borrowed to give away, it accounts for over half of our public debt. It accounts for lost world markets where we no longer are able to compete and it is causing me great concern. I know that you people are good Americans but actually you are not bankers; are you?

Mr. KLEINE. No, sir; I am not a banker.

Mr. PASSMAN. I am not, either. I used to borrow from them; to that extent I know banking. Here we are in big banking. When you get into a billion dollar program, you are really into high financing.

Mr. KLEINE. The Agency is; yes, sir.

Mr. PASSMAN. It is causing me great concern. I think you could have a much better program with one-third of what you are getting. I don't know if we will ever get it that low but I am going to try to.

I think all of these programs could be cut down by two-thirds. We could then start something that we could control. Then we would start winning back the lost respect because these nations think we are fools; some of them laugh at us. They figure we are gullible. I go out in these countries and they don't know what in the world we mean by giving our wealth away.

I sat down in a very intelligent man's home in Thailand and talked about the situation. He is very fond of me because of my interest in leprosy. This man would not under any circumstances believe that we would ever give India 1 penny other than for the most selfish reasons and that we would get every dime of it back. I tried to argue it the other way. He said, "Don't take me to be a fool; no person, no nation would give their wealth away."

I have not met one yet that didn't think we were fools by just giving our wealth away. I would starve to death lecturing but you are the men who are good people, not bankers, but yet you are carrying on operations that most banks would require a man to have at least 25 years' hard experience before you would ever dare be given the authority to initiate loans such as you people are disbursing.

It is no reflection on you but it is a question that you have got us into trouble, gentlemen. I mean all of the AID people. Unless you people cooperate, we are not going to be able to bring this thing under

control. When I am gone you might appreciate some of these statements. We are getting this country in trouble.

Take a rest while we go answer the bells.

(A short recess was taken.)

FINANCING AID LOAN PROGRAMS

Mr. PASSMAN. The Agency for International Development is what we consider to be the main bilateral development agency; is it not?

Mr. MEYER. Yes, sir.

Mr. PASSMAN. Now, as I understand it, we have in the past and no doubt in the future will have to borrow this money to give away, will we not, Mr. Secretary?

Mr. MEYER. Mr. Chairman, I am sure that is true of all our funds.

Mr. PASSMAN. I am talking about the aid to foreign nations, because they come last. So I appreciate you answering that in the affirmative. I believe when we borrow this money, we are paying an average of about 6 percent, are we not?

Mr. MEYER. Yes, sir.

DEVELOPMENT LOAN TERM

Mr. PASSMAN. Thank you for answering that in the affirmative, but I notice on this $10 million loan for Caribbean development, it is to be repaid over a 40-year period with 2-percent interest during an initial 10-year grace period; is that correct?

Mr. MEYER. Yes, sir.

Mr. KLEINE. That is correct.

Mr. PASSMAN. With 3 percent thereafter; is that correct?

Mr. KLEINE. That is correct.

Mr. PASSMAN. So we are making a loan for 40 years and we are only charging them one-third of the amount of interest that we are going to pay to borrow the money on the first 10 years; would that be correct?

Mr. KLEINE. Yes, sir.

Mr. PASSMAN. We are only charging them one-half of what we are going to have to pay to borrow the money for the remainder of the loan; is that correct?

Mr. KLEINE. That is correct.

Mr. PASSMAN. Does this simply mean, when you say repaid over a period of 40 years, with a 10-year grace period, that the final installment will be paid 40 years after it is disbursed or 50 years?

You give a 10-year grace period and when you start amortizing, do you begin with the first year after the grace period?

Mr. KLEINE. That is correct, sir, and the repayments continue for 30 years.

Mr. PASSMAN. So in reality, including the grace period, it is a 50-year loan; is it not?

Mr. KLEINE. No; including the 10-year grace period it is a 40-year loan, sir. The total maturity period is 40 years. Within that, the first 10 years is the grace period.

Mr. PASSMAN. It says here the U.S. loan is to be paid over a period of 40 years, with 2 percent interest during the initial 10-year principal grace period and 3 percent thereafter.

Now, if it is to be paid over a period of 40 years, there is no payment made in the first 10 years?

Mr. KLEINE. No principal payment made during the first 10 years, that is correct, only an interest payment. The amortization begins after the grace period for the balance.

Mr. PASSMAN. Which is 40 years?

Mr. KLEINE. The balance would be 30 years then.

Mr. FLINNER. It is amortized only for 30 years.

Mr. PASSMAN. So really it is divided into 30 installments?

Mr. KLEINE. That is correct.

Mr. PASSMAN. But then there is nothing to be paid for the first 10 years?

Mr. KLEINE. Except interest.

Mr. PASSMAN. Two percent?

Mr. KLEINE. Yes, sir.

Mr. PASSMAN. Which is one-third of what we pay to borrow the money?

Mr. KLEINE. Yes, sir.

Mr. PASSMAN. In the last 30 years we move up to half what we pay to borrow it?

Mr. KLEINE. In the last 30 years the borrowers repays the principal plus interest.

CONCESSION ELEMENT OF DEVELOPMENT LOANS

Mr. PASSMAN. I believe we were told by one of the previous AID directors that all of these loans under AID were 60 percent grant aid to start with because of the concessionary interest rates. Then I believe the chart was updated several years ago because we then were moving up to 2 percent interest. Then the subsidy element was 46 percent; is that correct?

Mr. KLEINE. Yes, sir.

Mr. PASSMAN. So, when a person actually looks at one of these so-called loans, if he is going to be completely accurate, he will recognize

that the type of loan it is makes it 46 percent grant aid to start with?

Mr. KLEINE. That is the concessionary aspect of the loan that is involved.

Mr. PASSMAN. I mean that is correct, is it not?

Mr. KLEINE. Yes, sir.

Mr. PASSMAN. Whereas previously it was a 60-percent grant-aid concession, it is now down to 46 percent grant aid because previously you had an interest rate, I believe, of 1 percent?

Mr. KLEINE. Yes, sir.

Mr. PASSMAN. And the subsidy is reduced on account of the increase in interest. So, if it should revert back to the old rate, which is presently being advocated by the AID agency in certain areas, then, of course, it would go back up to where this type of loan would be a 60-percent subsidy again; is that correct?

Mr. KLEINE. Yes, sir.

PROGRAM LEVELS

Mr. PASSMAN. Thank you very much.

Would you furnish for the record a table showing the actual 1970 program, the fiscal 1971 program, and the proposed program for fiscal 1972 for each country in your area?

Mr. KLEINE. Yes, sir.

(The information appears on p. 760.)

UNEXPENDED BALANCES IN LATIN AMERICA

Mr. PASSMAN. Now, would you also place in the record at this point a list of the unexpended, undisbursed, or pipeline funds to credit of each country in your area?

Mr. KLEINE. Yes, sir.

(The information appears on p. 761.)

The following table shows total aid to Latin America for A.I.D., P.L.-480 programs, Peace Corps, the Foreign Military Assistance Programs and the Foreign Military Credit Sales Program.

Total Aid to Latin America

	FY 1970 Actual	FY 1971 Estimated	FY 1972 Proposed
Inter-American Organizations	10,746	13,000	17,675
Regional Programs	26,434	30,269	37,709
Argentina	1,672	14,310	15,897
Barbados	-	632	-
Bolivia	7,016	13,492	23,835
Brazil	160,903	127,815	149,709
Central American Economic Community:			
Central America Regional Organization (ROCAP)	44,300	10,024	13,836
Costa Rica	20,607	7,211	2,234
El Salvador	13,008	14,508	15,089
Guatemala	33,331	22,141	27,492
Honduras	7,615	7,258	14,559
Nicaragua	4,123	9,444	14,209
Chile	26,944	10,825	14,164
Colombia	117,328	90,748	102,293
Dominican Republic	22,676	26,569	32,073
Ecuador	27,692	20,398	25,597
Guyana	1,593	7,830	5,879
Haiti	3,660	6,027	6,600
Jamaica	2,013	13,695	14,105
Mexico	95	87	107
Panama	14,285	21,736	29,567
Paraguay	8,819	11,274	13,679
Peru	17,658	20,045	34,367
Surinam	45	45	45
Trinidad & Tobago	-	104	99
Uruguay	20,873	24,978	18,370
Venezuela	3,545	13,344	17,749
Eastern Caribbean Regional Programs	11,332	1,143	11,072
Other West Indies	11	18	14
Total	608,319	539,970	658,024

Unexpended Balances for Latin America for A.I.D.,
P.L.-480, and Military Assistance Program
Estimated as of 6/30/71

Regional	34,204	Guatemala	44,941
Eastern Caribbean Regional	7,639	Guyana	22,317
Central American Regional Organization (ROCAP)	89,315	Haiti	4,878
Argentina	9,934	Honduras	21,714
Barbados	563	Jamaica	12,203
Bolivia	26,154	Mexico	629
Brazil	327,206	Nicaragua	25,921
Chile	29,829	Panama	53,639
Colombia	160,290	Paraguay	19,701
Costa Rica	28,087	Peru	45,048
Dominican Republic	32,054	Surinam	543
Ecuador	36,558	Trinidad and Tobago	178
El Salvador	24,784	Uruguay	29,382
		Venezuela	678
		Total	1,088,389

Mr. PASSMAN. Now let's make this all-inclusive, because you are responsible for the Alliance for Progress, but I believe the Latin Americans are actually eligible for every spigot of aid; are they not?

Mr. KLEINE. Supporting assistance.

Mr. PASSMAN. I am talking about all types.

Some other parts of the world are not eligible for certain types of aid in Latin America, like the Alliance for Progress, but the Latin American countries are eligible for any type of aid that may be available on a worldwide basis; is that correct?

Mr. KLEINE. Technically; yes, sir.

Mr. PASSMAN. They are not barred from drawing from any spigot of foreign aid?

Mr. KLEINE. No, sir; they are not barred.

Mr. PASSMAN. Thank you.

UNOBLIGATED BALANCES AT JUNE 30

What is the anticipated unobligated balances for your area at the close of business on June 30?

Mr. KLEINE. I have figures for unexpended balances.

Mr. PASSMAN. No, no. We just asked for that. We want the unobligated. One of your assistant bookkeepers is coming up with it.

Mr. KLEINE. As of this date, sir, we do not anticipate any significant unobligated balances. All the funds are programed and we expect to obligate them.

Mr. PASSMAN. What do you mean "significant?"

Mr. KLEINE. We anticipate no more than a million dollars or $1.5 million in loan funds, perhaps; perhaps a few hundred thousand dollars in grant funds.

Mr. PASSMAN. It is simply because you have moved to obligate these funds this year as you have in previous years by obligating about 20 percent of the funds in June. Is that not the way it usually turns out?

Mr. KLEINE. It usually turns out that way; yes, sir.

Mr. PASSMAN. That is what I thought. That is a good way to get it obligated.

DEOBLIGATIONS

What is the total amount you deobligated for fiscal 1971?

Off the record.

(Discussion off the record.)

Mr. KLEINE. The total, sir, as of March 19 was $45.5 million in loan deobligations.

Mr. PASSMAN. $45.5 million.

So you have deobligated an amount in excess of 10 percent of what you programed, have you not?

Mr. KLEINE. Yes, sir.

Mr. PASSMAN. That is about what I thought it would be.

Now when you deobligate that amount, you can use that to reobligate, can you not, for new projects?

Mr. KLEINE. Yes, sir.

Mr. PASSMAN. You are a nice fellow, but that is an old game with these spenders, you understand, to rush into these obligations and get them out of the category of unobligated and subsequently deobligate them and then reobligate them.

Give us what you have deobligated by year for the past 5 years and put that in the record for us, can you?

Mr. KLEINE. Yes, sir.

(The information follows:)

ALLIANCE FOR PROGRESS
Deobligations/Deauthorizations in Recent Fiscal Years
($000)

	Alliance Loan Funds	Alliance T.A. Funds	Total
FY 67	$5,286 (All Deob.)	$5,832	$11,118
FY 68	28,360	6,173	34,533
Deobligations	(21,960)		
Deauthorizations	(6,400)		
FY 69	24,391	6,539	30,930
Deob.	(13,591)		
Deauth.	(10,800)		
FY 70	41,937	3,777	45,714
Deob.	(30,657)		
Deauth.	(11,280)		
FY 71	63,686*	3,622**	67,308
(Deobligations	16,111)		
(Deauthorizations	47,575)		

*Preliminary **Actual as of 6/15/71

ONGOING PROJECTS

Mr. PASSMAN. Would you also place in the record at this point a list of every ongoing project in your area, the amount that you have expended on this project, the amount that you have to the credit of the project unexpended, and your estimate of when the project will be completed?

Will you do that?

Mr. KLEINE. Yes, sir.

(The information follows:)

PROJECT DATA SUMMARY
(Dollar Amounts in Thousands)

SECTOR: AGRICULTURE AND RURAL DEVELOPMENT

Project Title	*	Project Number	FY of Initial Obligation	FY of Scheduled Final Obligation	Through FY 1970			Estimated FY 1971			Proposed Program FY 1972	Future Year Obligation	Estimated Total Cost
					Obligations	Expenditures	Unliquidated Obligations 6/30/70	Obligations	Expenditures	Unliquidated Obligations 6/30/71			
Brazil													
Agricultural Education	*	512-11-110-094	1951	1972	15,865	14,484	1,381	1,475	1,681	1,175	2,728 1,318	-	18,718
Agrarian Reform	*	512-15-120-249	1965	1975	1,191	765	426	375	444	357	465	1,869	3,900
Agricultural Production		512-15-130-247	1965	1974	624	538	86	110	147	49	121	145	1,000
Agricultural Marketing		512-15-140-248	1963	1972	2,765	2,568	197	434	441	190	539	-	3,738
Agriculture-Technical Support		512-11-199-289	1971	Cont.	-	-	-	277	268	9	225	Cont.	Cont.
Colombia													
National Agricultural Planning		514-11-190-097	1967	1972	1,172	1,063	109	390	380	119	340	-	1,902
Central American Economic Community:													
ROCAP													
Agricultural Planning		596-11-140-026	1969	1973	314	153	161	120	184	97	50	40	524
Costa Rica													
Agricultural Development		515-11-140-038	1964	1974	1,740	1,615	125	505	450	180	235	360	2,840
Total (includes projects listed on following pages)								13,973	16,039	7,596	13,403		

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PROJECT DATA SUMMARY

(Dollar Amounts in Thousands)

SECTOR: AGRICULTURE AND RURAL DEVELOPMENT

Project Title	*	Project Number	FY of Initial Obligation	FY of Scheduled Final Obligation	Through FY 1970			Estimated FY 1971			Proposed Program FY 1972	Future Year Obligations	Estimated Total Cost
					Obligations	Expenditures	Unliquidated Obligation 6/30/70	Obligations	Expenditures	Unliquidated Obligation 6/30/71			
El Salvador													
Agricultural Development	*	519-11-110-012	1955	1973	4,423	4,258	165	863	656	372	1,050	1,000	7,336
Guatemala													
Agricultural Development	*	520-11-190-197	1971	1975	-	-	-	686	410	276	1,031 710	1,234	2,630
Cooperative Development	*	520-15-150-200	1971	1975	-	-	-	361	251	110	321	1,218	1,900
Honduras													
Agricultural Productivity		522-11-190-036	1964	1973	1,689	1,555	134	303	404	33	580 350	580	2,922
Forest Management		522-11-170-056	1965	1975	704	600	104	200	264	40	230	750	1,884
Nicaragua													
Agricultural Production & Diversification		524-11-110-073	1970	1972	166	39	127	243	263	107	470	-	879
Bolivia													
Rural Development	*	511-11-190-364	1967	1976	3,268	2,743	525	1,038	1,388	175	891	1,420	6,617
Dominican Republic													
Agriculture Development Support		517-55-190-059	1965	1975	8,938	8,157	781	795	1,062	514	607	300	10,640
Ecuador													
Agricultural Production		518-11-190-051	1962	1975	2,828	2,720	108	238	310	36	270	588	3,924
Guyana													
Diversification & Development of Agriculture		504-11-120-039	1967	1974	1,275	874	401	446	540	307	471	467	2,659
Panama													
Agricultural Development		525-11-190-070	1962	1976	1,745	1,581	164	512	444	232	357	432	3,045

SECTOR: AGRICULTURE AND RURAL DEVELOPMENT

PROJECT DATA SUMMARY

(Dollar Amounts in Thousands)

Project Title	*	Project Number	FY of Initial Obligation	FY of Scheduled Final Obligation	Through FY 1970			Estimated FY 1971			Proposed Program FY 1972	Future Year Obligations	Estimated Total Cost
					Obligations	Expenditures	Unliquidated Obligation 6/30/70	Obligations	Expenditures	Unliquidated Obligation 6/30/71			
Paraguay													
Agricultural Productivity & Institutional Development	*	526-15-110-050	1965	1976	4,596	4,063	533	781	1,015	299	640	1,897	7,914
Peru													
Agricultural Institutional Development and Operations	*	527-11-110-060	1962	1974	8,688	7,886	802	950	1,132	620	1,380 995	1,903	12,536
Agricultural Programs -- Planning & Research	*	527-11-140-053	1962	1974	3,167	2,814	353	360	401	312	385	1,088	5,000
Uruguay													
Agricultural Institutional Development		528-11-110-041	1965	1974	1,220	911	309	300	330	279	440	500	2,460
Regional Projects													
Agricultural Sector Support	*	598-13-190-546	1972	1975	-	-	-	-	-	-	1,863 170	580	750
Castelar Graduate School	*	598-15-110-541	1971	1975	-	-	-	585	45	540	323	1,252	2,160
Soil Fertility		598-13-120-001	1970	1974	326	-	326	363	674	15	370	617	1,651
International Tropical Agriculture (CIAT)	*	598-15-110-545	1971	1975	-	-	-	680	340	340	750	2,525	3,955
Agricultural Marketing Systems	*	598-13-150-548	1972	1974	-	-	-	-	-	-	150	576	726
Agricultural Management	*	598-15-190-547	1972	1975	-	-	-	-	-	-	100	610	710

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PROJECT DATA SUMMARY
(Dollar Amounts in Thousands)

SECTOR: POPULATION AND HEALTH

Project Title	*	Project Number	FY of Initial Obligation	FY of Scheduled Final Obligation	Through FY 1970			Estimated FY 1971			Proposed Program FY 1972	Future Year Obligation	Estimated Total Cost
					Obligations	Expenditures	Unliquidated Obligations 6/30/70	Obligations	Expenditures	Unliquidated Obligations 6/30/71			
Brazil													
Health (Includes Malaria Eradication)		51241-540-265	1958	1972	14,801	14,658	143	294	290	147	291	-	15,331
National Water and Sewerage		512-11-520-062	1961	1972	3,103	3,100	3	59	62	-	56	-	3,217
Colombia													
Demographic Research	*	514-11-580-150	1968	1974	734	147	587	588	700	475	510	1,180	3,012
Central American Economic Community:													
ROCAP													
Health and Demographic Studies		596-15-570-023	1967	Cont.	659	362	297	265	479	83	326	Cont.	Cont.
Costa Rica													
Demographic Education		515-11-580-105	1968	1973	879	547	332	388	350	370	305	234	1,806
El Salvador													
Family Planning and Health Services		519-15-580-149	1966	Cont.	1,372	934	438	439	463	414	322	Cont.	Cont.
Guatemala													
Population and Rural Health	*	520-15-580-189	1968	Cont.	1,204	686	518	777	850	445	997	Cont.	Cont.
Honduras													
Health and Family Planning	*	522-11-580-065	1966	Cont.	828	468	360	523	680	203	575	Cont.	Cont.
Nicaragua													
Family Planning	*	524-11-580-072	1968	Cont.	977	353	624	400	649	375	590	Cont.	Cont.
Total (includes projects listed on following pages).								15,949	15,226	11,793	17,865		

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PROJECT DATA SUMMARY

(Dollar Amounts in Thousands)

SECTOR: POPULATION AND HEALTH

Project Title		Project Number	FY of Initial Obligation	FY of Scheduled Final Obligation	Through FY 1970			Estimated FY 1971			Proposed Program FY 1972	Future Year Obligations	Estimated Total Cost
					Obligations	Expenditures	Unliquidated Obligation 6/30/70	Obligations	Expenditures	Unliquidated Obligation 6/30/71			
Bolivia													
Family Care		511-11-570-439	1967	Cont.	469	315	154	335	335	154	335	Cont.	Cont.
Chile													
Population/Family Planning		513-11-580-208	1967	Cont.	1,870	939	931	78	650	359	60	Cont.	Cont.
Ecuador													
Population	*	518-15-570-094	1968	Cont.	1,426	539	887	1,272	1,270	889	818	Cont	Cont.
Jamaica													
Family Planning	*	532-11-580-030	1966	1973	1,176	607	569	510	290	789	575	449	2,710
Panama													
Health and Population	*	525-15-580-142	1967	1975	1,005	616	389	700	645	444	438	640	2,783
Paraguay													
Population and Nutrition		526-11-580-085	1965	Cont.	477	84	393	471	501	363	427	Cont.	Cont.
Peru													
Human Resources and Population Studies		527-11-570-132	1966	Cont.	781	606	175	360	205	330	350	Cont.	Cont.
Uruguay													
Maternal Child Care		528-11-531-094	1971	1973	-	-	-	223	95	128	31	216	470
Regional Projects:													
											10,915		
The Center for Latin American Demographic Studies		598-15-570-459	1964	Cont.	1,311	941	370	350	370	350	375	Cont.	Cont.
The Population Council		598-15-570-456	1965	Cont.	4,672	3,510	1,162	1,146	1,458	850	1,800	Cont.	Cont.
The Pan American Federation of Associations of Medical Schools	*	598-15-580-479	1969	1972	392	82	310	200	310	200	400	-	992
International Planned Parenthood Federation	*	598-15-580-457	1965	1972	4,389	3,514	875	2,000	1,875	1,000	3,250	-	9,639
The Pathfinder Fund	*	598-15-570-471	1969	1972	300	259	41	800	541	300	700	-	1,800
Pan American Health Organization	*	598-15-570-470	1966	Cont.	2,685	1,627	1,058	2,750	1,058	2,750	4,000	Cont.	Cont.
Regional Technical Aids Center	*	598-15-580-477	1968	1972	214	214	-	65	65	-	40	-	319
Regional Advisory Services	*	598-15-570-438	1967	Cont.	206	206	-	931	622	309	350	Cont.	Cont.

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PROJECT DATA SUMMARY

(Dollar Amounts in Thousands)

SECTOR: EDUCATION AND MANPOWER TRAINING

Project Title	*	Project Number	FY of Initial Obligation	FY of Scheduled Final Obligation	Through FY 1970			Estimated FY 1971			Proposed Program FY 1972	Future Year Obligation	Estimated Total Cost
					Obligations	Expenditures	Unliquidated Obligations 6/30/70	Obligations	Expenditures	Unliquidated Obligations 6/30/71			
Brazil											4,089		
Education Administration & Planning	*	512-11-680-296	1963	1977	5,292	4,505	787	849	1,028	608	866	3,639	10,646
Higher Education	*	512-11-660-263	1959	1973	4,876	3,389	1,487	1,582	1,345	1,724	1,230	1,220	8,908
Education - Technical Support		512-11-699-290	1971	Cont.	-	-	-	220	220	-	230	Cont.	Cont.
Technical Science&Education Publications		512-11-691-127	1963	1972	980	874	106	163	232	37	106	-	1,249
Development Planning & Administration	*	512-11-790-122	1964	1974	3,820	3,141	679	964	1,120	523	922	135	5,841
Labor		512-11-410-028	1961	1972	4,307	3,783	524	508	687	345	675	-	5,490
Colombia											67		
Labor Affairs		514-15-410-015	1953	1973	2,049	1,828	221	260	265	216	316	310	2,929
Legal Education Reform		514-15-660-153	1970	1972	190	60	130	140	130	140	100	-	430
Education Technology & Management		514-15-680-152	1971	1974	-	-	-	138	135	3	165	330	633
Tax Administration		514-11-750-100	1963	1972	1,611	1,571	40	107	120	27	100	-	1,818
Total (includes projects listed on following pages)								20,881	26,932	15,532	19,664		

SECTOR: EDUCATION AND MANPOWER TRAINING

PROJECT DATA SUMMARY
(Dollar Amounts in Thousands)

Project Title	*	Project Number	FY of Initial Obligation	FY of Scheduled Final Obligation	Through FY 1970			Estimated FY 1971			Proposed Program FY 1972	Future Year Obligations	Estimated Total Cost
					Obligations	Expenditures	Unliquidated Obligation 6/30/70	Obligations	Expenditures	Unliquidated Obligation 6/30/71			
Central American Economic Community:													
											1,496		
ROCAP													
Manpower Planning and Development		596-11-460-004	1963	1972	2,252	1,884	368	256	433	191	230	-	2,738
Development of Institutions of Higher Education	*	596-11-660-012	1964	1973	3,705	3,161	544	639	600	583	539	521	5,404
Business Administration		596-11-770-024	1967	1973	1,247	1,017	230	375	574	31	235	230	2,087
Regional Education Planning & Research		596-11-690-029	1971	1974	159	46	113	94	134	73	95	80	428
Human Resources Development (British Honduras)		596-11-660-100	1963	1974	143	71	72	107	123	56	87	175	512
Economic Integration Assistance to SIECA	*	596-11-755-040	1972	1975	-	-	-	-	-	-	310	600	910
											342		
Costa Rica													
General Assistance to Education		515-11-680-085	1966	1972	781	499	282	13	13	282	236	-	1,130
Development Planning & Administration		515-11-720-060	1953	1972	2,002	1,998	4	146	146	4	106	-	2,254
											343		
El Salvador													
Free Labor Development		519-11-410-003	1955	1973	1,044	906	138	165	130	173	133	137	1,479
Public Administration		519-11-740-032	1958	1972	1,837	1,680	157	99	207	49	97	-	2,033
Education Development		519-11-690-071	1955	1974	5,448	4,768	680	357	723	314	113	333	6,251
											849		
Guatemala													
Labor Leadership Development		520-11-490-184	1967	1975	283	185	98	145	190	53	145	630	1,203
Educational Development	*	520-15-690-198	1971	1976	-	-	-	315	210	105	308	1,852	2,475
Public Administration and Municipal Gov't.		520-11-790-176	1970	1975	54	8	46	255	210	91	188	557	1,054
Tax Administration		520-11-790-199	1971	1975	-	-	-	142	135	7	137	451	730
Development Planning and Investment		520-11-720-185	1968	1974	608	402	206	135	152	189	71	275	1,089
											207		
Honduras													
Labor Development		522-15-490-083	1956	1974	685	587	98	140	168	70	175	300	1,300
Education Development	*	522-11-690-054	1965	1974	1,511	1,225	286	436	440	282	459	950	3,356
Public Administration		522-11-790-039	1965	1975	1,433	1,136	297	251	316	232	273	610	2,567

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PROJECT DATA SUMMARY

(Dollar Amounts in Thousands)

SECTOR: EDUCATION AND MANPOWER TRAINING

Project Title	*	Project Number	FY of Initial Obligation	FY of Scheduled Final Obligation	Through FY 1970			Estimated FY 1971			Proposed Program FY 1972	Future Year Obligations	Estimated Total Cost
					Obligations	Expenditures	Unliquidated Obligations 6/30/70	Obligations	Expenditures	Unliquidated Obligations 6/30/71			
Bicentenario											380		
Free Labor Development		524-11-460-054	1964	1973	1,012	932	80	95	100	75	55	90	1,292
Education Planning and Development		524-15-690-023	1955	1972	3,116	2,720	396	223	333	286	30	-	3,369
Tax Administrative Reform		524-11-790-025	1954	1973	1,592	1,512	80	248	254	74	255	246	2,341
Bolivia											1,142		
Government Management Assistance	*	511-11-720-082	1967	1975	1,038	738	300	734	866	168	477	1,138	3,387
Labor Training		511-11-410-043	1955	1976	1,639	1,639	-	144	91	53	150	600	2,533
Human Resources Development		511-11-690-439	1967	1975	1,526	1,086	440	331	400	371	515	463	2,835
Chile											175		
Training for Development		513-15-690-172	1964	Cont.	1,097	766	331	100	250	181	125	Cont.	Cont.
Labor		513-15-410-032	1958	1972	2,444	2,181	263	3	159	107	50	-	2,497
Dominican Republic											376		
Labor Development		517-15-490-029	1953	1972	1,692	1,497	195	190	276	109	233	-	2,115
Tax Administration		517-11-750-068	1965	1972	1,146	1,143	3	197	198	2	143	-	1,486
Ecuador													
Human Resources Development		518-11-690-075	1967	1975	1,302	1,195	187	321	391	117	256	535	2,494
Guyana											252		
Labor Education and Social Projects		504-11-490-024	1965	1974	828	764	64	138	141	61	109	135	1,210
General Training		504-11-690-030	1965	Cont.	403	359	44	50	54	40	50	Cont.	Cont.
Tax Administration		504-11-750-033	1971	1973	--	-	-	83	65	18	93	102	278
Jamaica													
Reorganization of Tax Administration		532-11-750-033	1971	1974	-	-	-	111	30	81	190	250	551

PROJECT DATA SUMMARY

(Dollar Amounts in Thousands)

SECTOR: EDUCATION AND MANPOWER TRAINING

Project Title	*	Project Number	FY of Initial Obligation	FY of Scheduled Final Obligation	Through FY 1970			Estimated FY 1971			Proposed Program FY 1972	Future Year Obligations	Estimated Total Cost
					Obligations	Expenditures	Unliquidated Obligation 6/30/70	Obligations	Expenditures	Unliquidated Obligation 6/30/71			
Panama											721		
Manpower and Labor Development		525-15-460-118	1967	1973	1,050	886	164	235	250	149	252	200	1,737
Education Development and Implementation		525-11-690-127	1967	1973	732	578	154	238	390	2	230	135	1,335
Government Administration & Fiscal Reform		525-11-720-048	1955	1976	1,146	1,112	34	219	174	79	239	393	1,997
Government Organization & Management Improvement		525-11-740-167	1963	1970	1,857	1,773	84	-	84	-	-	-	1,857
Paraguay											609		
Education Development		526-15-690-095	1959	1974	2,447	2,053	394	373	521	246	383	600	3,803
Government Management & Organization		526-15-790-018	1953	1975	2,392	2,341	51	251	226	76	226	525	3,394
Peru											965		
Labor Development		527-11-410-063	1962	1974	2,021	1,718	303	190	307	186	180	350	2,741
Manpower and Education		527-11-690-067	1962	1975	2,913	2,668	245	190	264	171	215	500	3,818
Government Finance & Administration		527-11-790-057	1962	1973	4,017	3,641	376	270	332	314	210	210	4,707
Economic Research and Planning		527-11-790-066	1962	1974	2,178	2,012	166	345	340	171	360	600	3,483
Uruguay											400		
Labor Development Services		528-13-410-010	1963	1974	1,875	1,702	173	210	240	143	160	290	2,535
Development Planning and Administration		528-11-720-001	1962	1974	1,025	777	248	150	304	94	240	426	1,841
Venezuela													
National Manpower Training and Development		529-15-690-013	1962	1972	3,890	3,245	645	301	417	529	350	-	4,541
LA Regional											5,207		
Free Labor Development (AIFLD)	*	598-15-410-101	1962	1974	14,971	12,768	2,203	2,770	2,973	2,000	2,825	4,240	24,806
Leadership Development for Women (OEF)		598-15-670-109	1966	1972	774	582	192	250	232	210	245	-	1,269
Education Sector Support	*	598-13-690-506	1972	1975	-	-	-	-	-	-	145	475	625
Latin American Scholarship Program of American Universities (LASPAU)	*	598-11-690-453	1966	1977	7,253	4,665	2,588	2,000	1,980	2,608	1,750	9,500	20,503
Regional Tax Assistance		598-11-790-416	1963	Cont.	1,064	1,052	12	105	117	-	92	Cont.	Cont.
Statistical Development		598-11-780-472	1969	Cont.	224	195	29	204	214	19	150	Cont.	Cont.

PROJECT DATA SUMMARY

(Dollar Amounts in Thousands)

SECTOR: INDUSTRIAL AND URBAN DEVELOPMENT

Project Title	*	Project Number	FY of Initial Obligation	FY of Scheduled Final Obligation	Through FY 1970			Estimated FY 1971			Proposed Program FY 1972	Future Year Obligation	Estimated Total Cost
					Obligations	Expenditures	Unliquidated Obligations 6/30/70	Obligations	Expenditures	Unliquidated Obligations 6/30/71			
Brazil													
Industry and Commerce		512-15-950-227	1963	1975	555	417	138	91	188	41	303	690	1,639
Colombia													
Urban Development		514-52-830-058	1962	1972	1,662	1,365	297	130	335	92	50	-	1,842
Central American Economic Community:													
ROCAP											749		
Commercial & Industrial Planning		596-11-290-027	1969	1975	907	440	467	197	195	69	75	200	1,379
Regional Export Expansion	*	596-11-260-033	1971	1975	-	-	-	447	369	78	539	833	1,819
Regional Tourism Expansion		596-11-240-034	1971	1975	-	-	-	112	58	54	105	190	407
Capital Markets Development	*	596-11-950-036	1972	1974	-	-	-	-	-	-	30	150	180
Costa Rica													
Civic & Social Research/Development		515-15-899-116	1971	1973	-	-	-	227	200	27	150	80	457
Total (includes projects listed on following pages)								8,425	9,988	5,770	8,645		

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PROJECT DATA SUMMARY

(Dollar Amounts in Thousands)

SECTOR INDUSTRIAL AND URBAN DEVELOPMENT

Project Title	*	Project Number	FY of Initial Obligation	FY of Scheduled Final Obligation	Through FY 1970			Estimated FY 1971			Proposed Program FY 1972	Future Year Obligations	Estimated Total Cost
					Obligations	Expenditures	Unliquidated Obligation 6/30/70	Obligations	Expenditures	Unliquidated Obligation 6/30/71			
El Salvador													
Rural Community Development		519-11-810-094	1967	1972	521	384	137	119	121	135	75	-	715
Guatemala											310		
Rural Community Leadership & Modernization		520-11-810-187	1969	1975	907	670	237	325	350	212	261	600	2,093
Export Development		520-15-290-201	1971	1973	-	-	-	14	14	-	49	45	108
Honduras											681		
Private Enterprise Development		522-15-290-053	1965	1975	474	406	68	111	149	30	126	200	911
Civic Development		522-15-810-091	1968	1973	655	414	241	156	241	156	203	200	1,214
Cooperative Development		522-15-810-074	1966	1974	1,189	902	287	299	440	146	292	350	2,130
Nicaragua											426		
Community Development		524-13-810-047	1968	1973	229	141	88	161	172	77	139	337	866
Institutional Cooperative Development		524-11-810-092	1971	1975	-	-	-	91	45	46	93	166	350
Industrial Development		524-15-290-091	1971	1973	-	-	-	200	56	144	194	206	600
Bolivia											437		
Industrial Development		511-15-290-049	1967	1976	233	209	24	104	105	23	72	265	674
Engineering Advisory Services		511-11-310-205	1968	1975	575	562	13	238	235	16	365	463	1,641
Ecuador													
Industrial Development		518-15-290-024	1956	1975	2,252	1,943	309	271	391	189	257	278	3,058

SECTOR: INDUSTRIAL AND URBAN DEVELOPMENT

PROJECT DATA SUMMARY
(Dollar Amounts in Thousands)

Project Title	*	Project Number	FY of Initial Obligation	FY of Scheduled Final Obligation	Through FY 1970			Estimated FY 1971			Proposed Program FY 1972	Future Year Obligations	Estimated Total Cost
					Obligations	Expenditures	Unliquidated 6/30/70	Obligations	Expenditures	Unliquidated 6/30/71			
Panama											716		
Urban Development		525-15-899-119	1967	1974	926	823	103	217	219	101	262	288	1,693
Private Enterprise Development		525-15-910-069	1963	1973	1,072	949	123	543	298	368	454	119	2,188
Paraguay													
Private Enterprise Development		526-15-950-051	1967	1973	748	530	218	282	342	158	286	304	1,620
Peru											495		
Transportation Development		527-11-300-084	1962	1972	1,167	1,117	50	45	56	39	45	-	1,257
Community & Local Government Development		527-11-810-118	1963	1974	1,257	1,053	204	295	272	227	305	580	2,437
Housing & Urban Development		527-11-830-065	1962	1974	558	487	71	95	52	114	145	225	1,023
Uruguay													
Industrial Mgt. & Mktg.		528-15-270-011	1963	1973	618	430	188	114	112	190	195	222	1,149
Regional Projects											3,550		
Partners of the Alliance		598-15-810-436	1965	1973	2,240	1,703	537	500	639	398	400	368	3,508
New Initiatives	*	598-15-290-549	1971	1972	-	-	-	900	350	550	2,500	-	Cont.
Cooperative Housing Development		598-15-890-099	1963	1972	1,239	1,172	67	212	212	67	150	-	1,601
Cooperative Development - CUNA	*	598-13-920-116	1963	1974	2,142	1,694	448	670	752	366	450	572	3,834
Cooperative Development - OCA	*	598-13-995-097	1962	1974	991	711	280	339	341	278	50	200	1,580

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REGION: LATIN AMERICA

PROGRAM DEVELOPMENT AND SUPPORT
(Dollar Amounts in Thousands)

Country	Project Number	Unlig. Oblig. 6/30/69	Actual FY 1970			Estimated FY 1971			Proposed Program FY 1972	FY of Scheduled final completion
			Obligations	Expenditures	Unliquidated Obligations 6/30/70	Obligations	Expenditures	Unliquidated Obligations 6/30/71		
Brazil									2,974	
Training for Regional Development	512-15-995-268*	-	-	-	-	400	148	252	350	1977
Special Development Activity	512-15-523-286	-	-	-	-	100	50	50	125	cont.
Technical Support	512-11-999-000	701	2,590	2,747	544	2,667	3,630	181	2,499	cont.
Colombia									1,435	
Special Development Activities	514-15-998-092	69	50	66	53	50	93	10	50	cont.
Technical Support	514-15-999-000	73	865	829	109	1,114	1,080	143	1,385	cont.
Central American Economic Community:										
ROCAP										
Technical Support	596-11-999-000	399	848	1,100	147	948	957	138	905	cont.
Costa Rica										
Technical Support	515-11-999-000	142	781	656	267	401	401	267	173	cont.
El Salvador										
Technical Support	519-11-999-000	20	434	427	27	358	358	-	332	cont.
Guatemala									735	
Technical Support	520-11-999-000	59	593	576	76	582	599	59	585	cont.
Special Development Activity	520-15-998-145	59	48	92	15	100	110	5	150	cont.
Honduras									692	
Special Development Activities	522-15-998-073	45	49	72	22	50	52	20	50	cont.
Technical Support	522-11-999-000	31	605	552	84	658	735	7	642	cont.
Nicaragua										
Technical Support	524-11-999-000	14	604	596	22	665	656	31	624	cont.
Bolivia									480	
Technical Support	511-11-999-000	213	462	618	57	468	490	35	430	cont.
Special Development Activities	511-16-998-412	-	50	50	-	50	50	-	50	cont.
Total (includes projects listed on following pages)									35,497	

REGION: LATIN AMERICA

PROGRAM DEVELOPMENT AND SUPPORT
(Dollar Amounts in Thousands)

Country	Project Number		Unliq. Oblig. 6/30/69	Actual FY 1970			Estimated FY 1971			Proposed Program FY 1972	FY of Scheduled final completion
				Obligations	Expenditures	Unliquidated Obligations 6/30/70	Obligations	Expenditures	Unliquidated Obligations 6/30/71		
Chile										1,075	
Special Development Activities	513-11-998-187		27	50	32	45	100	75	70	125	cont.
Technical Support	513-15-999-000		123	1,448	1,346	225	1,355	1,425	155	950	cont.
Dominican Republic										817	
Special Development Fund	517-15-998-050		13	17	23	7	20	24	3	40	cont.
Technical Support	517-11-999-000		18	1,177	774	421	992	1,152	261	777	cont.
East Caribbean											
Regional Economic Development	538-11-995-004		136	99	70	165	10	8	167	100	1975
Ecuador										2,117	
Technical Support	518-11-999-000		78	893	895	76	995	1,000	71	920	cont.
Social and Civic Development	518-15-995-096	*	480	976	722	750	1,033	1,245	538	1,147	1974
Special Development Activities	518-15-998-077		24	50	25	49	50	89	10	50	1975
Guyana										392	
Technical Support	504-11-999-000		163	361	333	173	337	360	150	342	cont.
Special Development Activities	504-15-998-031		50	68	71	47	50	72	25	50	cont.
Jamaica										235	
Special Development Activities	532-11-998-029		2	50	50	2	50	50	2	50	cont.
Technical Support	532-11-999-000		6	191	182	15	219	200	34	185	cont.
Panama										1,356	
Special Studies and Training for Development	525-15-995-164	*	-	-	-	-	-	-	-	215	1976
Special Development Activities	525-15-998-101		33	20	3	50	50	40	60	50	cont.
Technical Support	525-15-999-000		43	1,046	966	123	1,068	1,153	38	1,091	cont.
Paraguay										465	
Technical Support	526-11-999-000		132	701	748	85	543	543	85	425	cont.
Special Development Activities	526-11-998-058		43	50	50	43	40	54	29	40	cont.
Peru										910	
Special Projects Activities	527-11-990-061		128	73	58	143	20	114	49	35	1975
Technical Support	527-11-999-000		65	690	613	142	810	761	191	875	cont.
Uruguay										340	
Technical Support	528-15-999-000		26	276	239	63	354	369	48	300	cont.
Special Development Activities	528-15-998-046		28	43	45	26	40	41	25	40	cont.

David F. Day, LA/DP
7/8/71

PROGRAM DEVELOPMENT AND SUPPORT
(Dollar Amounts in Thousands)

REGION: LATIN AMERICA

Country	Project Number	Unlig. Oblig. 6/30/69	Actual FY 1970			Estimated FY 1971			Proposed Program FY 1972	FY of scheduled final completion
			Obligations	Expenditures	Unliquidated Obligations 6 30 70	Obligations	Expenditures	Unliquidated Obligations 6 30 71		
LA Regional									1,665	
Regional Training Coordination (ROCM)	598-15-995-096	153	119	135	137	63	90	110	30	1972
Technical Consultants	598-15-995-044	276	526	281	521	625	750	396	235	cont.
Seminars and Workshops	598-15-995-081	219	70	159	130	200	250	80	150	cont.
Regional Technical Support	598-11-999-000	-	-	-	-	21	21	-	50	cont.
Regional Technical Aids Center (RTAC)	598-11-995-005	-	1,556	1,258	1,082	1,585	1,255	1,412	1,200	1975
Contributions to Inter-American Organizations									17,675	
Special Development Assistance Fund	598-15-995-435	-	6,892	6,892	-	4,800	4,800	-	8,400	cont.
Special Multilateral Fund	598-15-995-475	-	2,300	2,300	-	7,500	7,500	-	8,600	cont.
Inter-American Export Promotion Center (CIPE)	598-15-995-476	-	500	500	-	700	700	-	675	cont.

David F. Day, LA/DP
7/8/71

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FORWARD FUNDING OF PROJECTS

Mr. PASSMAN. How far in advance of completion do you fund projects?

Mr. KLEINE. It depends; the answer differs for loans and grants——

Mr. PASSMAN. All right, start with loans.

Mr. KLEINE. Here again it varies with the project.

Mr. PASSMAN. The maximum?

Mr. KLEINE. The maximum, I would say about 4 years.

Mr. PASSMAN. All right.

Under grants, then?

Mr. KLEINE. Under grants it will vary. Where the project is being carried out by a university or other contractor, we fund 18–24 months ahead on new contracts and about 9 months ahead on continuing contracts. Where projects are done by direct hire, no forward funding is involved.

REDUCTION OF PERSONNEL

Mr. PASSMAN. Let me ask you this question: Are you reducing the number of direct hire personnel in your area?

Mr. KLEINE. Yes, sir.

Mr. PASSMAN. But you are increasing the contract personnel?

Mr. KLEINE. We have shown decreases in all categories of personnel, including contract personnel.

Mr. PASSMAN. You have not shown a decrease in money spending, have you?

Mr. KLEINE. Yes, our over-all levels are down as compared to previous years. In that category of——

Mr. PASSMAN. I am talking about all categories, my friend.

Mr. KLEINE. In all categories, no, if we include contributions to multilateral organizations.

Mr. PASSMAN. You tell me that you have increased the money spending, yet you have decreased the personnel in both the grant area and the lending area?

Mr. KLEINE. A larger percentage of our resources, sir, in the grant program is going to other than the individual country programs where we directly employ personnel or undertake contracts with institutions. A larger percentage has been going to contributions to inter-American organizations and regional programs.

CONTRIBUTIONS TO INTERNATIONAL ORGANIZATIONS

Mr. PASSMAN. You mean you are channeling your funds through international organizations?

Mr. KLEINE. The contributions to the voluntary funds of the OAS.

Mr. PASSMAN. How much of the total appropriation are you channeling through international organizations?

Mr. KLEINE. $17.6 million of the fiscal 1972 request, sir.

Mr. PASSMAN. What international organizations?

Mr. KLEINE. The OAS, which has several activities to which the United States contributes on a matching basis.

Mr. PASSMAN. They have personnel that administer this money that you give them, do they not?

Mr. KLEINE. That is correct.

Mr. PASSMAN. Then the net reduction may be nil, it really may be an increase; is that correct?

Mr. KLEINE. When taking into account the OAS.

Mr. PASSMAN. I put it all together. I know it is complicated but when you put it all together, the probability is that personnel have increased and not decreased if you put all pieces together.

Mr. KLEINE. If you put all bilateral and multilateral pieces together, yes, sir.

Mr. PASSMAN. You see how simple it is and how hard you make it. We are going to find it anyway just like we have in this instance.

TOTAL PERSONNEL FROM ALL PROGRAMS

Now will you place in the record the total number of personnel which we have just discussed if you pick up all categories, and a comparative table for 5 years, including the direct hire, the contract hire and the international organizations. Give us the total personnel as well as the amount of funds handled.

(The information follows:)

There follow two tables. The first table provides a breakdown of AID personnel assigned to programs in Latin America. The second table provides a breakdown of personnel of the Organization of American States (OAS) assigned to programs of OAS special development funds, to which the United States contributes 66 percent of program costs from Alliance for Progress funds.

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Agency for International Development

TOTAL LATIN AMERICA PERSONNEL

On-Board June 30, FY - 67-71

Personnel Category	FY-1967	FY-1968	FY-1969	FY-1970	FY-1971
Direct Hire U.S. Nationals	839	787	694	608	537 1/
Direct Hire Foreign Nationals	1,134	927	827	736	713
PASA	336	252	194	152	107
Contract	2,166	1,678	1,673	1,915	764
(U.S. Nationals)	(954)	(660)	(501)	(485)	(279)
(Foreign Nationals)	(1,212)	(1,018)	(1,172)	(1,430)	(485)
Loan-Funded U.S. Nationals	NA	(78)	(161)	(177)	(160)
(PASA)	NA	NA	(43)	(39)	(35)
(Contract)	NA	(78)	(118)	(138)	(125)
Trust-Funded Foreign Nationals	498	531	575	549	535
Total Overseas Personnel	4,973 2/	4,175 2/	3,963	3,960	2,656
(U.S. Nationals)	(2,129) 2/	(1,699) 2/	(1,389)	(1,245)	(923)
(Foreign Nationals)	(2,844)	(2,476)	(2,574)	(2,715)	(1,733)
Washington Personnel	327	299	240	237	247
TOTAL LA PERSONNEL	5,300 2/	4,474 2/	4,203	4,197	2,903

1/ Excludes 55 Public Safety Positions
2/ Excludes items indicated as not available

ORGANIZATION OF AMERICAN STATES (OAS)
BUDGETED POSITIONS, CONTRACTS AND MAN-YEARS OF CONSULTANTS AND BUDGETS
OF SPECIAL DEVELOPMENT FUNDS

	FY-68	FY-68 Budget (000)	FY-69	FY-69 Budget (000)	FY-70	FY-70 Budget (000)	FY-71	FY-71 Budget (000)	FY-72	FY-72 Budget (000)
		$		$		$		$		$
SDAF (Economic & Social)										
Direct Hire	0		0		0		0		0	
Long-term contract positions	276	7,343	246	6,845	249	6,711	185	7,246	180	7,956
Short-term contract (man/years)	98		58		49		47		67	
SMF (Education & Science)										
Direct Hire			0		0		0		0	
Long-term contract positions			0	4,882	20	10,800	20	11,000	20	12,374
Short-term contract (man/years)			72		180		230		251.5	
CIPE (Export Promotion)										
Direct Hire			0		0		0		0	
Long-term contract positions			29	497	33	699	38	937	42	1,118
Short-term contract (man/years)			0		15.5		7.5		8.5	
Strengthening CIAP										
Direct Hire							0		0	
Long-term contract positions							34	1,000	34	1,000
Short-term contract (man/years)							10.3		10.3	
Capital Markets Study										
Direct Hire							0		0	
Long-term contract positions							18	2,000	18	2,000
Short-term contract (man/years)							81		81	
Totals										
Direct Hire	0		0		0		0		0	
Long-term contract positions	276		275		302		295		294	
Short-term contract (man/years)	98		130		244.5		375.8		418.3	
Combined	374	7,343	405	12,224	546.5	18,210	670.8	22,183	712.3	24,448

Source: OAS Office of Program and Budget.

ACCOUNTABILITY OF INTERNATIONAL ORGANIZATIONS TO CONGRESS

Mr. PASSMAN. Is the trend toward channeling a larger percentage of your appropriation through international organizations?

Mr. KLEINE. Yes, sir.

Mr. PASSMAN. I believe we made the record in previous days and years that under the bilateral programs, we can get directly into an examination of individual projects, can we not?

Mr. KLEINE. Yes, sir.

Mr. PASSMAN. We can ask questions before you obligate the funds, after you obligate them, and during the period of construction; is that right?

Mr. KLEINE. Yes, sir.

Mr. PASSMAN. But when you move into international organizations, we do not know when they obligate funds, where they obligate them, and the amount that they obligate; and we lose the right of detailed examination, do we not?

Mr. KLEINE. I believe, sir, we do have substantial information. We have all the information that we request and would need to know about what the OAS is doing with the funds made available for its various programs.

Mr. PASSMAN. Are you telling this committee that we have the same detailed right to examine on these projects?

Mr. KLEINE. No, sir.

Mr. PASSMAN. We do not know when they obligate funds, where they obligate them, how much they obligate; and we do not have the right of detailed examination as we do on bilateral projects; is that not a correct statement?

Mr. KLEINE. We do not have the same right of detailed examination as we do on bilateral programs.

Mr. PASSMAN. That is exactly it. I am trying to keep you from taking a position different from Dr. Hannah. He said that was one of the weaknesses of the program. I do not want to embarrass you. You know we do not have the right of examination. That is why we are fighting so hard to keep this from getting channeled into international organizations.

We do not know when the funds are going to be obligated or where, when they say we are going to put the money in a pot and stir it up. We do not have the right of detailed examination?

Mr. KLEINE. That is correct.

Mr. PASSMAN. That all I want you to tell me, it is correct. You are a fine man, but you know we do not have the right, and we do not know when or where or how it is obligated until it is all over with and we get a notice of it in these information sheets. It is indeed, to my way of thinking, wrong to move U.S. funds out of the bilateral field.

LOWERED U.S. PROFILE

You have those who contend that it lowers our profile overseas. Have you heard that expression?

Mr. KLEINE. Yes, sir.

Mr. PASSMAN. You have lived in some of these Latin American countries, have you not?

Mr. KLEINE. One, sir, yes; Brazil.

Mr. PASSMAN. Do they seem to appreciate your appearance there? Do you come there as a kind of a U.S. Santa Claus? You did not find any resentment, did you?

Mr. KLEINE. I find none; no, sir.

Mr. PASSMAN. Why would we want to lower that profile? You would not want somebody from maybe Bulgaria or Germany to go over there and represent you, would you?

Would you not go right over there and take the facts directly to them?

Mr. KLEINE. As we reduce the presence of U.S. personnel engaged in bilateral programs, we hope to encourage other organizations with support from many sources of financing to do the kinds of things we have done bilaterally.

Mr. PASSMAN. Do you mean it is our responsibility as one nation out of 138 to go out and prevail upon other nations to get their fiscal policies in the same mess as ours?

Mr. KLEINE. That is not our intent; no, sir.

Mr. PASSMAN. That is the end result. While the U.S. affairs are so fouled up, I just wonder what kind of an impression you are creating when you go out and try to get other nations to put their money in so they can operate on a deficit basis rather than a balanced budget basis.

I think the President said the main purpose was to lower the U.S. profile. I think that is a direct quote. I have always argued against that. If it is causing any embarrassment for these people taking our money, I recommend you bring it back to the United States when you go.

You have a lot of different thinking on this subject, do you not?

Off the record.

(Discussion off the record.)

REASONS FOR TERMINATING PROJECTS

Mr. PASSMAN. Could you, Mr. Kleine, place in the record a list showing the projects that will be terminated in fiscal 1972?

Mr. KLEINE. Yes, sir.

Mr. PASSMAN. And indicate whether it is because of unwise starts in the beginning, or whether they have been brought to completion?

Mr. KLEINE. We will give you the resons, sir; yes, sir.

(The information follows:)

TERMINATING PROJECTS IN FY 1972

Title	Number	Obligation FY 70	FY 71	FY 72
Brazil				
Health	512-11-540-265	261	294	236
Sanitation	512-11-520-062	80	59	55
Technical, Scientific, Educational Publications	512-11-690-127	105	163	106
Labor -AIFLD	512-11-410-028	789	508	675
Agricultural Education (Higher)	512-11-110-094	1832	1475	1378
Agricultural Marketing (Crops, Seeds)	512-15-140-248	407	434	539
Chile				
Labor	513-15-410-032	369	3	50
Colombia				
National Agricultural Planning	514-11-190-097	459	390	340
Legal Education Reform	514-15-690-153	190	140	100
Tax Administration	514-11-730-100	196	107	100
Urban Development	514-52-830-038	362	130	50
Costa Rica				
Development Planning & Administration	515-11-720-062	144	146	106
General Assistance to Education	515-11-690-085	103	13	236
Dominican Republic				
Agricultural Development Support	517-55-190-059	8938	795	607
Labor Development	517-15-490-089	1692	190	233
Tax Administration	517-11-730-088	1146	197	143
El Salvador				
Rural Community Development	519-11-810-094	201	119	75
Public Administration	519-11-740-032	245	99	97
Honduras				
Agricultural Production and Diversification	524-11-110-073	166	243	470
Educational Planning & Development	524-15-690-023	233	223	30
Peru				
Transportation Development	527-11-300-064	91	45	45

Title	Number	Obligation FY 70	FY 71	FY 72
LA/DR Regional				
Cooperative Housing Development	598-15-890-099	180	213	150
LA/RCD				
Regional Training	598-15-995-096	119	62	41
Overseas Educational Fund	598-15-570-109	338	125	245

None of these projects are being terminated because of unwise starts.

The FY 1972 termination date is the same as that indicated in the FY 1971 presentation, with the following exceptions: In four cases the project is being terminated one year earlier (in FY 1972 instead of FY 1973): the health project in Brazil, and the urban development project in Colombia, because of transition to loan funding; the labor project in Brazil to accommodate budget cuts in the overall technical assistance allocation for Brazil; and the legal education reform project in Colombia reflecting acceleration of the project timetable. In three cases the FY 1972 terminal date represents an extension by one year (from FY 1971): the project on publications in Brazil to allow time for negotiation of an education sector loan to fund continuing textbook activities; the labor project in Chile to permit continuation of AIFLD training for union leaders on a reduced scale; and the project on general assistance to education in Costa Rica to allow more time for completion of printing books.

DEOBLIGATIONS

Mr. PASSMAN. Could you tell me how many of the projects have been started, and you discontinued them and deobligated the funds, because it was either not feasible or the benefit-cost ratio was poor?

Mr. KLEINE. Yes, sir.

Mr. PASSMAN. Could you give us some information now on this?

Mr. KLEINE. The information I have is financial information as to the amounts actually deobligated. I will provide additional data for the record if you wish——

Mr. PASSMAN. You have deobligated, I think you said, a fantastically high amount?

Mr. KLEINE. $45 million.

Mr. PASSMAN. We used to operate the Government on that amount before 1900.

If you will, show how much money had been expended on the projects that you are deobligating funds from; can you do that?

Mr. KLEINE. Yes, sir.

Mr. PASSMAN. All right. Put it in the record.

(The information follows:)

Financial Status of Loans Where Portions Were Deobligated During FY 1971 (through 3/31/71)

COUNTRY	LOAN	AMOUNT	DISBURSED	DEOBLIGATED
Bolivia	Feasibility Studies - L-010	$ 6,000,000	$ 5,916,860	$ 8,415
	El Alto Airport - L-011B	550,000	509,919	187
	Mining Bank - L-027	4,300,000	992,535	1,465
	Community Development - L-038	1,700,000	-	785,000
Brazil	NE Highway Constr - L-015A	7,400,000	2,160,055	2,739,945
	Peixoto Hydro Power - L-026	20,000,000	17,311,584	75,000
	Program Assistance	150,000,000	-	168
	FINEP Feasibility Studies- L-054	11,000,000	5,541,128	1,800,000
	Program Assistance - L-055	150,000,000	149,522,223	276,880
	Sao Paulo Hgw Maint - L-059	20,000,000	3,420,334	5,500,000
	Food Production #2 - L-061	20,000,000	951,952	48,049
	Fertilizer Plant & Distr- L-063	14,800,000	14,799,873	127
	Program Assistance - L-064	100,000,000	97,696,930	796
	Santa Caterina Hgw Maint - L-067	7,500,000	-	5,300,000
	Program Assistance - L-073	75,000,000	66,192,394	447
	Agric. Research - L-079	1,470,000	-	1,470,000
Chile	Airport Constr - DLF 188	3,200,000	1,539,290	3,818
	Feasibility Studies - L-019	3,000,000	1,980,352	313,321
	Program Assistance - L-030	80,000,000	76,398,264	8,450
	Private Sector Imports - L-031	10,000,000	9,819,005	70,897
	Program Assistance - L-036	15,000,000	14,914,590	10,350
	Agricultural Sector - L-037	23,000,000	20,069,781	8,444
	Program Assistance - L-041	20,000,000	19,250,765	9,974
	Agricultural Sector - L-042	10,000,000	-	10,000,000
	Petrochemical Industry - L-043	15,000,000	-	15,000,000
Colombia	Bogota Sewerage Engr. - L-037	450,000	434,995	15,005
	Private Investment Fund -L-040	10,000,000	9,556,087	442,486
	Program Assistance - L-044	65,000,000	63,733,314	26,056
	Livestock Bank - L-048	8,000,000	7,985,299	14,401
	Program Assistance - L-049	100,000,000	98,095,712	201,757
	Agricultural Sector - L051	15,000,000	14,593,674	22,155
	Program Assistance - L-052	58,000,000	55,836,205	13,316
	Agricultural Sector - L-053	15,000,000	13,464,793	5,876
	Educational Sector - L-054	10,000,000	7,837,648	3,685
	Program Assistance - L-055	60,000,000	55,256,612	8,492

continued

COUNTRY	LOAN	AMOUNT	DISBURSED	DEOBLIGATED
Costa Rica	Cadastral Survey - L-011	$ 1,600,000	$ 1,451,681	$ 43,692
Dom. Republic[1]	Private Investment Fund - L-007	5,000,000	4,790,173	58,847
	Budget Support - K-019	16,100,000	15,223,794	803
El Salvador	Agric. & Livestock - L-004	8,900,000	8,892,860	7,136
	Industrial Dev. Bank L-006	5,200,000	5,189,388	10,612
	Rural Health Units & Posts - L-007	700,000	-	2,730
Guatemala	Rubber Production - DLF 63	5,000,000	1,950,000	325,000
Honduras	Cooperative Housing - H-011	2,000,000	1,929,420	70,579
Jamaica	Dairy Development - L-005	3,800,000	2,151,457	220,000
Nicaragua	INFONAC - Industrial Lending-L-009	4,000,000	3,969,588	30,412
Panama	Resettlement - N-016	3,000,000	2,876,032	123,968
	Water & Sewerage - L-019	3,055,000	2,967,126	88,474
	Agrarian Reform Resettlement-N-022	300,000	296,114	3,886
	Urban Development - L-032	320,000	-	320,000
Peru	Agricultural Credit - L-047	9,000,000	7,100,027	3,664
Uruguay	Fertilizer Imports - L-019	5,000,000	4,863,051	65,508
		$1,183,345,000	$899,432,884	$ 45,572,648

1/ $12,000,000 was deobligated from loan 022 to the Dominican Republic after 3/31/71

PARTICIPANTS IN LATIN AMERICA

Mr. PASSMAN. What is the average cost per participant in your area, Mr. Kleine?

Mr. KLEINE. The average cost per participant in fiscal 1970 was $2,443 for an average length of stay in the United States of 5.7 months.

Mr. PASSMAN. Now, is that all-inclusive, travel, maintenance?

Mr. KLEINE. That is the total cost attributable to the participant.

Mr. PASSMAN. After you bring them to America, what is their monthly compensation?

Mr. KLEINE. It varies, sir, as between long-term training——

Mr. PASSMAN. Give us the average. The average participant, what is the amount of his check every month?

Mr. KLEINE. I do not have that information here, sir.

Mr. PASSMAN. Could I direct that question to the controller? This is very important for the committee to know.

Mr. FLINNER. I would think an average would be between $250 and $280 a month.

Mr. PASSMAN. $250 times 12 would be about $3,000, $280 would be about $3,300, is that correct? Are my quick mathematics right?

Mr. FLINNER. Yes.

Mr. PASSMAN. Off the record.

(Discussion off the record.)

Mr. KLEINE. Since $2,443 is the figure for the participant with an average length of stay of 5.7 months, the man-year cost would be slightly over twice that, close to $5,000.

Mr. PASSMAN. So really the annual cost of maintaining a participant is $5,000 or more?

Mr. KLEINE. Yes, sir.

Mr. PASSMAN. How many participants do you have in your area?

Mr. KLEINE. In fiscal 1971——

Mr. PASSMAN. Give us the estimate for 1972.

Mr. KLEINE. 4,501.

Mr. PASSMAN. 4,501 for an aggregate of what, dollarwise?

Mr. KLEINE. It would be the product of——

Mr. PASSMAN. I want the dollar mark put on it.

The total cost of participants in the program proposed for this fiscal year.

Mr. KLEINE. The total cost of participants in the program proposed for fiscal year 1972 would be $10,196,000.

Mr. PASSMAN. How many of the total are going to a third country?

Mr. KLEINE. Of the fiscal 1970——

Mr. PASSMAN. We are examining on fiscal year 1972. We could take 1971.

Mr. KLEINE. We have complete information for fiscal year 1970, when 741 were in training outside of the United States.

DEVELOPMENT LOAN PROGRAM FOR FISCAL YEAR 1972

Mr. PASSMAN. Mr. Kleine, I believe you are proposing a development loan program for your area of $310 million for fiscal 1972.

Mr. KLEINE. Yes, sir.

Mr. PASSMAN. Are all of these the concessionary type loans?

Mr. KLEINE. Yes, sir.

Mr. PASSMAN. Now, this is just under "Alliance for Progress," only? This does not include anything from the Inter-American Development Bank or the other 26 spigots on the list?

Mr. KLEINE. It is just the Alliance for Progress loan appropriation category.

Mr. PASSMAN. I said that.

Mr. KLEINE. The answer is, yes.

Mr. PASSMAN. Does this mean the countries are eligible to participate in these programs.

Mr. KLEINE. That is correct, the Latin American countries participate in the lending programs of other agencies.

Mr. PASSMAN. And they are participating in many of them, are they not, the World Bank, and many of the others.

Mr. KLEINE. And the IDB, those are the main ones.

Mr. PASSMAN. I believe the Inter-American Development Bank is some $400 million alone for fiscal 1972, is it not?

Mr. KLEINE. IDB is larger, I believe.

Mr. PASSMAN. What is the IDB program?

Mr. KLEINE. $500 million.

Mr. PASSMAN. Of course, the type of projects can be the same or similar under the various lending agencies, can they not?

They could finance road projects or railroads or streetcars; whatever they qualify for under your program, they could likewise qualify for the same type of projects under the others, couldn't they?

Mr. KLEINE. Yes, sir.

Mr. PASSMAN. Do you not understand why I ask these questions, then?

It is not your fault. It is hard to keep on top of this, unless you move out of your area into other areas, you never know how much is available. If we just quickly look at your figure of $410 million, you would think that it was the total. If you put it together, it is about $1.678 billion in yearly disbursements.

Off the record.

(Discussion off the record.)

CUMULATIVE ASSISTANCE TO LATIN AMERICA

Mr. PASSMAN. Would you furnish for the record at this point the net foreign aid and assistance to Latin America by country since the inception of the program?

Mr. KLEINE. Yes, sir.

Mr. PASSMAN. I believe that is in the green book before you, but the green book only takes the program through fiscal 1970.

Mr. KLEINE. 1970; yes, sir.

Mr. PASSMAN. You would have to add to that fiscals 1971 and 1972 from all the different spigots that we may be drawing from to get an updated figure; is that correct?

Mr. KLIENE. Yes, sir.

Mr. PASSMAN. Can that be done with reasonable ease?

Mr. KLEINE. Yes, sir.

(The information follows:)

Net Foreign Aid and Assistance to Latin America, by country, since the inception of the program—Total U.S. loans and grants for fiscal year 1946 through 1972 estimated and proposed (Cumulative Amount 1946–1972)

Program and country:	*Millions*
Latin America total	$13,046.4
Regional programs	2,286.7
East Caribbean regional	12.2
Other West Indies	8.7
ROCAP	208.9
Inter-American organizations	30.7
Argentina	342.0
Bahamas	31.8
Barbadas	0.7
Bolivia	555.8
Brazil	2,867.9
British Honduras	6.2
Chile	1,291.0
Colombia	1,221.7
Costa Rica	190.4
Cuba	43.7
Dominican Republic	515.5
Ecuador	322.3
El Salvador	160.5
Guatemala	377.8
Guyana	75.8
Haiti	123.8
Honduras	137.4
Jamaica	106.5
Mexico	451.7
Nicaragua	179.8
Panama	271.9
Paraguay	144.8
Peru	499,6
Surinam	9.2
Trinidad and Tobago	49.8
Uruguay	201.3
Venezuela	320.3

INTEREST PAID BY UNITED STATES ON MONEY BORROWED FOR FISCAL YEAR 1971

Mr. PASSMAN. What was the average interest paid by the United States on money they had borrowed for fiscal 1971?

Can you get me a memorandum on that, Mr. Flinner?

Mr. FLINNER. Yes, sir, I will be glad to.

Mr. PASSMAN. So that when I compute the total cost of foreign aid, I will compute it at the interest rate we actually paid, not a higher rate or a lower rate.

CAPITALIZING LOAN INTEREST

Mr. PASSMAN. Mr. Kleine, have you rolled over any of the loans in your area for fiscal 1971?

Mr. KLEINE. No, sir.

Mr. PASSMAN. Do you anticipate that you will have to roll over any of them? This is a short definition for taking a delinquent account and bringing it up to date by some means; is that not what it means?

Mr. KLEINE. That is right.

Mr. PASSMAN. You have not done that?

Mr. KLEINE. Not this fiscal year, no, sir.

Mr. PASSMAN. Have you had any requests from any of the countries in your area to take this concessionary interest rate, which they cannot pay, and capitalize it?

Mr. KLEINE. Over time there have been these requests.

Mr. PASSMAN. How many?

Mr. KLEINE. At the time of the negotiation for the authorization.

Mr. PASSMAN. You mean you consummate certain loans whereby you anticipated this situation and you added the interest to the capital to start with?

Mr. KLEINE. Yes, sir.

Mr. PASSMAN. The interest rate is only 2 percent. Yet, this program is so weak that you had to take the 2 percent interest, and figure it out for a given period and make that a part of the principal; is that right?

Mr. KLEINE. Yes, sir.

Mr. PASSMAN. Can you tell us how many countries you did that in?

Mr. KLEINE. This was accomplished in respect to 18 loans with a total value of $136.6 million.

Mr. PASSMAN. $136 million.

Mr. KLEINE. The total size of the loans, but the interest capitalized was $6.7 million.

Nine of these were done by the DLF.

Mr. PASSMAN. What does that stand for?

Mr. KLEINE. The Development Loan Fund, a predecessor Agency to AID in the 1950's.

Mr. PASSMAN. In other words, the same type of loan but it was issued by a predecessor agency?

Mr. KLEINE. Yes, sir.

Mr. PASSMAN. Now I want to make this record clear, I do not want to take from or add to. You are making a cash loan to country B at a 1-percent interest rate, at the old rate; is that not correct?

Mr. KLEINE. Yes, sir.

Mr. PASSMAN. Then you would anticipate what 1 percent interest would be for a given number of years, then you would add that to the capital and they would sign one note; is that the way it would work?

Mr. KLEINE. Yes, usually——

Mr. PASSMAN. Wait. Let me get an answer.

Is that right?

Mr. KLEINE. Yes, sir.

Mr. PASSMAN. That is all I want because it is bad enough to do that, much less elaborate on it.

What is the total amount of loans, $136 million?

Mr. KLEINE. $6.7 million is the amount capitalized.

Mr. PASSMAN. That you added to the cash total approved. You anticipated this much interest and added that to the note?

Mr. KLEINE. That is right, sir.

Mr. PASSMAN. How far in advance did you operate, 5 years, 10 years?

Mr. KLEINE. One was for 2 years, four for 3 years, another one for 5 years. In most of these cases, capitalization—a deferral of interest—was permitted during the construction period, before the borrower could begin earning resources with which to repay.

Mr. PASSMAN. Are you practicing that any longer?

Mr. KLEINE. Not to my knowledge, no, sir.

Mr. PASSMAN. It has been discontinued?

Mr. KLEINE. Yes.

Mr. PASSMAN. We had testimony only a day or two ago that in some instances AID would like to revert back to 1 percent. Are you familiar with that proposal?

Mr. KLEINE. I am familiar with the concept of the reform legislative proposals that would allow 1 percent for loans to the most needy countries where the most difficult financial conditions exist.

Mr. PASSMAN. I believe you testified earlier that we had to borrow this money and that we paid 6 percent for it, but we were letting the recipients have it for 2; is that right?

Mr. KLEINE. That is right.

Mr. PASSMAN. Which is one-third. Then on that last part of it, we borrowed at 6 percent and they pay us 3 percent. So under this new arrangement you would borrow it for 6 percent, make it available to the recipient country for 1 percent; is that correct?

Mr. KLEINE. Yes, sir; that is correct.

Mr. PASSMAN. Is that right?

Mr. KLEINE. Yes, sir.

Mr. PASSMAN. Thank you.

LOAN OBLIGATIONS IN THE LAST MONTH OF FISCAL YEAR 1970

Now, how many loans have you obligated in the last 10 days of fiscal year 1970?

Mr. KLEINE. In fiscal year 1970, 10.

Mr. PASSMAN. What is the aggregate amount? It does not mean a thing in the world unless you give me the amount. You all have been busy allocating this money.

Off the record.

(Discussion off the record.)

Mr. KLEINE. The total amount of the loans authorized during the last 2 weeks?

Mr. PASSMAN. The last 10 days—all right, the last 30 days of fiscal 1970.

Mr. KLEINE. $130 million in June.

Mr. PASSMAN. What was the total obligation for the year?

Mr. KLEINE. $315 million.

Mr. PASSMAN. You put about one-third of it in June, is that right?

Mr. KLEINE. That is right.

Mr. PASSMAN. Thank you.

LOANS REQUESTED FOR FISCAL YEAR 1972

Mr. Kleine, would you provide a list for the record of the proposed development loans by country that form the basis for your fiscal 1972 request for $310 million?

Mr. KLEINE. Yes, sir.

(The information follows:)

PROPOSED LOANS BY COUNTRY TOTALLING THE $310 Million

PROGRAM SUMMARY (In Thousands of Dollars)	
Country	FY 1972 Development Loans
Colombia	75,000
Brazil	60,000
Central American Economic Community:	
Regional Office of Central America and Panama (ROCAP)	10,000
El Salvador	10,500
Guatemala	15,000
Honduras	9,000
Nicaragua	10,000
Bolivia	10,000
Dominican Republic	15,000
Ecuador	14,000
Guyana	3,500
Jamaica	10,000
Panama	25,000
Paraguay	6,000
Peru	10,000
Uruguay	12,000
Eastern Caribbean Regional	10,000
Regional	5,000
Total	310,000

FAMILY PLANNING IN LATIN AMERICA

Mr. PASSMAN. How many countries in your area presently have family planning programs, Mr. Kleine?

Put it in the record.

(The information follows:)

LATIN AMERICAN COUNTRIES HAVING FAMILY PLANNING PROGRAMS

Family planning programs exist in all Latin American countries in the private and/or public sector. AID provides bilateral support to programs in 15 countries, 11 of which have official policies on family planning. With or without official policies, the trend is that governments are incorporating family planning services into their maternal and child care programs or allowing the expansion of such programs through private associations affiliated with the International Planned Parenthood Federation. These programs receive assistance from AID as well as private, local, and international sources.

Now what is the total amount that you programed for fiscal 1971 for family planning?

Mr. KLEINE. The total amount for country programs and through regional programs——

Mr. PASSMAN. Let's get the grand total if you have it.

Mr. KLEINE. The grand total is $15.6 million.

Mr. PASSMAN. Could you break it down by country now as well as the regional parts for the records?

Mr. KLEINE. Certainly.

(The information follows:)

AID assistance to family planning programs in Latin America during fiscal year 1971

Bolivia	$335,000
Chile	78,000
Colombia	588,000
Costa Rica	388,000
Ecuador	1,272,000
El Salvador	439,000
Guatemala	777,000
Honduras	523,000
Jamaica	510,000
Nicaragua	400,000
Panama	700,000
Paraguay	471,000
Peru	370,000
ROCAP	265,000
Uruguay	223,000
Venezuela	25,000
Regional	8,242,000
Total	15,596,000

Mr. PASSMAN. Are most of your family planning programs handled by voluntary agencies?

Mr. KLEINE. Most of them are, sir.

Mr. PASSMAN. But you do have a bilateral program?

Mr. KLEINE. Yes, sir.

Mr. PASSMAN. At this time, I would like to yield to Mr. Galifianakis. I yield to you 5 minutes.

ORIENTATION OF THE LATIN AMERICA PROGRAM

Mr. GALIFIANAKIS. Thank you, Mr. Chairman.

I was interested in some of the questions that you have already propounded. I looked over the statements very quickly. I want to ask one general question.

There seems to be an indication that this whole program is one of compassion, one that is needed in many instances, but I wonder what the real significance of that policy is in this type of program.

I have supported the Alliance for Progress in the past. There is much interest in the program from my area, understandably, because I have three major universities. The academicians tell me about the technical assistance programs as being good programs. You make general references like "affect our national well-being." I think I can surmise what some of those benefits are, but I really would like a more detailed illumination as to what the United States gets in return for this type of economic aid.

In answering the question, you sometimes get into a bit of dilemma with countries like Ecuador, Peru, which receive our assistance on the one hand and confiscate American boats and properties with impunity on the other hand. Does your endeavor get involved in these disputes?

Is your program subject to being used as a lever, or do you just simply stay out of it and say, "Well, that is really a State Department problem and not an economic assistance matter," and yet the very subject matter, fishing, is essentially an economic issue.

Mr. KLEINE. That is very true, sir.

If I may try to respond, the basic aim of our program is to help the Latin Americans improve their well-being and quality of life. We believe that if the Latin Americans are reasonably satisfied with their political and economic life, our own well-being is better assured in terms of peace and tranquillity as well as in opportunity for trade and investment.

There is, of course, an important ingredient of compassion, as you say, sir. We are dealing with an area where the per capita GNP is about one-tenth of that in the United States. We are also dealing with an area that does provide a good market for us, and with which the net balance of payments is in our favor.

Our ability to help the Latin American countries achieve aspirations for their people, we feel, is of benefit to the U.S. national interest.

Now, inevitably, our programs get involved in short-term problems. The legislation forces that, too.

The Foreign Assistance Act includes, for example, a requirement that, in implementing our programs we take into account any seizures of fishing boats.

There is another provision in the legislation which requires action in case prompt and reasonable compensation is not made following expropriation. Thus, while the real thrust of the program is long-term development, inevitably it is difficult to sort the short term out from the long term.

FISHING CONTROVERSIES AND THE ECUADOR PROGRAM

Mr. GALIFIANAKIS. Has there been an economic discontinuance of aid as a result of fishing controversies, for example, under your program?

Mr. KLEINE. Yes, sir. ——— following the seizures, we put the program under review.

Mr. GALIFIANAKIS. Is it still under review?

Mr. KLEINE. Yes; as a consequence, they are continuing technical assistance projects already underway, in which there were people in the field. We are also disbursing loans that had been signed in the past ———.

Mr. GALIFIANAKIS. It the situation———still under review? That is pursuant to law, is it not?

Mr. KLEINE. Yes, sir.

Mr. MEYER. The pipeline is not affected, though.

Mr. KLEINE. Existing commitments are not affected, ———.

Mr. GALIFIANAKIS. Can you give us for the record, if you do not have it right now, what kind of assistance is going in via the pipeline?

Mr. KLEINE. Certainly.

(The information follows:)

ASSISTANCE TO ECUADOR GOING ON VIA THE PIPELINE

[Thousands of dollars]

Currently active development loans	Amount	Date signed	Disbursements through Jan. 31, 1971
Loan:			
Consortium highway	13,300	Apr. 22, 1964	10,188
Rural electric co-ops	650	Aug. 24, 1964	594
Electric power	700	Aug. 24, 1964	664
Primary education	5,300	Feb. 11, 1966	2,176
Malaria eradication	2,000	May 30, 1967	1,710
Feasibility studies	2,000	Apr. 24, 1970	.....
Cooperative bank	1,200	Jan. 20, 1970	.....
Land sale guarantee	3,600	Nov. 23, 1970	.....

Ongoing technical cooperation projects	Fiscal year 1971	Proposed fiscal year 1972
Project:		
Agricultural production	238	270
Human resources development	321	256
Industrial development	271	257
Population	1,271	818
Social and civic development	1,033	1,147
Special development activities	50	50
Technical support	995	920

Mr. GALIFIANAKIS. When you look at it, it is six of one, half a dozen of the other; if they continue to get the aid, the automatic operation of the law is not very effective.

Mr. KLEINE. New commitments were put under review.

OTHER ASSISTANCE DONORS IN LATIN AMERICA

Mr. GALIFIANAKIS. Do you find yourself in competition with any other country in the Western Hemisphere, or anywhere in the world, like the Soviet Union, for economic assistance to the Latin American countries?

Mr. KLEINE. No, sir; not in competition at all. In fact, our position has been to encourage the Western European countries, most of which are DAC members, to increase their assistance.

Mr. GALIFIANAKIS. How about the Soviet Union specifically, are they not involved in economic assistance?

Mr. KLEINE. Yes, sir; they are. Communist offers of economic credits to Latin America have increased.

Mr. GALIFIANAKIS. That is what I meant.

For instance, a recipient country—and I would like this for the record—those countries that are beneficiaries of U.S. economic assistance who are also receiving assistance from other countries that you know about.

Mr. KLEINE. Certainly.

Mr. GALIFIANAKIS. Can we have that kind of breakdown? I suppose you keep up with that aspect of it?

Mr. KLEINE. Yes, sir. We consider that a very important part of the total program.

(The information follows:)

DAC BILATERAL GROSS OFFICIAL FLOWS TO LATIN AMERICA (EXCLUDING UNITED STATES)[1] (CALENDAR YEARS 1968 AND 1969)

[U.S. dollars in millions]

	1968	1969		1969	1968
Argentina	14.23	18.4	Haiti	.30	.5
Bolivia	12.87	6.9	Honduras	.44	.2
Brazil	37.61	25.7	Jamaica	11.73	11.0
Chile	22.33	23.5	Nicaragua	.15	.2
Colombia	9.17	13.7	Panama	1.34	.5
Costa Rica	.71	.8	Paraguay	2.16	2.9
Dominican Republic	.39	.2	Peru	12.67	40.1
Ecuador	4.18	7.9	Urguay	1.15	3.0
El Salvador	1.99	2.1	Venezuela	1.57	1.5
Guatemala	2.14	1.2			
Guyana	7.88	8.3	Total	[2] 145.01	[3] 168.6

[1] Includes: Australia, Austria, Belgium, Canada, Denmark, France, Germany, Italy, Japan, The Netherlands, Norway, Sweden, Switzerland, and United Kingdom.
[2] Exludes: Cuba, Mexico, plus British, French, and Dutch dependencies.
[3] Excludes: Cuba, Mexico, plus British, French, and Dutch dependencies, which amounts to $336,800,000.

Mr. GALIFIANAKIS. What is your policy when you ascertain that in a particular area in the Latin American countries that the United States and the Soviet Union are interested in an area?

Is the policy to do a little bit more? How does that factor affect your economic aid?

Mr. KLEINE. Soviet economic assistance has been very small. While they have made offers and in fact some offers have been accepted, the actual utilization by the Latin American countries of such assistance has been very, very small.

So there is not any competition with the Soviets, and I have not known of any during my time in Washington.

Now we do know that other countries are interested in providing development assistance on concessional terms.

We encourage them to step in.

Mr. GALIFIANAKIS. Is that Britain and France, for instance?

Mr. KLEINE. Britain and France. Germany actually is the largest of the bilateral donors in South America. In the Caribbean area it is the United Kingdom.

Mr. GALIFIANAKIS. Could you be kind enough to give us a breakdown in the record for that, also the various donors, and how they compare to our economic aid?

Mr. KLEINE. Yes, sir.

I would add, though, if I may, as distinct from the situation in Africa, for example, the major source of external assistance other than the United States is not the bilateral donors, but the mulilateral agencies.

In Latin America it is the Inter-American Development Bank and the World Bank. The totality of all other donors, Germans, French, et cetera, is relatively small, but increasing, and that is what we are encouraging.

(The information follows:)

Official bilateral disbursements to Latin America calendar year 1969

[Millions of dollars]

Donor	*Amount*
Total [1]	$1,365.4
United States	860.0
Of which: (AID)	(379.1)
Total, excluding United States	505.4
France	185.5
Germany	114.9
Japan	71.8
United Kingdom	46.7
Netherlands	35.7
Canada	26.8
All other DAC	24.0

[1] Includes assistance to Latin American dependencies of European countries.

AID PERSONNEL IN LATIN AMERICA

Mr. GALIFIANAKIS. I don't know if the chairman asked the question, but what is the total number of personnel required to operate the program under your jurisdiction? Please show where the employees are domesticated, whether in the United States or recipient countries.

Mr. KLEINE. I have that for the AID program.

Mr. PASSMAN. You people are transferring out of direct hire and going over into contract hire. Earlier you stated—if the gentleman would yield—that you also had personnel now administering some $17 million that you had transferred over to multilateral organizations, did you not?

Mr. KLEINE. That is correct.

Mr. PASSMAN. I asked you to make it all inclusive. The final answer was that you had more personnel now than previously when you consider all programs. We wanted to bring the total to one point.

Do you have that request before you?

Mr. KLEINE. Yes, sir; I shall provide the information.

I want to make the point that I do have the information for the programs for which we are seeking these particular appropriations. I will get for you, as you requested, information on OAS personnel; but as you are aware, they administer much more than the AID funds channeled through them.

Mr. PASSMAN. It won't be complete without it. To get the total number of personnel on the rolls, you must make it all inclusive, or it won't be correct, would it?

Mr. KLEINE. I believe that you will get a figure that will be a bit fuzzy. If I may——

Mr. PASSMAN. You make it fuzzy and let me unfuzz it. I have been keeping up with this for years, and for a long time we were only looking at AID direct hire, but you are constantly reducing AID direct hire but moving over into contract hire, are you not, every year?

Mr. KLEINE. Both direct hire and contract personnel are down.

Mr. PASSMAN. If you want additional information, you will get it. I want mine complete so we know the grand total on that roll every month.

PROCEDURE FOR CONTRACT HIRING

Mr. GALIFIANAKIS. In connection with the contract hire, what kind of hire are you usually looking for? Teachers, engineers, or what? Can we have a breakdown on the type and necessity of contract hire? Is it a negotiated matter? How do you contract your program? Do you solicit what you need, or is there an influx of applications coming in that you process? What do you really do when you contract? Can you describe the contract program?

Mr. KLEINE. Yes, sir. Most of the contract personnel serve under what we call institutional contracts. For example, a university works in country X to strengthen the faculty and curriculum of an agricultural college. At the outset, before the program is undertaken, universities that are known to be interested are invited to come in and talk, in order to determine whether they are interested in pursuing a project of this sort. These institutional contracts have been developed over a number of years, and most of the contract work now going on is based on decisions made years ago. There are very few new programs begun in any given fiscal year. The bulk of the request of the appropriation is to continue existing activities; but when a new activity involves a contract, we invite proposals, we sort them out and consult with the host Government.

There is no point in a selection that is not approved by the host Government. Then we proceed with the negotiations.

Mr. GALIFIANAKIS. In furnishing us this information on the breakdown requested, would you also give us the figures of the breakdown on what your payroll is for the direct hire personnel and contract hire?

(The information follows:)

THE BUREAU FOR LATIN AMERICA—USE OF CONTRACT PERSONNEL

It has been longstanding agency policy to provide technical assistance through contracts with established institutions, usually universities or nonprofit, rather than maintain large contingents of direct-hire technical personnel in our missions.

Distribution of contract personnel by field of activity follows:

CONTRACT EMPLOYEES IN LATIN AMERICA

Activity field	AID-direct contract			
	United States	Nationals (percent)	Foreign	Nationals (percent)
Agriculture	123	44	80	16
Education	45	16	21	4
Health and population	11	4	24	5
Labor	31	11	223	46
Public administration	20	7	14	3
Community development and housing	21	8	27	6
Private enterprise and industry	18	6	24	5
Technical support (multifield)	10	4	72	15
Total	279		485	

The fiscal year 1971 direct-hire payroll costs of the Bureau for Latin America are as follows:

U.S. direct hire—Overseas	$14,585,000
Foreign national direct-hire—Overseas	5,232,000
Subtotal—Overseas	19,817,000
U.S. direct hire—Departmental	4,202,000
Total direct-hire costs	24,019,000

In response to your question on contract prices, I assume that you want to be furnished contract payroll costs. As this agency is not supplied payroll costs by the contractor, I am unable to provide you with a precise figure. However, for fiscal year 1971, there were 279 U.S. contract employees in Latin America. Multiplying that figure by the average annual salary of $17,840 for a U.S. contract employee, we obtain an estimated annual "payroll" of $4. 977,000. Similarly, for contractor foreign nationals, the employment for fiscal year 1971 of 485 is multiplied by the average man-year cost of $4,265 to obtain an annual "payroll" cost of $2,068,000; for a total contractor annual "payroll" of $7,045,000.

TRAINING FOR AID PERSONNEL

Mr. PASSMAN. I think we should state for the record that the most controversial thing ever to be discussed before this committee are these tremendous windfalls for the universities and colleges. I remember one time you had a contract with Johns Hopkins to train personnel down here. I think they were getting paid some $3,500 per individual, training AID personnel how to give money away.

We sent the clerk of our committee downtown where they were carrying this on, and you had one professor and one student there.

Mr. Controller, were you mixed up in this thing back in those days of squabbling?

Mr. FLINNER. I was with the AID program, but I was not involved in the incident to which you have referred.

Mr. PASSMAN. You were familiar with that?

Mr. FLINNER. Yes, sir.

Mr. PASSMAN. There is not a State in the Union that does not have some of these luscious contracts under AID.

We know what they do. They are trying to build up support for foreign aid so that they give these luscious contracts to the universities and to the colleges. That creates more ambassadors for foreign aid.

I get more letters from university and college professors than I get from my constituents about this because they want these contracts.

A contract employee does the identical work that a previous direct-hire technician did? You are reducing the direct hire and switching it over to contract, aren't you?

Mr. KLEINE. Much of our technical work is done under contract.

Mr. PASSMAN. How much more per year does it cost to employ a contract person doing the same work as a direct-hire person would have done?

Mr. KLEINE. It is somewhat higher.

Mr. PASSMAN. Is it double if you put all the pieces together?

Mr. KLEINE. I couldn't testify to that.

Mr. PASSMAN. If you hired technician Brown in the field of electronics at a certain price, the minute that the same technician Brown moves over to contract hire, the total cost of employing him goes up very substantially, doesn't it?

Mr. KLEINE. Yes, sir.

Mr. PASSMAN. We will take a recess and go vote.

(Short recess taken.)

TOTAL PERSONNEL, ALL SPIGOTS

Mr. PASSMAN. Some time ago, possibly fiscal 1968, we were told there were some 64,000 individuals on AID rolls, either participants, direct hire, and I would assume foreign nationals; is that correct?

Mr. FLINNER. Yes, sir.

Mr. PASSMAN. Today there are 43,000 on the AID rolls, either participants, contract hire, direct hire, or foreign nationals?

Mr. FLINNER. Yes.

Mr. PASSMAN. But during this same period, much of the aid program, let's say there have been billions of dollars moved over into the international organizations, such as the Asian Development Bank, the Inter-American Development Bank, the International Development Association.

Now, inasmuch as we have moved more of the aid into international organizations, I would assume they had to increase their personnel to administer this greatly increased aid; would that be true, Mr. Kleine?

Mr. KLEINE. Yes, sir.

Mr. PASSMAN. Now would you find out, Mr. Controller, the number of employees, all inclusive, in the Inter-American Development Bank, the Asian Development Bank, the International Development Association, the International Bank of Reconstruction and Development, and also the International Finance Corporation, and put it together?

Mr. FLINNER. Yes; I will try to get that from them.

Mr. PASSMAN. Just take your time, because it is a long time until Christmas. That is about when we will get this bill completed. We handled it Christmas Eve morning one time.

Do you remember that?

Mr. FLINNER. Yes, sir.

Mr. PASSMAN. So you put all these pieces together and let's see what it looks like. Will you do that for us?

Mr. FLINNER. Yes, sir.

I am sure that will be quite a large figure, because they are administering considerably more money than the U.S. portion.

(The information follows:)

Number of Employees in International Financial Institutions

	Total staff
Asian Development Bank	490
Inter-American Development Bank	1,216
International Bank for Reconstruction and Development, International Development Association	[1] 2,887
International Finance Corporation	168

[1] These 2 programs are handled by the 1 combined staff.

Mr. PASSMAN. But we put up the major portions, and many of the nations who are putting up little tidbits, also have large AID programs going to them, so chances are we put up their part, too, and they remit a little back.

Pakistan is a member of the International Development Association, is it not?

Mr. FLINNER. Yes. I know they are a member.

Mr. PASSMAN. For every dollar they put up, they get back $40. I believe that is the record.

Put up one and get back 40. Let me yield to Mr. Hathaway.

PARTNERS OF THE ALLIANCE PROGRAM

Mr. HATHAWAY. Mr. Kleine, I am particularly interested in Partners of the Alliance program. I wonder if you could tell me how well that has worked out? How many years has it been in existence?

Mr. KLEINE. I believe it has been in existence 7 years. It has been cooperating with 19 countries in Latin America and the Caribbean, with excellent contributions made by the U.S. partners to social and economic development activities.

Mr. HATHAWAY. About 40 U.S. States are involved?

Mr. KLEINE. Forty-two States are involved.

I was fortunate to have attended the conference in Costa Rica this past January, for 1 day. This was not my first exposure to the Partners since I knew them from Brazil, where I was very happy to get to know the representatives of the Maine partners who are associated with one of the northeastern States, if I recall, Rio Grande do Norte.

What struck me then and what strikes me now based on my further experience is the tremendous enthusiasm, the desire to be helpful, that has characterized this effort from the start.

Now, the effectiveness of the programs varies from State to State.

Some, I would say, are much better than others, more purposeful, more planned, and have better results. Others seem to entail a lot of traveling back and forth without leaving much on the scene.

Now, the Partners of the Alliance program has been going on for some time, and AID has provided it with some $2.7 millions of dollars since its inception. We felt it was timely to conduct an evaluation of the program. This evaluation was completed just about the time of the conference in late January 1971. It was performed by Ambassador Maurice Bernbaum, former U.S. Ambassador to Venezuela.

This report concluded that the contribution made by the Partners was significant. The program, he concluded, was a good one. Voluntary contributions by Partners' groups, in kind as well as in dollar value,

was in excess of the cost to the U.S. Government. He also indicated some areas in which program redirection might make sense.

The main recommendation was that perhaps the headquarters organization—the National Association of Partners of the Alliance (NAPA)—should devote more of its own time and resources to backstopping the State partners, leaving to them more of the actual work of planning and carrying out mutually agreed upon basic programs between the U.S. Partner and its Latin American counterpart.

Another main conclusion was that perhaps the benefits derived from the Partners' annual conferences did not warrant the very costly expenditure involved. Hence there was a recommendation that, instead of these large annual conferences running at a cost of about $100,000, smaller and more structured regional workshops might make more sense.

AID and the Partners accepted these recommendations. We understand that they are now moving toward restructuring in that direction.

We have, as I say, contributed $2.7 million dollars so far to the program. Our plans to reduce our contribution in the future is not an indication, however, of a lessening of interest on our part. Rather, we are seeking to take into account what the Partners have stated to be their basic intent; that is, to gradually become truly private in terms of receiving all their financial support from the U.S. private sector. Of course, that is the ultimate goal, not an immediate one.

We had been given estimates by the NAPA people of contributions of $100,000 from the private sector in fiscal year 1972, and $200,000 in fiscal year 1973, based on a campaign for money raising in the private sector.

Hence, our proposed funding level for fiscal year 1972 takes into account this desirable trend, which we hope will materialize. The fiscal year 1972 AID request for $400,000 is a reduction from the $500,000 operating level for fiscal year 1971.

We feel with the elimination of the Partners' annual conference, a reasonable return from the money-raising campaign, and the more narrow focus of NAPA as a strictly service-oriented organization for the benefit of the Partner states, in accordance with the Bernbaum recommendations, that the $400,000 should suffice.

We look forward as we do in all projects, to ultimately phasing out AID support of this project so that it will be completely self-sufficient.

POSSIBILITY OF INCREASING THE PARTNER'S REQUEST

Mr. HATHAWAY. But their complaint—and I know Mr. Rubin very well; he is a personal friend of mine and he has communicated with me—is that they need about $639,000, and here they have been cut back to $400,000. The increase is needed because of additional administrative costs now that they are private; whereas when they were an arm of AID, a lot of their overhead was paid for by AID, such as free mail and other benefits like that.

Mr. KLEINE. Yes, sir.

Mr. HATHAWAY. I was wondering if it is realistic to cut them back that much.

Mr. KLEINE. At the time of our estimates, we thought this made sense. We are in touch with Mr. Rubin. NAPA's plans have not yet been tested against the recommendations of the Bernbaum report. We do not really know to what extent their current operational plans reflect their stated agreement with these recommendations. And our estimates have assumed an increased contribution from the private sector which NAPA is confident will be forthcoming.

Mr. HATHAWAY. Evidently, they are not having as good luck with that as they thought. Would you think the $639,000 would be way out of line for them?

Mr. KLEINE. That is my reaction.

Mr. HATHAWAY. How about going back to the original budget figure of last year, $500,000?

Mr. KLEINE. It is hard, Mr. Hathaway, to say that when we do not know what is going to be available. We think it is desirable to keep the pressure on so that they do not find it too easy to come back and say, "We tried but let us have more."

Mr. HATHAWAY. But this is only their second year, though?

Mr. KLEINE. It is——

Mr. HATHAWAY. As a private organization.

Mr. KLEINE. As a private organization.

Again, the program itself has to be examined. We have been trying to get a more specific outline of just what NAPA plans to do, and relate that plan to the evaluation's recommendations, so we can get a better feel of what their costs actually are and will be. We would like for them to continue to pursue their money-raising effort. It is just too easy to say, "We have tried; OK, let's have more money."

Next year it is the same thing. Unless they take seriously the notion that they should look forward to being on their own, they make it more difficult for themselves.

Mr. HATHAWAY. If they need in excess of $600,000, I would think $500,000 would be a reasonable compromise, assuming their figures are right.

Mr. KLEINE. Assuming their figures are right, and assuming that what they are doing meets what we thought were the agreed-upon recommendations. I do not yet know if that is the case.

Mr. HATHAWAY. Would you like to review your figures to see if $500,000 would be out of line in light of what they are asking?

Mr. KLEINE. We are always available for further discussion, with Mr. Rubin, as well as with others. There is always dissatisfaction when we allocate the funds we have available. Some may think we have too much money. The fact is, it is not enough to satisfy what many believe to be the real needs. We never satisfy everybody, but we try to do the best we can.

Mr. HATHAWAY. Okay. Thank you.

Mr. KLEINE. Thank you, sir.

Mr. HATHAWAY. Thank you, Mr. Chairman.

Mr. PASSMAN. I would assume this program, like the ones we discussed earlier, we have to first borrow the money at 6 percent before we can give it to them, is that right?

Mr. KLEINE. Yes, sir.

Mr. PASSMAN. Thank you very much.

PARTNERS OF THE ALLIANCE IS A SELF-HELP PROGRAM

Of course, I have a lot of these vacationers down in my State. I have more pressure applied to me than any other Member because I live in a coastal State, right on the Gulf of Mexico which is a jumping-off place to Latin America. You are familiar with it, are you not?

Mr. KLEINE. Yes.

Mr. PASSMAN. I think 10 or 15 want to get in on this. You come to see me and next time I come to see you. We are partners in this thing, you understand. We are dealing with travel, paperwork, meals, hotels, exchanging of ideas; is that what really the partners for alliance is, a self-help program?

Mr. KLEINE. Yes, sir; it stimulates and coordinates self-help programs.

Mr. PASSMAN. Just another program stacked up on some 4,000 other programs, already at work in the AID agency.

Now under the many other spigots of the AID agency, you have housing projects going, do you not, and technicians in that field?

Mr. KLEINE. Yes, sir.

Mr. PASSMAN. Of course all of these countries have their social welfare programs, they have their workers and old programs being implemented each year with additional funds.

Mr. KLEINE. All these countries have their programs, yes, sir.

Mr. PASSMAN. That is what I say, all of them have their regular, standard, approved local social welfare programs going on.

Mr. KLEINE. Yes, sir.

Mr. PASSMAN. Now what appropriation does this work out of, this item?

Mr. KLEINE. Technical cooperation grants.

Mr. PASSMAN. It comes out of that?

Mr. KLEINE. Yes.

Mr. PASSMAN. Some of the people in the organization who are the recipients of the funds wanted to come up here and testify. I said, let the AID agency testify, because they administer the funds. It is not like an organization that is paying all of their own expense. I would have to take it up with the full committee chairman to see whether or not we want to let individuals, who are actually being paid by the AID people, to come in and lobby for some particular appropriation. We have had the request for the last 3 years, but we always declined letting others testify because you are testifying yourself for this appropriation, are you not?

Mr. KLEINE. Yes, sir.

Mr. PASSMAN. Unless we can reverse this and let me go around on that side of the table and let some of the others, who share about the same enthusiasm as I do for foreign aid, interrogate me, I think we would have to decline to hear them.

SELF-HELP SPIGOTS IN LATIN AMERICA

How many actual so-called self-help technical aid projects, if you pick up all spigots, are actually going on in Latin America at this time?

Mr. KLEINE. 190 active projects, excluding public safety.

Mr. PASSMAN. You are speaking only of——

Mr. KLEINE. Of technical assistance.

Mr. PASSMAN. Technical assistance. Many of these branch out and have subprojects under them.

Mr. KLEINE. Yes, sir; there are subprojects.

Mr. PASSMAN. All right; move on to the other areas.

You would have to have more than that, because if you have 20 nations in your area, in some of them you have literally hundreds of projects moving, do you not?

Mr. KLEINE. Hundreds, including grants and loans.

Mr. PASSMAN. Maybe a chicken farm, rice farm, banana farm, coffee farm, instructors in school rooms, teaching them how to put down deep wells, tube wells, and so on?

Mr. KLEINE. Yes; Mr. Chairman, many of the projects have subprojects. I could not give subproject totals without going back to our records to tabulate it.

Mr. PASSMAN. You may have what we refer to as a program, but under that program you could conceivably have 200 or 300 individual projects working under that program; is that right?

Mr. KLEINE. Yes, sir.

Mr. PASSMAN. You would have 15 technicians in the same area and they could be doing separate projects; could they not, in that general area?

Mr. KLEINE. Yes, sir.

Mr. PASSMAN. That is why it adds up to 4,416 projects and subprojects in 99 nations of the world. There is just bound to be a lot of duplication.

Off the record.

(Discussion off the record.)

PUBLIC LAW 480 ADMINISTRATIVE EMPLOYEES

Mr. PASSMAN. The Public Law 480 program is a foreign aid or foreign assistance program, is it not, as we think of it?

Mr. KLEINE. Yes, sir.

Mr. PASSMAN. Are you going to get the number of employees, Mr. Controller, of those who administer the $1.320 billion in the Public Law 480 account for us, also?

Mr. FLINNER. I was not, but I will see if I can get it.

Mr. PASSMAN. If you will.

As was said earlier, it is going to surpass that 64,000 personnel figure, no doubt. At least let's put it together.

More and more of this is going for payroll and expenses and less and less actually for commodities.

(The information follows:)

NUMBER OF EMPLOYEES ADMINISTERING PUBLIC LAW 480 PROGRAMS

The Department of Agriculture estimates that in fiscal year 1971 approximately 278 man-years were required to administer all aspects of this Public Law 480 programs.

PUBLIC LAW 480 COMMODITIES FOR LATIN AMERICA

Mr. PASSMAN. Would you furnish for the record a table by country showing the amount of Public Law 480 commodities that will be supplied to Latin America in fiscal 1972?

Mr. KLEINE. Yes, sir.

(The information follows:)

FISCAL YEAR 1972 PUBLIC LAW 480 ESTIMATE FOR LATIN AMERICA

[In thousands of dollars]

	Title I sales	Title II donations	Total
Total	$47,400	$103,730	$151,130
Bolivia	5,400	3,330	8,730
Brazil	16,200	39,690	55,890
British Honduras		90	90
Chile		6,390	6,390
Colombia	5,400	16,650	22,050
Costa Rica		270	270
Dominican Republic	7,600	6,300	13,900
Ecuador	3,000	3,330	6,330
El Salvador		1,620	1,620
Guatemala		2,430	2,430
Guyana	300	765	1,065
Haiti		3,600	3,600
Honduras		900	900
Jamaica		1,980	1,980
Nicaragua		594	594
Panama		603	603
Paraguay	2,900	1,575	4,475
Peru	5,000	12,690	17,690
Surinam		45	45
Trinidad and Tobago		99	99
Uruguay	1,600	608	2,208
Eastern Caribbean regional		157	157
Other West Indies		14	14

CONSULTANTS IN LATIN AMERICA

Mr. PASSMAN. Would you provide a list for the record showing the consultants in your area that are receiving more than $250 a day?

Mr. KLEINE. There are none, sir.

Mr. PASSMAN. What is the highest paid consultant you have in your area?

Mr. KLEINE. $160.

Mr. PASSMAN. $160 a day?

Mr. KLEINE. Yes, sir.

Mr. PASSMAN. Now, if he is out of the country, does he get paid 7 days a week?

Mr. KLEINE. He would be paid for whatever days he worked. Our practice is not to authorize weekend work, but if it were absolutely essential for him to work on weekends, it could be authorized.

Mr. PASSMAN. How many consultants do you have?

Mr. KLEINE. They are included in the contract figures; 532 technicians funded by AID through contracts in connection with Latin American programs were on duty as of the close of fiscal year 1970.

Mr. PASSMAN. How many consultants? I want to break that down. Do you have any direct hire consultants?

Mr. KLEINE. I think that we first should define what is meant by "consultant." Our meaning of "consultant" is an especially well qualified person who is engaged on a temporary or intermittent basis to provide expertise. There are three different ways which AID uses to obtain the services of consultants. First, they can be hired directly either by contracting with them or putting them on the AID payroll. In either of these cases, the consultant receives only a daily fee, transportation, and per diem. Second, we can contract with an organization to recruit consultants for us. Under this arrangement, AID would pay the cost of the consultant's fee, travel, and per diem as well as the organization's cost in recruiting and supporting this consultant. However, this arrangement is more costly, and for that reason is seldom utilized. Finally, consultants are employed by our contractors to supplement the contractor's regular staff in special areas of expertise. This is the way in which most AID-financed consultants are employed. Under this procedure, AID normally pays only for the cost of the consultant's fee, travel, and per diem.

Mr. PASSMAN. Do you have any direct-hire consultants?

Mr. KLEINE. Yes, sir; in the sense I just explained.

Mr. PASSMAN. Do you let the university hire these $150 consultants? Do you pay this consultant through this contract hire agency, whether it is a university or college?

Mr. KLEINE. Let me make myself clear. We do have contracts directly with short-term contractors or consultants. The persons that I have referred to before that received the highest, $160 a day——

Mr. PASSMAN. What else do they get in addition to that?

Mr. KLEINE. For example——

Mr. PASSMAN. Pin this one consultant down. What does he consult in?

Mr. KLEINE. The gentleman consulted in Uruguay on slaughterhouse construction and processing.

Mr. PASSMAN. Slaughterhouse construction and processing. What were the fringe benefits? You gave him $160 a day?

Mr. KLEINE. Yes, sir; he also received per diem.

Mr. PASSMAN. How much is that per day for that area?

Mr. KLEINE. In the neighborhood of $20 a day.

Mr. PASSMAN. Up to $180 a day. What does he get?

Mr. KLEINE. Travel.

Mr. PASSMAN. What else?

Mr. KLEINE. That is, I believe, it.

Mr. PASSMAN. You hire him or do you go out and pay somebody to hire him for you?

Mr. KLEINE. He was employed by the International Development Services, Inc., but the contractor did not receive overhead on consultant fees.

Mr. PASSMAN. Do you interview them?

Mr. KLEINE. I interview some but not all.

Mr. PASSMAN. Do you hire them and say, "I want this man" and put him on the payroll?

Mr. KLEINE. For any consultant receiving a salary in excess of the FSR–1 salary rate, that is, $137 per day, I must approve.

Mr. PASSMAN. You put on a man as you want up to $137 a day?

Mr. KLEINE. Within the approved program.

Mr. PASSMAN. I know it has to be in this program. Did you hear of a project in your life in America that you didn't have one or more of the same projects going on elsewhere? There has been a standing prize for 17 years on this committee to any witness who could name one project that we have in America that you don't have one or more of them going somewhere under this AID program. I am trying to find out how these consultants get on the payroll. If you put them on the payroll through a contracting agent, do you pay him a bonus for hiring him? You pay him a percentage?

Mr. KLEINE. Sometimes.

Mr. PASSMAN. What do you pay this agent for hiring this consultant, a percentage of what you pay him?

Mr. KLEINE. We pay an overhead which is negotiated with the firm.

Mr. PASSMAN. What does it cost per consultant for the agency to negotiate to get these consultants for you to put on the rolls?

Mr. KLEINE. That would vary, but we do not normally pay overhead costs on consultant fees.

Mr. PASSMAN. Where do we find it?

Mr. KLEINE. We could get it for you.

Mr. PASSMAN. Stop right now and get it. We can go back and get it ourselves.

Mr. KLEINE. Our contract officer would have that detail.

Mr. PASSMAN. Would it be equal to what you pay the consultant?

Mr. KLEINE. I would not guess that. No, sir. I would say something closer to perhaps 20 or 30 percent.

Mr. PASSMAN. In other words, if you were paying this consultant $160 a day and you sent him out for a year, using that hypothetically, the man who hired that consultant would get $32 a day as long as he is on the rolls drawing the consultant's fee?

Mr. KLEINE. The firm would get whatever the negotiated overhead is, but as I said earlier, we rarely pay overhead costs on consultant fees.

Mr. PASSMAN. I am taking your figures which I think are very low. You missed the question. If you get this agent to hire this consultant at $160 a day and if you pay him a 20-percent fee for the duration of that consultant's services, that would mean $32 a day for commission on each one of those consultants that is getting $160 a day that he hired for you; would that be right?

Mr. GALIFIANAKIS. You mean $192 total.

Mr. PASSMAN. Let's make the case.

Mr. KLEINE. In those cases where we use an agent, an overhead is negotiated with the firm. The basis for determination of the amount of overhead is a matter of negotiation. But we rarely pay overhead costs on consultant fees.

Mr. PASSMAN. Don't you approve it? Where can we find this? We have a very alert controller here and we want his help on this.

How can we find out now on just one contract what you pay? I would like that for the record now. We will stay here until Christmas to get it.

What have you paid? Take any agency you want to pick out of the entire book who employs these consultants for you. What is the overhead you pay him? Do you have anything there?

Mr. KLEINE. As I mentioned before, the International Development Services, Inc., does not receive overhead on consultant fees.

Mr. PASSMAN. Mr. Controller, give us your views on it.

Mr. FLINNER. Mr. Chairman, I think for the most part we hire these short-term consultants on a direct contract ourselves with them and don't go through a hiring agent. In the case where we go through a contractor to do this, the percentage can range as much, obviously, from 30 percent up to even 100 percent. I am sure in certain cases——

Mr. PASSMAN. Wait a minute. It could range up to double? You said it could. If you paid the consultant $160 a day, it could range up to $320 a day for this consultant, this being the maximum.

Mr. FLINNER. Let me——

Mr. PASSMAN. Is that what you said?

Mr. FLINNER. I said that the contractor——

Mr. PASSMAN. From 30 percent to double?

Mr. FLINNER. One hundred percent. I didn't indicate that that is just for the purpose of hiring the consultant.

Mr. PASSMAN. It has all the goodies included. It follows, nevertheless, when you pin it down, the fee paid to these hiring agencies is all built around whether the president of the agency takes a vacation and charters a jet to take his wife with him or whether he has a great big plush office because it is all included in the overhead. It follows, nevertheless, all of this overhead cost is directly related to the consultant, isn't that right?

When you finally negotiate the contract, the range is 30 to 100 percent, depending on the type of contract, but let's pin it back to the consultant's cost?

Mr. FLINNER. Yes, sir; in those cases it is not normal that we are just considering hiring consultants. Where we have a contract with the firm to recruit people, which may not amount to the same thing. But in the normal——

Mr. PASSMAN. This we must have. We may have to bring you back for this. We will have to, unless you can give us this information. We want to know how many consultants you have and whether you hired them or whether some agent hired them for 1970. We want to know what the employing agency received for employing those consultants. Get busy on the telephone and we will take a recess until you get it.

Mr. FLINNER. Mr. Chairman, I think there are very few occasions, if any, where we just go to an agency to hire a person.

Mr. PASSMAN. It is either direct hire or contract hire. That is what I want to find out. Take your time and I will be right back.

(A short recess was taken.)

UNIVERSITIES HIRING TECHNICIANS

Mr. PASSMAN. I think we might be able to make a more concise case by discussing it in a different vein.

You go to a university or college and you say to them, "I want 10 technicians or specialists in this field." This college enters into an agreement with you to put together this team of 10 technicians, so then you enter into a contract with this university or college to pay them so much for rendering the service, which would include the costs of the consultants. Is that the way it operates?

Mr. KLEINE. Yes, sir.

Mr. PASSMAN. Take one university or college with which you presently have a contract that you can turn to immediately. Let's see how it works out. Do you have one there that you have a contract with?

Mr. KLEINE. I did get the information on the other matter you raised.

Mr. PASSMAN. We will go back to that later.

Mr. KLEINE. We have the overall figures on these contracts. I can also provide for the record the breakdown on any particular contract.

Mr. PASSMAN. Take the overall then. What year are you talking about?

Mr. KLEINE. Here is one that——

Mr. PASSMAN. Take the total. You said that you didn't have one. You said that you had the total. Get the total in the record. How much money did you pay out in fiscal year 1970 for contract hire with universities and colleges?

Mr. KLEINE. If I may, I shall provide for the record a statement showing disbursements for university contracts in fiscal year 1970, with a breakdown by the principal cost components.

(The information follows:)

Expenditures during fiscal year 1970 under AID university contracts within the Latin America Bureau[1]

Salaries	$3,539,731
Allowances	509,262
Travel	592,412
Equipment	367,106
Participants	876,194
Other[2]	993,102
Overhead	1,076,795
Total	7,954,602

[1] During fiscal year 1970, there were 55 such contracts in effect.
[2] Includes such costs as employee fringe benefits, consultant fees, subcontracts, printing, supplies, telephone and telegraph, postage, etc.

Mr. PASSMAN. You said that you have the totals in a book which shows what you paid all together in your area to universities and colleges for technicians in 1970.

Mr. KLEINE. For all universities, the amount of contracts for Latin America in effect as of June 30, 1970 was $49,400,000.

Mr. PASSMAN. All universities, colleges, and workshops?

Mr. KLEINE. All universities.

Mr. PASSMAN. You paid them how much?

Mr. KLEINE. $49,400,000.

Mr. PASSMAN. Out of this one spigot alone, is that correct?

Mr. KLEINE. These are contracts in effect as of June 30, 1970.

Mr. PASSMAN. Is that all for that 1 year that you paid out for this area?

Mr. KLEINE. That is the total amount of the contracts in effect as of that time.

Mr. PASSMAN. In effect? For how long?

We are trying to establish the total cost for the year. What does this $49,400,000 represent?

Mr. KLEINE. This represents the total of contracts issued in AID from Washington in effect as of June 30, 1970.

Mr. PASSMAN. How long had they been in effect and how much have you paid out of the $49 million? Put it that way.

Mr. KLEINE. Each of the contracts is funded for a given period. The duration of the contract varies, and also the date when the various contracts were entered into varies.

Mr. PASSMAN. I understand that. That is not what I asked. We want to know how much you paid out in vouchers against contracts for a given period. That period means fiscal year 1970. I know that you have it somewhere.

Mr. KLEINE. We do have that information, sir.

Mr. PASSMAN. How much? What is the total?

Mr. KLEINE. I will provide that for the record.

Mr. PASSMAN. No, sir. I am just getting into something here as hot as a firecracker. Do you mean gentlemen, with all of those books and your full-time job is doing nothing but allocating money, that you don't know how many universities and colleges you entered into agreements with and you don't know how much you paid them for fiscal year 1970?

Do you have it for any other fiscal year?

Mr. KLEINE. I have the funding for fiscal 1970 for all contracts.

Mr. PASSMAN. How much?

Mr. KLEINE. $46,530,000.

Mr. PASSMAN. That was the total amount that you paid out for all contracts for universities, colleges, and workshops in this area?

Mr. KLEINE. Yes, sir.

(NOTE: The following information was supplied after the hearings were completed.)

No, not paid out but the total obligations in fiscal year 1970 for all contracts. In other words, the figure represents the total dollar value of all contracts for services, research, commodities, and training which we entered into in fiscal year 1970 with all contractors—commercial, foundations, universities, and individuals. Some of these were new agreements—and most were extensions of existing agreements. Some were short term. Most extensions were for 1 year. New agreements normally run for 18 months.

NUMBER OF CONSULTANTS HIRED BY UNIVERSITIES

Mr. PASSMAN. This sum was paid to the universities and colleges for how many consultants?

Mr. KLEINE. 532.

(NOTE: The following information was supplied after the hearings were completed.)

Not paid out. The $46,530,000 represents obligations, not disbursements, for new contracts and contract extensions entered into in fiscal year 1970 for varying durations—for 2 months of fiscal year 1970, say, in one case, or in some cases, for 2 years after fiscal year 1970—and including not only technician costs, but also contract participants, contract commodities, and other contract costs. According to page 6 of the Project Data Book, 532 contract technicians were on duty at the close of fiscal year 1970. Some of these 532 were paid from funds provided through fiscal year 1970 obligations, but many others were paid from fiscal year 1969 or 1968 obligations. So there is no correlation between the 532 figure on page 6 and the $46,530,000 on page 3 of the Project Data Book—or, for that matter, between the 532 and that part of the $46,530,000 which would eventually be used by the contractors for technician costs, rather than for participants, commodities, or other costs.

Mr. PASSMAN. Who paid the salaries of the consultants, the university or AID?

Mr. KLEINE. The university, sir.

Mr. PASSMAN. What was the average cost per consultant per year?

Mr. KLEINE. Our analysis of university contract costs indicates that the university average cost is $28,700, per man-year which includes $20,160 average salary plus an overhead of roughly 31 percent of salary costs.

Mr. PASSMAN. Forget about that. Answer my question. How much does it cost per consultant?

Mr. KLEINE. The average professional salary for university contracts in effect as of June 30, 1971, was $20,160.

Mr. PASSMAN. What about the $28,700 you just used?

Mr. KLEINE. That figure is the average cost per man-year. It includes salary, overhead, transportation, per diem, allowances, and other personal costs for an employee and his dependents. It does not include equipment, participant training, and subcontracting costs.

Mr. PASSMAN. I don't think you are intentionally being evasive. Take the 532 consultants and divide that into $46,530,000 and tell me how much each consultant would cost the American taxpayer.

Mr. KLEINE. Dividing that figure would give you the——

Mr. PASSMAN. I know it gives me that, but I want you to do the figuring.

Mr. KLEINE. Dividing the figure of $46,530,000 by 532, one gets $86,000. That, sir——

Mr. PASSMAN. Wait a minute. You do not have to go any further. Let me make the record and you can give the answer.

It costs $86,000 per consultant?

Mr. KLEINE. That includes all the costs.

(NOTE: The following information was supplied after the hearings were completed.)

No, $86,000 is the result when one divides $46,530,000—the amount of total short- and long-term research, commodity, participant training and service contracts entered into in fiscal year 1970—by the number of technicians at work on a contract basis as of one day, the last day of fiscal year 1970. The $46,530,000 represents contract costs for many types of procurement, and includes contracts of which most are for a period longer than 1 year. The 532 technicians, on the other hand, were probably only partially funded by contracts entered into in this period. Many, for example, were probably funded under contracts entered into in fiscal year 1969 which terminated in fiscal year 1970. Thus, I think we cannot devise a useful measure of costs per man per year by relating 532 people to the $46,530,000. The analysis of average cost per university contract technician shows the cost for contracts in effect as of June 30, 1971, to be $28,700 per man-year, including salary and 31 percent overhead.

Mr. PASSMAN. I know that. I am asking how much it costs.

I am trying to establish for the first time how much the U.S. taxpayer pays per consultant. When I find that out, then I will go on and ask the other questions.

Now let's figure this out again. Is that correct, that the total cost is $86,000 per consultant, including everything?

Mr. KLEINE. I think, sir——

Mr. PASSMAN. I know it is everything.

Mr. KLEINE. I am trying to answer.

Mr. PASSMAN. But is that correct?

Mr. KLEINE. I am saying that $46 million——

Mr. PASSMAN. $46,530,000.

Mr. KLEINE (continuing). And $530,000——

Mr. PASSMAN. And that went to pay——

Mr. KLEINE (continuing). Is the amount of obligations in fiscal year 1970 associated with all costs of all contracts in Latin America.

Mr. PASSMAN. For 532 consultants and the annual costs attached thereto?

Mr. KLEINE. Through the contract, yes.

Mr. PASSMAN. Is that true?

Mr. KLEINE. Yes.

(NOTE: The following information was supplied after the hearings were completed.)

No, the $46,530,000 represents obligations made in fiscal year 1970 for contracts entered into in fiscal year 1970, involving payouts in fiscal year 1970 in some cases, in fiscal year 1971 or 1972 in others, and including commodities, training and other costs as well as technicians. The 532 represents the number of contract technicians on duty at the end of fiscal year 1970. The two figures cannot usefully be related.

Mr. PASSMAN. Of this $86,000 per consultant, how much of that actually went to the consultant as his part of it?

Mr. KLEINE. An average of $20,160.

Mr. PASSMAN. Which means, of course, the overhead, and all of the other things that would attach to that, was $65,840.

So, $20,160 went to the consultant, $65,840 went for everything connected with the consultant's activities; is that right?

Mr. KLEINE. Everything other than the consultant's costs would cover the balance of that figure.

(NOTE: The following information was supplied after the hearings were completed:)

No, $28,700 went for everything connected with a university contract technician—$20,160 went to the average university contract technician and an average of $8,540 for the other personal costs connected with his activities.

Mr. PASSMAN. So, in this one instance it simply means, then, that the attachments cost three times as much as the consultant received?

Mr. KLEINE. Yes, sir. The contract costs for participants, commodities, and other costs were perhaps three times as much as the contract technician costs.

Mr. PASSMAN. I know, the whole package.

Mr. KLEINE. Right.

Mr. PASSMAN. I hate for anybody to read that record, if that is accurate.

I thought it was something like that, but I did not know it was that high. No wonder these colleges and universities are clamoring for these contracts.

Mr. SHRIVER. Mr. Chairman, may I go off the record?

(Dicussion off the record.)

Mr. PASSMAN. In fiscal year 1970, for the Latin American area, you disbursed $46,530,000 through universities and colleges on contracts in connection with the employing of 532 consultants, is that correct?

Mr. KLEINE. It is all contracts, sir.

(NOTE: The following information was supplied after the hearings were completed:)

No, $46,530,000 represents obligations not disbursements for all costs—consultant costs and all other costs for all contracts in fiscal year 1970, including contracts for which most of the disbursements will not have been made until fiscal years 1971 or 1972.

Mr PASSMAN. I am talking about all contracts.

Mr. KLEINE. Right. Not only with universities.

Mr. PASSMAN. Whatever the contracts are?

Mr. KLEINE. Right.

Mr. PASSMAN. Putting it on a cost per consultant, it is $86,000 is that correct?

Mr. KLEINE. On that calculation; yes, sir.

Mr. PASSMAN. Yes. Breaking that down now into two parts: The consultant received, as salary, $20,160, whereas the remainder of $65,840 per consultant, went for overhead and every other thing pertaining to the consultant.

Mr. KLEINE. No. Pertaining to the purpose of the contract. A university contract, to strengthen a university in Brazil, might include funding for participants, for the experts, commodities, and backstopping.

Mr. PASSMAN. I understand, but all of it is the backup for the consultants; correct?

Without the consultants, then there would not be any need for the money in this amount?

Mr. KLEINE. It is hard to say which contract element is the most important in a project of this sort. The consultant, the training of the participant, the equipment—each is part and parcel of the activity.

Mr. PASSMAN. I get that. I want to be sure that when you tie the $46,530,000 that you said you spent on contracts to the 532 consultants, that the total cost is $86,000 per consultant; is that correct?

Mr. KLEINE. Yes, sir.

Mr. PASSMAN. The consultant gets $20,160 for salary; and the remainder of $65,840 goes to all related expenses which we previously referred to; is that fair enough?

Mr. KLEINE. Yes, sir.

(NOTE: The following information was supplied after the hearings were completed:)

No, because you are subtracting to $20,160 from $86,000, and the $86,000 is not a meaningful number. It was derived by dividing the number of contract technicians as of one fixed date, into a dollar amount to be used over various periods if time for technicians plus participants plus equipment plus other costs.

Mr. PASSMAN. Thank you.

LATIN AMERICAN TRADE WITH THE UNITED STATES

Mr. PASSMAN. Would you please provide a table showing the export and import trade of Latin America with the United States by year for the past 10 years?

Mr. KLEINE. Yes, sir.

(The information follows:)

U.S./ Latin American Republics Trade
and AID Flows (1960-1970)
(Millions of Dollars)

I. Trade	1960	1961	1962	1963	1964	1965	1966	1967	1968	1969	'70
U.S. Exports to LA	3526	3497	3322	3264	3779	3746	4181	4071	4631	4822	5651
U.S. Imports from LA	3621	3300	3467	3511	3556	3698	3991	3883	4300	4270	4861
Trade Balance	95	197	145	247	223	48	190	188	331	552	790
II. Net Official U.S. Aid	188	777	565	496	361	517	494	526	754	603	584

Source: U.S. Department of Commerce, Balance of Payments data

Mr. PASSMAN. One column should show the imports from the United States and one should show the exports to the United States.

Mr. KLEINE. Yes, sir.

Mr. PASSMAN. In a third column, show the total amount of aid, all spigots, for the same period.

RATE OF INFLATION IN LATIN AMERICA

Would you please update the table appearing on page 1470 of last year's hearings showing the rate of inflation in Latin America since 1958?

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	1970
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	13.4
Bolivia	3.1	20.0	11.7	8.0	6.3	-1.0	10.6	2.7	7.1	11.6	5.2	2.1	4.1
Brazil	14.9	37.0	35.0	38.4	52.3	75.4	85.7	61.4	41.2	30.5	22.2	22.1	23.2
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	32.3
Colombia	14.9	7.0	3.7	9.0	2.5	32.3	17.1	3.6	20.1	8.2	7.5	7.0	6.6
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	4.5
Dominican Republic	-2.0	0.0	-4.0	-3.1	9.7	7.8	1.8	-2.0	0.0	2.0	0.0	1.0	1.0
Ecuador	2.0	0.0	2.0	3.9	2.8	5.5	4.3	2.9	3.7	3.6	4.3	6.7	5.5
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	2.9
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	2.9
Honduras	3.1	1.0	-2.0	2.0	1.0	2.9	4.8	3.6	1.9	2.7	1.8	2.6	2.5
Mexico	12.4	2.0	5.9	0.9	0.9	0.9	2.7	3.5	4.7	2.7	1.8	3.4	5.0
Nicaragua	5.3	-3.0	-2.1	0.0	1.1	0.0	4.2	3.0	3.7	0.0	4.5	0.0	n.a.
Panama	0.0	0.0	0.0	1.0	1.0	1.0	1.9	0.0	0.0	1.9	1.0	1.9	2.8
Paraguay	6.4	10.0	8.2	18.5	1.4	2.1	1.4	4.1	2.9	1.9	0.9	1.8	-0.9
Peru	5.3	13.0	8.0	7.4	6.1	6.5	10.8	16.5	9.4	9.9	20.0	5.4	5.1
Uruguay	17.6	40.0	38.6	22.2	11.0	20.5	43.2	56.7	73.8	89.6	125.3	20.1	17.3
Venezuela	5.3	5.0	3.8	-2.8	-1.0	1.0	0.9	1.9	1.9	0.0	0.9	2.8	1.8

NOTE: Calculations are based on 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."

INCOME TAXES COLLECTED IN LATIN AMERICA

Mr. PASSMAN. Would you please place in the record a table showing the amount of income tax collected by country, in your area, for the past 10 years?

Mr. KLEINE. Yes, sir.

(The information follows:)

TABLE SHOWING AMOUNT OF INCOME TAX COLLECTED BY COUNTRY IN LATIN AMERICAN AREA

Reliable information on income tax collection in Latin America is not available for most countries before 1966. The information on income tax revenue since 1966 is provided in the following table. Total tax revenues from 1967 to 1970 also have been included. It should be noted that the ratio of income tax to total tax varies not only from country to country, but also from year to year within a country.

CENTRAL GOVERNMENT INCOME TAX REVENUE IN LATIN AMERICA: 1966-1970
(Millions of U.S. Dollars, Constant 1969 Prices)

Region and country	1966	1967	1968	1969	1970	Percent change 1966-1970
18 L.A. Rep. TOTAL	3667.1	3784.4	3920.0	4170.6	3720.6	23.2 [1]
5 C.A. Rep. [*] TOTAL	63.8	66.1	78.4	83.4	82.3	29.0
Argentina	531.1	566.3	527.8	504.6	565.0	6.4
Bolivia	12.2	12.3	17.8	14.7	10.3	-15.6
Brazil	752.1	591.3	645.7	918.1	730.4	- 2.9
Chile	412.8	432.5	317.1	292.6	NA	-29.1 [2]
Colombia	166.8	189.8	210.5	227.0	NA	36.1 [2]
Costa Rica	13.8	16.1	21.0	22.9	22.6	63.8
Dominican Republic	NA	NA	30.0	37.4	41.0	36.7 [3]
Ecuador	69.1	68.8	70.7	NA	NA	2.3 [4]
El Salvador	13.8	12.7	13.8	15.2	16.3	18.1
Guatemala	12.9	14.4	16.3	16.6	17.3	34.1
Honduras	13.8	13.6	19.7	21.5	18.7	35.5
Mexico	746.2	862.2	990.7	1112.1	1248.0	67.2
Nicaragua	9.5	9.3	7.6	7.2	7.4	-22.1
Panama	31.1	37.8	37.8	38.8	NA	24.8 [2]
Paraguay	5.0	6.0	6.0	6.4	6.3	26.0
Peru	NA	NA	NA	NA	NA	NA
Uruguay	23.8	15.1	15.1	22.0	24.4	2.5
Venezuela	853.1	936.2	972.4	913.5	1012.9	18.7

[*] Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua NA= Not Available

[1] Excludes Chile, Colombia, Dominican Rep., Ecuador, Panama and Peru
[2] Percent change 1966-1969
[3] Percent change 1968-1970
[4] Percent change 1966-1968

SOURCE: A.I.D. Economic Data Book

CENTRAL GOVERNMENT TAX REVENUES
(MILLIONS OF U.S. DOLLARS, CONSTANT 1969 PRICES)

	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970 P
TOTAL	9252.0	9016.2	9265.2	9624.4	10684.0	11798.1	12184.8	13445.3	14669.7 [1]	15143.4 [1]
SUBTOTAL, C.A. +	256.6	275.7	281.6	326.6	375.2	393.4	403.3	434.1	466.8	500.0
ARGENTINA	1715.4	1313.7	1194.0	1018.0	1503.4	1729.3	2007.7	1951.8	1982.4	2053.7
BOLIVIA	49.1	54.7	57.9	63.2	68.4	77.1	77.2	79.7	81.4	94.7
BRAZIL	2484.9	2469.7	2508.0	2562.6	2879.7	3281.3	3070.2	3918.4	4605.8	4200.5
CHILE	739.9	765.4	769.0	764.4	942.4	1095.6	1105.2	1167.2	1264.2	1526.2
COLOMBIA	394.8	368.3	341.1	365.0	325.2	430.4	470.5	479.5	580.5	650.6
COSTA RICA +	53.1	62.1	62.0	66.5	72.7	77.5	83.2	97.7	106.7	115.7
DOMINICAN REPUBLIC	129.3	149.0	163.2	175.8	113.5	155.4	163.8	168.0	194.0	207.1
ECUADOR	151.3	154.6	171.3	196.8	189.3	202.4	222.1	238.9	NA	NA
EL SALVADOR +	57.9	62.5	66.9	79.9	82.8	83.5	81.8	82.0	94.4	103.1
GUATEMALA +	80.5	80.4	74.7	91.6	112.5	113.2	114.9	125.0	134.0	137.4
HONDURAS +	29.7	32.6	33.8	38.7	45.7	56.0	59.8	67.8	69.5	73.5
MEXICO	1088.6	1189.9	1314.4	1496.1	1635.9	1636.7	1723.0	1975.8	2176.9	2350.2
NICARAGUA +	35.5	38.2	44.2	50.0	61.5	63.2	63.5	61.5	62.1	70.4
PANAMA	52.0	58.3	58.2	62.0	71.1	82.7	89.7	94.2	105.0	126.0
PARAGUAY	32.3	35.6	33.0	33.7	44.8	44.9	50.6	54.0	63.8	62.6
PERU	516.3	545.7	603.2	644.8	642.7	662.1	707.5	770.7	784.3	811.8
URUGUAY	307.6	273.2	276.3	266.9	230.4	269.1	215.8	223.2	237.3	263.6
VENEZUELA	1333.9	1362.4	1494.1	1648.5	1662.1	1737.7	1878.2	1890.0	1836.1	1978.8

+ C.A. COUNTRIES ARE COSTA RICA, EL SALVADOR, GUATEMALA, HONDURAS, AND NICARAGUA.E
SYMBOL DEFINITIONS ARE: E ...ESTIMATE. P ...PRELIMINARY, NA ...NOT AVAILABLE.E
TOTALS EXCLUDE COUNTRIES SHOWN AS NOT AVAILABLE.
[1]INCLUDES A.I.D. ESTIMATES FOR ECUADOR NOT SHOWN SEPARATELY.

Mr. PASSMAN. You are going to give us the gross national product by year. If you give us the rate of inflation, gross national product, the amount of taxes collected, and the amount of aid, it is not going to be difficult for me to rationalize this situation to see which way we are going.

I think I would be less than fair if I did not commend you, Mr. Kleine, for your willingness to be completely forthright. You are not evasive. If you know the answer, you provide it. If you do not know it, then you just so state.

It took an awful lot of courage to read into the record that you spent $46,530,000 for contracts with universities and colleges in 1970, and there were 532 consultants involved. This would be a per capita cost of $86,000 per consultant, putting it on that basis, and they received $20,160 per year in salary, and the other $65,840 went for everything connected with the operation of that consultant.

I want to go over this with you subsequently; and if there is any miscalculation, let's take a look at it. Just like the gentleman sitting behind you said, in many instances it was double; but in this instance, 25 percent goes to the man actually doing the work and 75 percent goes for everything connected with the operation, the overhead, the bookkeeping et cetera. So it took a lot of courage to put it in the record.

Subsequently, let's check it; and if you have miscalculated, let me know because this is a rather frightening picture. However, you are to make no deletions because of your lack of knowledge of the program you administer, but you may wish to admit this lack of knowledge, and place the corrected facts in the record when some of your subordinates have filled you in. Of course I know, and you know, that this is a tremendous windfall for colleges and universities, or they would not be so eager to get in on it.

I have two big universities and a college in my district. They are trying to get in on this. I just said, "You get in on it by yourself. I am on the legislative side of government, not on the administrative side."

I will leave that in the record. Let them read it. They did not go into business to run AID; they went into business to educate the people going there.

INCREASING RATES OF DEVELOPMENT, DECREASING ASSISTANCE

As the country increases its ability to collect local revenues, are we reducing the U.S. assistance to those countries?

Mr. KLEINE. Yes, sir. As the country's capacity to finance its own development increases, our aid is going down. We have in fact cut out programs where we felt that the countries have moved to the point where they could get their financing elsewhere. Our assistance has gone down in Brazil, because of Brazil's increased economic capacities.

Mr. PASSMAN. Take the overall. AID is going up, not down, Mr. Kleine.

Mr. KLEINE. The AID program about which I am speaking is going down. This is the lowest request in the history of the Alliance.

Mr. PASSMAN. Now you have an international bank that is moving in that area, is that not true, with some $1 billion of capital, in which our outright grants and appropriations for callable capital are up in the neighborhood of half a billion dollars? Do they not do the same things and work in the same areas that you work in?

Mr. KLEINE. Yes, sir.

Mr. PASSMAN. So if you put the grand total together, it is up, not down, is it not?

Mr. KLEINE. The IDB receives contributions from other sources as well as from the United States.

Mr. PASSMAN. I am speaking of only U.S. contributions. Would you provide for the record a table showing the per capita gross national product growth of all countries in Latin America?

(The information follows:)

INDEX OF PER CAPITA GROSS NATIONAL PRODUCT: 1960-1970
(1961=100: based on constant 1969 prices)

Region and country	1960	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970 P
18 L.A. Republics TOTAL	97	100	101	101	106	108	110	111	115	119	124
5 C.A. Republics * TOTAL	99	100	103	106	108	111	114	116	119	121	124
Argentina	95	100	97	92	98	106	104	105	108	114	119
Bolivia	100	100	103	107	109	114	120	120	125	128	130
Brazil	93	100	102	101	101	101	103	106	112	116	122
Chile	96	100	103	106	108	111	115	115	117	118	119
Colombia	98	100	101	101	104	104	107	108	110	114	118
Costa Rica	101	100	102	105	101	106	110	116	123	129	135
Dominican Republic	109	100	109	111	115	98	106	107	108	114	117
Ecuador	101	100	101	102	106	105	107	110	111	114	120
El Salvador	100	100	108	109	115	117	121	124	123	124	125
Guatemala	99	100	100	105	107	108	110	111	114	117	119
Honduras	103	100	102	100	98	103	107	109	113	114	115
Mexico	99	100	101	106	114	118	122	124	131	136	141
Nicaragua	95	100	107	110	119	125	124	127	127	129	128
Panama	92	100	105	111	113	118	123	129	134	141	148
Paraguay	97	100	103	101	102	105	104	106	108	109	113
Peru	95	100	106	106	110	112	115	113	111	109	111
Uruguay	98	100	96	93	95	95	97	89	89	93	97
Venezuela	99	100	104	108	118	120	119	121	122	123	125

*Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua

P=Preliminary

Mr. PASSMAN. Let me repeat for the record that the total aid for Latin America is up, if you put all pieces together.

Take all the time you need to disprove that. I will not apologize, but I will correct the record if you come up with different statistics. Make it all-inclusive.

Off the record.

(Discussion off the record.)

GAO CRITICISMS OF AID ECONOMIC UNIFICATION OF CENTRAL AMERICA

Mr. PASSMAN. In a General Accounting Office report concerning the U.S. aid to the economic unification of Central America dated August 13, 1970, several criticisms were leveled at AID which are as follows:

AID was unable to relate the common market's actual accomplishments and priorities to those AID had hoped for.

AID had not developed methods necessary to measure with reasonable accuracy the impact of AID programs on the common market movement or the impact of the unification movement on the region's rate of growth and development.

AID needs to give increased attention to the problem of slow use of available AID development funds. Twenty-four percent of AID's loan funds budgeted for Central America's economic unification have been available but unused for over 4 years.

This is not a very pretty picture.

Now you budgeted the funds for programs, but they have remained in a dormant state. Is that what GAO means?

Mr. KLEINE. AID loan funds moved slowly at first because the loans were made to the Central American Bank for Economic Integration (CABEI), which then provided subloans to institutions in five separate countries. So it was not a simple operation such as a direct loan to a single government agency to carry out a road project, for example. A very extensive series of complex negotiations between the CABEI and the various governments in the Central American area was required.

Mr. PASSMAN. In effect, you actually programed the money far in excess of the need to use it?

Mr. KLEINE. No, sir.

Mr. PASSMAN. That is what GAO says. They understand that AID needs to give increased attention to the problem of using available aid development funds. Twenty-four percent of AID's loan funds budgeted for Central America's economic unification have been available but unused for over 4 years.

You did enter into the obligations and listed them as an obligation on your records, did you not?

Mr. KLEINE. Yes, sir.

Mr. PASSMAN. But 24 percent of it went for 4 years and was still unused. Is that a correct statement that they are making?

Mr. KLEINE. The information I have now, sir, shows that as of 3 months ago 78 percent of the total disbursement authorizations have been issued, of the first loan; and 22 percent of the second. There are still substantial amounts yet not drawn down, but the progress has accelerated, now that CABEI has gained valuable experience in administering this type of loan.

Mr. PASSMAN. You do know, as I do, Mr. Kleine, that this is the general practice in all areas of AID, to get the funds behind an obligation and let it remain in a dormant state for years and years in many instances?

I think you testified earlier, of your entire program, that you had obligated funds and in subsequent years you had deobligated, I believe, an average of about 10 percent of these funds; is that not correct?

Mr. KLEINE. Yes, sir, where these funds were unnecessary for the purposes originally sought.

Mr. PASSMAN. That is exactly what the man is saying here. Except he is saying that 24 percent of it is being carried in an obligated status, but it is not being disbursed. It just means that you are working too fast, you are getting these funds obligated because the fiscal year was running out, and if you had too big a carryover, the Congress would be inclined to cut the fund even lower the next year. It has been the general practice to overobligate and then at some subsequent date to deobligate the funds and use them for other projects.

OVERFUNDING OF PROJECTS

Now, what has been your funding overrun on projects in Latin America?

Mr. KLEINE. In our usual loan agreement, we have a standard provision that if there is an overrun for the project, the borrowing country undertakes to provide it.

Mr. PASSMAN. To find places to spend it? I am speaking about overfunding a project, where you state a project is going to cost $1.2 million and it only costs $900,000.

Mr. KLEINE. If the funds provided for a project turn out to be in excess of the needs of the projects then we deobligate.

Mr. PASSMAN. That is the question I asked you: What has been your record on overfunding projects?

Off the record.

Mr. KLEINE. We program as tightly as we can, but obviously don't use funds for a project which subsequent experience shows are in excess of needs.

Mr. PASSMAN. Thank you.

THE NEED FOR BILATERAL ASSISTANCE

In the January 1971 monthly letter of the Chamber of Commerce of Latin America, the following statement is made:

> Until and unless regional or sectional cooperation in Latin America has become a reality in deeds as well as in words, economic assistance should be conducted on a bilateral level. This approach would eliminate the need for a gigantic bureaucratic apparatus, which consumes part of the funds available that would be applied to actual projects.

Would you like to comment on that, Mr. Secretary?

Mr. MEYER. That is the U.S. Chamber, sir?

Mr. PASSMAN. No; it is the Chamber of Commerce of Latin America. Put something in the record on it.

Mr. MEYER. Indeed, I will.

(The information follows:)

REGIONAL COOPERATION IN LATIN AMERICA

Regional cooperation is a reality in Latin America in numerous fields. Its utility is being increasingly demonstrated and its effectiveness in many areas confirmed. Multilateral institutions can perform many functions for which bilateral assistance is not appropriate and can marshall international support for development programs in sensitive areas where bilateral action could be considered intervention. On the other hand, there are areas where bilateral assistance is a more suitable means to achieve objectives mutually shared by the United States and recipient countries. Our policy is to use the tools of multilateral and bilateral aid in a complementary mix, while aiming at the assumption of increasing responsibility for development assistance by the other developed countries and the international organizations. There are economies realized through regional cooperation and the pooling of administrative services. The United States has consistently supported improvements in the management effectiveness of multilateral organizations so that we can contribute resources with the assurance that they will be wisely spent and effectively administered.

EXPROPRIATION OF AMERICAN PROPERTY IN LATIN AMERICA

Mr. PASSMAN. How many Latin American nations expropriated American property since you appeared before the committee last year?

Mr. KLEINE. Expropriations in Chile?

Mr. PASSMAN. Seizures, whatever; I am trying to be polite.

Mr. KLEINE. Chile, Bolivia, and Ecuador.

Mr. MEYER. That is it.

Mr. PASSMAN. Any other others threatening at this time?

Mr. MEYER. ———.

Mr. PASSMAN. That is four. Increasing the average.

Ecuador seized certain fishing vessels, but have you ceased to disburse any funds to that country pending a settlement or are you still disbursing funds?

Mr. KLEINE. We are still disbursing funds on existing commitments.

Mr. PASSMAN. Chile is in your area?

Mr. KLEINE. Yes, sir.

Mr. PASSMAN. Are we still disbursing funds in Chile?

Mr. KLEINE. Yes, sir.

Mr. PASSMAN. Are we still disbursing funds in Bolivia?

Mr. KLEINE. Yes, sir.

Mr. PASSMAN. Turning the other cheek, are we?

INVOLVEMENT OF COMMUNIST COUNTRIES WITH LATIN AMERICA

Mr. PASSMAN. Are more Communist countries becoming involved diplomatically with Latin American nations than has been the case in past years?

Mr. MEYER. Yes, the number of Communist countries having diplomatic relations in Latin America has increased in recent years. In recent times, during the 10 months ending in April 1971, Chile, Bolivia, and Costa Rica particularly have expanded their diplomatic relations with these countries. On the other hand, the Mexican Government expelled five Soviet diplomats for involvement in the training of Mexican subversives in North Korea.

I am making available to you a copy of a study which has been completed only a few days ago and will be issued within the next few days, which spells out Communist diplomatic consular and trade representation in Latin America.

I am also making available a listing of non-Communist country trade agreements with Latin American countries (excluding Cuba).

If you would like more specific information on any of these matters we will be glad to provide it.

(The information follows:)

KNOWN COMMUNIST COUNTRY TRADE AGREEMENTS WITH LATIN AMERICAN COUNTRIES (EXCLUDING CUBA)

Argentina.—Hungary, Bulgaria, Poland, Rumania, U.S.S.R., Czechoslovakia, and East Germany.

Venezuela.—Rumania, Poland, Czechoslovakia, U.S.S.R., Bulgaria, and Hungary.

Mexico.—Czechoslovakia, and U.S.S.R.

Peru.—Communist China, Poland, Czechoslovakia, Hungary, and Bulgaria.

Uruguay.—Bulgaria, Hungary, Czechoslovakia, East Germany, Poland, and U.S.S.R.

Ecuador.—Bulgaria, Hungary, Poland, East Germany, Rumania, Czechoslovakia, and U.S.S.R.

Bolivia.—U.S.S.R., and Poland.

Chile.—Bulgaria, Czechoslovakia, East Germany, Hungary, U.S.S.R., Poland, Communist China, and Rumania.

Colombia.—Czechoslovakia, East Germany, Hungary, Poland, Rumania, U.S.S.R., and Bulgaria.

Costa Rica.—Poland, U.S.S.R., and Bulgaria.

Brazil.—U.S.S.R., East Germany, Bulgaria, Poland, Czechoslovakia, Yugoslavia, Rumania, and Hungary.

COMMUNIST DIPLOMATIC, CONSULAR, AND TRADE REPRESENTATION IN LATIN AMERICA

This paper updates the information contained in an earlier INR paper,[1] Intended primarily to serve needs for unclassified information it lists the location and notes recent changes in the status of embassies, consulates and trade offices representing Communist countries (including Cuba) in Latin American nations (excluding Cuba). Data are based on information available through May 15, 1971.

ABSTRACT

The overall representation of Communist countries in Latin America has continued to rise during the past year. The Soviet Union established diplomatic relations with Guyana in December 1971 and announced agreement with Costa Rica to exchange diplomatic missions at the ambassadorial level. Resident missions had not been exchanged as of April 1971. Venezuela and the Soviets resumed diplomatic relations on April 16, 1970, and exchanged ambassadors in February 1971. The U.S.S.R. now has diplomatic relations with Mexico, Costa Rica, Cuba, and all the nations of South America except Paraguay.

Chile became the first Latin American country other than Cuba to establish diplomatic ties with Communist China. The establishment of relations was announced on January 5, 1971. Chile agreed to the establishment of North Korean and North Vietnamese trade missions in Santiago on November 16, 1970, and March 25, 1971, respectively. The Allende government also resumed full diplomatic relations with Cuba on November 12, 1970, and signed an agreement to establish relations with East Germany on March 16, 1971.

Although Czechoslovakia, Poland, the U.S.S.R. and Yugloslavia account for most of the Communist country representatives in Latin American capitals, other Communist countries, especially Bulgaria, were active during 1970–71 in upgrading their representation in Latin America. Bulgaria established diplomatic relations with Costa Rica in October 1970, and with Bolivia in December 1970. It also assigned a resident consul general to Quito and its first resident Ambassador to Chile.

This increased exchange of representation results both from a mutual interest

[1] See research study RARS–11, "Communist Diplomatic, Consular, and Trade Representation in Latin America," Aug. 3, 1970 (unclassified).

in expanded trade and new export markets and from the desire of Latin American nations to express their independence through the conduct of diplomatic relations with all nations. Latin America enjoys a highly favorable trade balance with its communist country trading partners and in general hopes to maintain and increase present markets by normalizing relations with the communist countries. Presently, only seven conutries,[2] primarily in the Caribbean and Central America, have no resident representation from any communist country, and the incentive to establish relations for the development of trade appears small.

INR/American Republics
Director, G. H. Summ.
Analyst, R. C. Jorgenson.
Extension, 22251.
Drafting date, June 23, 1971.
Released by ----------

LATIN AMERICAN-COMMUNIST COUNTRY RELATIONS: EXPANSION AND A REVERSE

Since November 1970, when President Allende assumed office, Chile has been the most active Latin American nation in expanding relations with Communist countries. Shortly after taking office, Allende announced resumption of full diplomatic relations with Cuba. Relations had been broken on August 11, 1964, following the resolution adopted by the Ninth Consultative Meeting of American Foreign Ministers. The two countries exchanged ambassadorial agreements on December 24, 1970. Diplomatic relations with Communist China were announced on January 5, 1971, effective as of December 15, 1970. The joint communique stated that "The Chinese Government reaffirms that Taiwan is an inalienable part of the territory of People's Republic of China. The Chilean Government takes note of this declaration of the Chinese Government." A Communist Chinese trade office and news agency bureau has been operating in Santiago since 1965. Chile has also granted permission for North Korea and North Vietnam to establish trade missions in Santiago, and on March 16, 1971, agreed to establish diplomatic relations with East Germany.

Bolivia has also moved rapidly to extend relations with Communist countries. Continuing a process begun by the late President Barrientos, Bolivia has, in the 19 months since its September 26, 1969, "national leftist" revolution, resumed relations with Czechoslovakia as well as establishing them with Romania, Poland, and Bulgaria. The first Soviet Ambassador presented his credentials on April 1, 1970, and the U.S.S.R. trade mission has, as of May 1971, grown to four members.

In addition to announcing agreement with the U.S.S.R. to exchange ambassadors, Costa Rica established diplomatic relations with Romania, Hungary, and Bulgaria during 1970. It is expected that these countries will be represented in San Jose by nonresident ambassadors.

The effort of the Communist countries to further increase diplomatic and trade ties was set back somewhat when the Mexican Government expelled five Soviet diplomats for involvement in the training of Mexican subversives in North Korea.

CHRONOLOGY OF CHANGES: JUNE 1970–APRIL 1971

Costa Rica established diplomatic relations with Romania on July 23, 1970.

Costa Rica established diplomatic relations with Bulgaria on October 9, 1970.

Resumption of full diplomatic relations between Chile and Cuba was announced on November 12, 1970.

Chile and North Korea signed an agreement November 16, 1970, to permit establishment of a North Korean commercial mission in Santiago.

On November 19, 1970, the Peruvian Foreign Minister announced that Peru and North Korea will establish commercial relations.

Bulgaria and Bolivia established diplomatic relations on December 19, 1970.

On December 19, 1970, Guyana announced the establishment of formal diplomatic relations with the U.S.S.R. effective December 17, 1970. Representation will be nonresident ambassador.

On December 27, 1970, Costa Rica announced Soviet-Costa Rican agreement to establish diplomatic mission at the ambassadorial level.

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[2] Barbados, Dominican Republic, El Salvador, Guatemala, Honduras, Paraguay, and Trinidad.

Chile announced establishment of diplomatic relations with Communist China on January 5, 1971, effective as of December 15, 1970.

The Yugoslav Ambassador to Peru presented his credentials on January 9, 1971. Yugoslavia established a consulate in Lima late in 1967 and consular relations were upgraded to Embassy level in December 1968.

Hungary's resident ambassador to Peru presented his credentials in January 1971. Diplomatic relations were established on April 16, 1969.

The Czech Ambassador to Bolivia, resident in Buenos Aires, presented his credentials on January 28, 1971.

The Soviet Ambassador to Venezuela presented his credentials on February 1971.

The first Romanian Ambassador to Ecuador presented his credentials on February 5, 1971.

A resident Bulgarian Ambassador presented his credentials to the Chilean Government in February 1971. Previously Bulgaria had been represented by its Ambassador to Argentina.

Chile and North Vietnam exchanged instruments on March 25, 1971, to permit establishment of a permanent North Vietnamese trade mission in Santiago.

Chile established diplomatic relations with East Germany on March 26, 1971.

THE CURRENT STATUS OF LATIN AMERICAN-COMMUNIST COUNTRY RELATIONS

With the arrival of a Soviet Ambassador in Venezuela, there are Soviet Embassies in 11 Latin American countries—Mexico, Cuba, and all the nations of South America except Paraguay and Guyana. The U.S.S.R. also has diplomatic relations with Costa Rica and Guyana. By way of comparison, although a total of 15 Latin American nations[1] recognized the U.S.S.R. between 1926 and 1946, by 1954, 12 nations (all except Argentina, Mexico and Uruguay) had either severed relations with the U.S.S.R. or denied that relations had ever existed. The U.S.S.R., however, continued to carry many of these countries on its Moscow diplomatic list, an indication that the U.S.S.R. considered that it shared mutual recognition with the country involved, usually based on some historical precedent. (Such cases are listed in the notes at the end of this paper.)

As can be seen from the accompanying chart and explanatory notes, Yugoslavia maintains some form of diplomatic relations with all of the South American nations, while four other Eastern European nations—Czechoslovakia, Hungary, Poland, and Rumania—now maintain diplomatic relations with all the countries of South America except Paraguay and Guyana. In contrast with the U.S.S.R., these countries have often been unable to send ambassadors to all the Latin American nations with which they have recently renewed relations. A common procedure has been for the Eastern European countries to accredit a nonresident ambassador in addition to whatever trade mission or consular personnel already reside in the Latin American nation concerned.

USE OF THE CHART

The accompanying chart is based upon the best public sources available—usually, published diplomatic lists and foreign ministry announcements.

Unofficial information from newspaper stories, telephone directories, and historical accounts has also occasionally been included. Therefore, this chart is not definitive, and is intended only as an informal research aid.

A number of factors sometimes obscure the exact nature of diplomatic relations between nations. These factors include the occasional repudiation by one government of actions taken by an earlier government of that same country; the practice of sometimes granting consular exequaturs to trade mission personnel; and the exercise of the prerogative of unilateral recognition. For example, the U.S.S.R. has generally extended recognition to a new nation by an official Soviet statement, often without consultation or reciprocation from the recognized party. Such cases are listed in the notes at the end of this paper.

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[1] Argentina, Bolivia, Brazil, Chile, Colombia, Costa Rica, Cuba, the Dominican Republic, Ecuador, El Salvador, Guatemala, Mexico, Nicaragua, Uruguay, and Venezuela.

As used in this paper, the term "embassy" generally includes consular and commercial sections and only consulates in other cities are specifically listed. Likewise, the term "trade office" generally indicates a commercial representation separate from an embassy (though in most cases in the same city), which in many cases was opened prior to the establishment of the diplomatic mission.

The notes following the chart explain the location of consulates and trade offices, the accreditation of nonresident emissaries, and provide historical information when available. The notes and the chart must be used together, however, since neither part is complete in itself.

DIPLOMATIC, CONSULAR AND TRADE REPRESENTATION OF COMMUNIST COUNTRIES IN LATIN AMERICA

May 15, 1971

	Albania	Bulgaria	China	Cuba	Czechoslovakia	East Germany	Hungary	Mongolia	North Korea	North Vietnam	Poland	Romania	U. S. S. R.	Yugoslavia
Argentina		E			E,T		E,T				E,T	E	E,T	E
Barbados														
Bolivia		*			E *		E				* NRA	*	E,T	E
Brazil	NRM	L,T			E,2C,2T	2T	L,T				E,2C,2T	E.2T	E,2T	E,T
Chile		E,T	E,T	E,T	E,T	E,T*	E(NRA),T		T	T	E,T	E,T	E,T	E
Colombia		C			E(NRA),T	T *	C				NRA,C,T	T * NRA	E,T	NRA,C
Costa Rica		NRA,T			C,T *		*				NRM	* NRA	*	NRA,C
Dom. Rep.														
Ecuador		C *			E,T *	T	NRA				* NRA,T	NRA	E,T	NRA,C
El Salvador													*	
Guatemala													*	
Guyana											*		*	NRA
Haiti											NRM,T			
Honduras											NRM			NRM
Jamaica				C									*	NRA
Mexico				E,3C,T	E,T	T	*				E,T	*	E,T	E
Nicaragua											NRM		*	
Panama											NRM,T			NRA
Paraguay														NRM
Peru		E *			E *		E *		*		E(NRA)	E *	E	E *
Trinidad													*	
Uruguay		E			E,T	T*	E(NRA),T				E(NRA),T	E(NRA)	E,T	E
Venezuela		*			E,T		NRA				E	E	E	E

KEY: * - See notes
E - Embassy
L - Legation
C - Consulate
T - Trade Office
NRA - Non-resident Ambassador (see notes)
NRM - Non-resident Minister (see notes)

(BASED ON INFORMATION AVAILABLE THROUGH APRIL 1, 1971)

Argentina

1. Bulgaria, Czechoslovakia, Hungary, Poland, Rumania and Yugoslavia all maintain embassies—which were first established as legations—in Buenos Aires.

2. Argentina recognized the U.S.S.R. on June 9, 1946, and a Soviet Embassy was established in Buenos Aires later that year.

3. Czechoslovakia, Hungary, Poland, and the U.S.S.R. maintain trade offices in Buenos Aires.

Bolivia

1. Relations between Bolivia and Czechoslovakia were resumed on the ambassadorial level on March 25, 1970. (Relations at the legation level had been suspended and the Czech mission expelled by Bolivia on October 30, 1964.) The Czech Ambassador, resident in Buenos Aires, presented his credentials on January 28, 1971. Bolivia will be represented by its Ambassador to the U.S.S.R. There is a Czech charge in La Paz.

2. Bolivia and Hungary maintained relations at the legation level through the accreditation of the Hungarian Minister to Argentina until 1963. In 1963, Hungary established a resident mission in La Paz, and on March 25, 1970, Bolivia and Hungary exchanged notes upgrading their relations from legation to embassy level. Hungary is now represented in La Paz by a Chargé d'Affaires.

3. On February 25, 1970, Bolivia and Poland reestablished diplomatic relations at the ambassadorial level, which had been suspended during World War II. The Polish Ambassador to Argentina has been designated as nonresident Ambassador to Bolivia. The Bolivian Ambassador in Moscow has been accredited nonresident Ambassador to Poland.

4. On October 18, 1969, Bolivia and Rumania established diplomatic relations at the ambassadorial level. Diplomatic representatives have not yet been exchanged.

5. By exchange of notes on April 18, 1945, Bolivia recognized the Soviet Union. In December 1955, the Bolivian Under Secretary for Foreign Affairs denied that relations existed with the U.S.S.R. On December 3, 1969, Bolivia and the U.S.S.R. announced the "formalization" of diplomatic relations, and the first Soviet Ambassador to Bolivia presented his credentials on April 1, 1970. The U.S.S.R. established a trade mission in La Paz in December 1970.

6. A Yugoslav mission to Bolivia was opened in La Paz in September 1960 and later upgraded to an embassy.

7. Bulgaria and Bolivia established diplomatic relations on December 19, 1970. Recognition was accomplished by an exchange of notes between the Bolivian and Bulgarian Ambassadors in Moscow. Diplomatic representatives have not yet been exchanged.

Brazil

Note: The Brazilian Foreign Ministry officially moved to the new capital of Brasília in April 1970.

1. Diplomatic relations at the legation level were established with Albania on April 4, 1961. The Albanian Minister to Italy is also accredited to Brazil.

2. Diplomatic relations at the legation level were established with Bulgaria on March 21, 1961. Bulgaria maintains a legation in Rio and a commercial representative in São Paulo and Rio.

3. Diplomatic relations at the legation level with Czechoslovakia were raised to embassy level in October 1960. Czechoslovakia maintains an embassy in Rio, consulates in São Paulo and Recife, and commercial offices in Rio and São Paulo.

4. East Germany operates trade offices in Rio (established December 1958) and São Paulo (established 1960).

5. A Hungarian trade office was established in Brazil in 1954, and Brazil and Hungary renewed diplomatic relations at the legation level on March 21, 1961. Hungary now maintains a legation in Rio and trade offices in São Paulo and Rio.

6. Diplomatic relations at the legation level with Poland were raised to embassy level in March 1961. Poland maintains an embassy in Rio, consulates in Pôrto Alegre (established 1959) Curitiba (established December 21, 1957), and São Paulo.

7. Diplomatic relations at the legation level were renewed with Romania on March 21, 1961. Although it was announced in October 1968 that relations would

be upgraded to embassy level, the chief Romanian representative is still accredited as a minister to Brazil. Romania maintains a legation and trade offices in Rio and in São Paulo.

8. Brazil recognized the U.S.S.R. on April 2, 1945. Diplomatic re'ations, however, were broken on October 20, 1947, and not resumed until November 23, 1961. The U.S.S.R. maintains an embassy in Rio and trade missions in Rio and São Paulo.

9. Yugoslavia maintains an embassy in Rio and trade offices in Rio and São Paulo.

Chile

1. Chile and Bu'garia renewed diplomatic re'ations on February 25, 1965 and a resident ambassador from Bulgaria presented his credentials in February 1971. Previously, the Bu'garian Ambassador to Argentina had been accredited to Chile. There is also a Bulgarian commercial office in Santiago.

2. Diplomatic relations with Communist China were announced on January 5, 1971, effective as of December 15, 1970. The joint communique stated that "The Chinese Government reaffirms that Taiwan is an inalienable part of the territory of the People's Republic of China. The Chi'ean Government takes note of this declaration of the Chinese Government." A Communist Chinese trade office and news agency bureau has been operating in Santiago since 1965.

3. Czechos'ovakia has maintained a commercial mission in Santiago since the mid-1960's. Diplomatic relations were renewed between Chile and Czechoslovakia on January 15, 1965, and Czechslovakia now maintains an embassy and a trade office in Chile.

4. East Germany established a trade office in Santiago in 1956. In March 1971 the Chilean Undersecretary of Foreign Relations headed the Chilean delegation to the Leipzig Fair. Agreement to establish diplomatic mission was signed on March 16, 1971.

5. Chile and Hungary renewed diplomatic relations in early 1965. The Hungarian Ambassador to Argentina is also accredited to Chile; a Charge d'Affaires resides in Santiago. There is also a Hungarian trade office in Santiago.

6. Chile and Poland renewed diplomatic relations on January 7, 1965. Poland maintains an embassy and a trade office in Santiago.

7. Diplomatic relations with Romania were renewed on March 31, 1965, and a resident Ambassador from Romania presented his credentials in October 1969. Previously, the Romanian Ambassador to Argentina had been accredited to Chile. There is also a Romanian trade office in Santiago.

8. Diplomatic relations with the U.S.S.R. were established on December 11, 1944, and then severed by Chile on October 21, 1947. Relations were reestablished on November 24, 1964. There is a Soviet embassy and a trade office in Santiago.

9. The Yugoslav mission in Santiago was raised to an embassy in May 1958.

10. Chile and North Vietnam exchanged instruments on March 25, 1971 to permit establishment of a permanent North Vietnamese trade mission in Santiago.

11. Resumption of full diplomatic relations with Cuba was announced by Chilean President Allende on November 12, 1970. Relations were broken on August 11, 1964 as a result of the resolution adopted by the ninth consultative meeting of American Foreign Ministers. On December 24, 1970, Chile's Foreign Office announced the exchange of ambassadorial agreements with Cuba.

12. An agreement was signed November 16, 1970, permitting North Korea to establish a commercial mission in Chile.

Colombia

1. A decree of November 27, 1966, announced the exchange of consular offices with Bulgaria.

2. Diplomatic relations with Czechoslovakia were first established in 1935, interrupted during World War II, and then not maintained after 1948. Consular missions were exchanged in April 1956, and full diplomatic relations were established on December 14, 1968. However, ambassadors have not yet been exchanged. There is also a Czechoslovak trade mission in Bogotá.

3. There has been an unofficial East German trade office in Bogotá since 1955. Colombia maintains trade relations with East Germany through the Colombian Coffee Institute.

4. Consular relations were established with Hungary in July 1968.

5. Consular relations were established with Poland on November 27, 1966. (Commerical relations had existed since 1964.) Relations were upgraded to

full diplomatic status on July 28, 1969. The Polish Ambassador to Venezuela is also accredited to Columbia. There is a Polish consulate and a trade office in Bogotá.

6. Colombia and Romania established diplomatic relations on November 16, 1967. There is a Romanian trade mission in Bogotá. The Romanian Ambassador to Venezuela is also accredited to Colombia.

7. Colombia recognized the U.S.S.R. on June 25, 1935. Diplomatic relations were maintained at the legation level until they were severed by Colombia on May 8, 1948. Diplomatic relations were reestablished on the ambassadorial level on January 19, 1968. The U.S.S.R. maintains an Embassy and a trade office in Bogotá.

8. The Yugoslav Ambassador to Venezuela is also accredited to Colombia; Yugoslavia maintains a consulate in Bogotá.

Costa Rica

1. In April 1969, Costa Rica granted a consular exequatur to the head of the Czechoslovak trade office in San Jose.

2. A two-man Polish trade mission closed its office in San Jose in May 1970.

3. On July 23, 1970, the Costa Rican foreign office announced the establishment of diplomatic relations with Romania. It is anticipated that the Romanian Ambassador to the United States will also be accredited to Costa Rica.

4. Costa Rica and Hungary established diplomatic relations on May 14, 1970. The accreditation of nonresident Ambassadors is anticipated. A Hungarian trade mission visited Costa Rica in October 1970, but no permanent mission in San Jose is planned.

5. The Costa Rican Foreign Office issued a communique on December 27, 1970, announcing Soviet-Costa Rican agreement to exchange diplomatic missions on the ambassadorial level.

6. The Yugoslav Ambassador to Mexico is also accredited to Costa Rica; an honorary chargé resides in San Jose. A commercial agreement between the two countries was signed in 1966.

7. Diplomatic relations were established with Bulgaria on October 9, 1970. It is expected that these relations will be conducted through nonresident Ambassadors. A Bulgarian commercial office was established in San Jose in May 1970.

Ecuador

1. The Ecuadorean Foreign Minister announced in July 1969 the inauguration of consular relations with Bulgaria. Bulgaria is represented by a consul general in Quito.

2. Relations were established with Czechoslovakia at the legation level in 1935, suspended during World War II, later renewed, and then severed by Ecuador and the Czech legation closed on September 26, 1957. Relations were resumed on August 26, 1960, but broken again by Ecuador on April 3, 1962. Full diplomatic relations were renewed on May 6, 1969. Ambassadors have not yet been exchanged and the Czecohslovak mission in Quito is headed by a chargé d'affaires. Czechoslovakia also maintains a trade mission in Quito.

3. East German trade representatives have resided in Quito since 1965.

4. Ecuador and Hungary established diplomatic relations at the legation level in September 1946, but diplomatic representatives were never exchanged. Relations were upgraded to ambassadorial level on January 29, 1970, and the Hungarian Ambassador to Brazil is now also accredited to Ecuador.

5. Relations were established at the legation level with Poland in 1935, suspended in 1945, renewed in 1948, and then broken by Ecuador on April 3, 1962. Full diplomatic relations were reestablished on November 7, 1969. The Polish Ambassador to Venezuela is also accredited to Ecuador; a chargé and a Polish trade representative reside in Quito.

6. Diplomatic relations were established with Romania on November 12, 1968. The Romanian Ambassador to Venezuela presented his credentials on February 5, 1971. He is also accredited to Ecuador.

7. Relations were established with the U.S.S.R. at the legation level on June 16, 1945, but no missions were exchanged. Although Ecuador denied maintaining diplomatic relations with the U.S.S.R. in 1947, the Ecuadorean President confirmed their existence early in 1969. Ecuador and the Soviet signed a commercial agreement in March 1969, and on November 13, 1969, Ecuador announced the forthcoming exchange of Ambassadors with the U.S.S.R. The first Soviet Ambas-

sador to Ecuador presented his credentials on June 10, 1970. The U.S.S.R. maintains an Embassy and a trade mission in Quito.

8. Relations with Yugoslavia were established in January 1956 and were upgraded to Embassy level on November 5, 1969.

El Salvador

El Salvador recognized the U.S.S.R. on April 21, 1945, but in November 1963 denied that diplomatic relations existed. The U.S.S.R. apparently never acknowledged El Salvador's recognition.

Guatemala

Diplomatic relations were maintained with the U.S.S.R. from April 19, 1945 to July 5, 1954. Guatemala is carried on the current Moscow diplomatic list.

Guyana

1. On December 19, 1970, the Government of Guyana announced the establishment of formal diplomatic relations with the U.S.S.R. effective December 17, 1970. The Soviet Union will be represented by its Ambassador to Brazil, while Guyana will appoint its High Commissioner in the United Kingdom as its nonresident Ambassador.

2. According to the 1970–71 *Guyana Handbook*, consular relations are maintained with Poland through Polish representatives in London.

3. On January 20, 1970, Guyana announced the establishment of relations with Yugoslavia, to be conducted through nonresident Ambassadors. The Yugoslav permanent representatives to the United States is also accredited as Ambassador to Guyana.

Haiti

The Polish Ambassador to Mexico is accredited as a Minister to Haiti. There is a Polish trade mission resident in Port-au-Prince.

Honduras

The Polish and Yugoslav Ambassadors to Mexico are accredited as Ministers to Honduras.

Jamaica

1. There is a Cuban consulate in Kingston.

2. The U.S.S.R. extended recognition to Jamaica but no diplomatic relations exist.

3. Jamaica and Yugoslavia established diplomatic relations in October 1968, and the Yugoslav Permanent Representative to the United Nations is also accredited as Ambassador to Jamaica.

Mexico

1. Cuba maintains an Embassy in Mexico City and consulates in Merida, Veracruz, and Tampico. The consulate in Veracruz is currently unoccupied.

2. Diplomatic relations at the legation level with Czechoslovakia were raised to Embassy level in mid-1959. Czechoslovakia now maintains an Embassy and a trade office in Mexico City.

3. An official East German trade office appeared in Mexico City during 1967.

4. There are Romanian and Hungarian trade representatives without any official status.

5. Diplomatic relations at the legation level with Poland were raised to Embassy level in mid-1950. Poland now maintains an Embassy and a trade office in Mexico City.

6. Mexico established relations with the U.S.S.R. on August 4, 1924; relations were broken on January 26, 1930, and reestablished on November 12, 1942. The U.S.S.R. maintains an Embassy and a trade office in Mexico City.

7. Yugoslavia maintains an Embassy in Mexico City.

Nicaragua

1. The Polish Ambassador to Mexico is accredited as a Minister to Nicaragua.

2. Nicaragua recognized the U.S.S.R. on December 12, 1944, but diplomatic representatives have never been exchanged. Nicaragua is carried on the current Moscow diplomatic list.

Panama

1. The Polish Ambassador to Mexico is accredited as a Minister to Panama. There is a Polish trade office in Panama City.

Paraguay

The Yugoslav Ambassador to Argentina is also accredited as a Minister to Paraguay.

Peru

Note: On March 11, 1953, Peru banned all imports from Albania, Bulgaria, Communist China, Czechoslovakia, Hungary, Poland, Romania, and the U.S.S.R. Czechoslovakia was exempted from this ban on December 31, 1954, because of its membership in the General Agreement on Trade and Tariffs. The ban was entirely lifted on August 3, 1967, after which date some Eastern European countries sent trade missions to Peru and later established trade offices.

1. Peru and Bulgaria established diplomatic relations at the Embassy level on April 19, 1969, and Ambassadors have been exchanged.

2. Diplomatic relations with Czechoslovakia were renewed and the Czech legation in Lima reopened in January 1956. Peru severed relations with Czechoslovakia on October 4, 1957, and expelled the legation. In mid-1968 a Czech trade office in Lima was upgraded to consulate. Consulate relations were in turn upgraded to embassy level on January 2, 1969. Ambassadors have not yet been exchanged, and the Czech mission in Lima is headed by a Charge d'Affaires. Peru appointed a resident ambassador to Hungary in February 1971. Hungary's Ambassador to Peru presented his credentials in Jnuary 1971.

4. A consular agreement was signed with Poland on June 27, 1968, and the head of the Polish Trade Delegation in Peru was named Consul in August of that year. Consular relations were upgraded to embassy level on April 14, 1969. The Polish Ambassador to Venezuela is also accredited to Peru; a Charge d'Affaires resides in Lima.

5. Diplomatic relations at the embassy level were established with Romania on November 8, 1968. The Romanian Ambassador to Peru presented his credentials on December 28, 1970, and is residing in Lima.

6. Diplomatic relations were established with the U.S.S.R. on February 1, 1969. The first Soviet Ambassador to Peru arrived in Lima on June 13 of that year.

7. Relations of a commercial and consular nature were established with Yugoslavia in 1942. Yugoslavia established a consulate in Lima in 1967, replacing an honorary consul. Consular relations were upgraded to embassy level in December 1968. The Yugoslav Ambassador to Peru presented his credentials on January 9, 1971.

8. On November 19, 1970, the Peruvian Foreign Minister announced that Peru and North Korea will establish commercial relations.

9. A Communist Chinese trade delegation visited Peru from April 22 to May 3, 1971. At the close of the business position of the visit on April 28, a final act incorporating a bilateral trade agreement was signed in Lima. Among other things, the agreement provides for the possible establishment of commercial offices in the two countries.

Trinidad and Tobago

The U.S.S.R. has extended recognition, but no diplomatic relations exist.

Uruguay

1. Bulgaria established a commercial mission in Montevideo in 1956, and Uruguay and Bulgaria established diplomatic relations at the legation level in August 1958. A Bulgarian legation was opened in Montevideo in January 1959. Diplomatic relations were later upgraded to embassy level.

2. East Germany has an unofficial trade office in Montevideo.

3. Uruguay and Czechoslovakia long maintained diplomatic relations at the legation level. Relations were upgraded to embassy level, and Czechoslovakia now maintains an embassy and a trade office in Montevideo.

4. Hungary established a commercial mission in Montevideo in 1967. Diplomatic relations were established later, and the Hungarian Ambassador to Argentina is also accredited to Uruguay; a Charge d'Affaires resides in Montevideo.

5. Diplomatic relations were established at the legation level with Poland in August 1958, and a Polish legation was opened in Montevideo in January 1959. Relations were later upgraded to embassy level, and the Polish Ambassador to Argentina is also accredited to Uruguay. A Polish Charge d'Affaires resides in Montevideo, and Poland also maintains a trade office there.

6. Uruguay maintained diplomatic relations at the legation level with Romania, and a Romanian legation was opened in Montevideo in August 1957. Relations

were later upgraded to embassy level. The Romanian Ambassador to Argentina is also accredited to Uruguay; a Charge d'Affaires resides in Montevideo.

7. Uruguay recognized the U.S.S.R. on August 22, 1926; relations were broken on December 27, 1935, and reestablished on January 27, 1943. The U.S.S.R. now maintains an Embassy and a trade office in Montevideo.

8. Yugoslavia maintains an Embassy in Montevideo.

Venezuela

1. In July 1968 Bulgaria and Venezuela announced their intention to establish permanent trade missions in their respective capitals.

2. Diplomatic relations with Czechoslovakia were severed by Venezuela in 1953. Czechoslovakia established a trade mission in Caracas in the early 1960's, and Venezuela announced an exchange of notes renewing relations with Czechoslovakia on July 10, 1968. On April 29, 1969, Venezuela again announced the renewal of full diplomatic relations with Czechoslovakia. Czechoslovakia maintains an Embassy and a trade mission in Caracas in the early 1960's.

3. Venezuela and Hungary established diplomatic relations on April 30, 1969. The Hungarian Ambassador to Brazil is also accredited to Venezuela.

4. Poland opened a commercial mission in Caracas in July 1969, and full diplomatic relations between the two nations were renewed on August 17, 1960. Poland now maintains an Embassy in Caracas.

5. On January 28, 1967, Venezuela and Romania renewed diplomatic relations which had been suspended since World War II. There is a Romanian Embassy in Caracas.

6. Diplomatic relations were maintained with the U.S.S.R. from March 14, 1945, to June 13, 1952, when they were severed by Venezuela. Full diplomatic relations were resumed on April 16, 1970, and the U.S.S.R. Ambassador presented his credentials in February 1971.

7. Yugoslavia maintains an Embassy in Caracas.

TERRORIST ACTIVITIES

Mr. PASSMAN. What Latin American countries have been greatly bothered by terrorist activities during the past year and what countries have had kidnapings of foreign nationals during this past year?

Mr. MEYER. While there is no precise scale for measuring this phenomenon, I would say that at least eight Latin American countries have experienced serious problems with terrorists during the past year.

Argentina has several terrorist groups, one of which went so far as to kidnap and murder an ex-president of the Republic. In Brazil the terror groups still retain sufficient capability to carry out isolated incidents, but during the last year their effectiveness has been undercut by the country's good economic performance, nationalistic policies which preempted some of the guerrillas' objectives, and the effectiveness of the security forces. Chile is troubled by the activities of extremist groups of both right and left, with the most spectacular terrorist act being the recent assassination of an ex-cabinet minister by an extreme leftist group. Although not as pervasive as in previous years, Colombia is continuing to experience terror group activity. There have also been problems in the Dominican Republic where a terror group has been active, but it has in turn come under attack by a rightwing counterterror organization.

Guatemala has been facing a serious terrorist threat which last November prompted the declaration of a state of siege that still remains in effect. The security forces have been very active, and there are signs of renewed counterterror operations by rightwing groups.

Uruguay, of course, has been plagued by the activities of a terrorist group popularly known as the Tupamaros.

Mexico is a special case because the group which has caused the most serious concern was only in the process of establishing itself when the security forces were able to capture many of its members. The group consisted of people who had studied in Moscow and went from there to North Korea for training. Five Soviet diplomats were expelled for complicity in the recruitment of this group.

By the widest interpretation of actual, attempted or threatened kidnapings of all foreign nationals or officials, nine Latin American countries have experienced incidents over the past 12 months. Under the narrower category of abductions or attempted abductions of foreign officials, seven persons were involved (four of them Americans) in two countries (Brazil and Uruguay).

Hardest hit was Uruguay where a large-scale operation last July almost resulted in the capture of four people, three of whom were Americans. Of the two persons taken, USAID officer Daniel Mitrione was murdered and Brazilian Consul Gomide was ransomed for cash several months later. Shortly thereafter agricultural specialist Dr. Claude Fly was abducted; he was released 7 months later when he suffered a major heart attack and was in danger of death. In January British Ambassador Geoffrey Jackson was kidnaped and is still being held.

Last December Swiss Ambassador Giovanni Bucher was kidnaped in Brazil and ransomed for some 70 prisoners. Guatemala has had several spectacular kidnapings in the past, but during the last year there have been no successes despite several apparent attempts.

If we consider kidnaping assault against foreign nationals other than officials we must add Bolivia where two West German engineers were abducted in July of 1970 and another West German was taken last month. In the first case the hostages were ransomed by a release of prisoners, in the second a money ransom was demanded. We would also include Venezuela where some foreign nationals have been abducted and held for ransom. In addition Colombian guerrillas kidnaped four West Germans last March and held them for cash ransom. Costa Rica was the scene of an unusual incident last fall when an aircraft was skyjacked to Cuba and four Americans aboard were threatened with death until the Costa Rican Government released a Nicaraguan terrorist leader from jail. To complete the picture there have been kidnaping threats in Nicaragua and a recent incident in Argentina where an honorary British consul was abducted and subsequently released.

UNTYING OF AID TO LATIN AMERICA

Mr. PASSMAN. Have we completely untied our aid to Latin America now?

If so, has this resulted in a substantial decrease of purchases in the United States?

Mr. KLEINE. Where commodities are being financed by AID under loans to Latin American countries for specific projects, these loans are untied to permit procurement of goods and services not only from the United States but also from Latin American countries south of the United States, excluding Cuba, and from other independent, lesser developed countries in the free world. The exceptions are those commodities expressly excluded by the Foreign Assistance Act, such as

motor vehicles, trucks, buses, and certain agricultural commodities. Where AID purchases local currency to finance local costs of projects, the loan dollars utilized to purchase these local currencies become part of the foreign reserves of the countries and are also untied.

Analysis of current transactions indicates that procurement in authorized countries other than the United States has only recently begun and that the percentage of procurement in the United States is about 99 percent.

Technical Assistance

Mr. Passman. The first major title that we will examine on is "Technical Assistance" for which the fiscal year 1972 estimate is $95,074,000, an increase of $3,380,000 above the fiscal year 1971 program.

Would you provide for the record a breakdown by country of your fiscal year 1972 technical assistance program?

Mr. Kleine. Certainly, Mr. Chairman.

(The information follows:)

Fiscal year 1972 technical assistance

	Thousands
Brazil	$10,325
Colombia	3,010
ROCAP	3,526
Costa Rica	1,205
El Salvador	2,122
Guatemala	3,922
Honduras	3,375
Nicaragua	2,490
Bolivia	3,285
Chile	1,310
Dominican Republic	1,800
Eastern Caribbean	100
Ecuador	3,718
Guyana	1,140
Jamaica	1,000
Panama	3,588
Paraguay	2,427
Peru	4,100
Uruguay	1,406
Venezuela	350
LA regional (includes population)	23,200
Contributions to inter-American organizations	17,675
Total	95,074

This total includes population activities which in fiscal year 1971 were funded from development loans.

Effect of Population Growth on Education

Mr. Passman. On page 1 of the justifications you make the following statement: "Although population growth has thwarted progress in virtually every sector, its effect has been most particularly pervasive in educational development." Since the large population growth seems to have had quite an effect on this area of the world, could you tell us what is now being done to correct this situation?

Mr. Kleine. AID has launched a major program to face directly the phenomenon of excessive population growth in Latin America. At least half of the Latin American nations now support private and/or public family planning programs and have requested technical

assistance from the Agency for International Development, the Pan American Health Organization, the United Nations Fund for Population Activities, the Ford Foundation, Rockefeller Foundation, or other national development agencies such as the Swedish International Development Agency. What we will continue to stress is the strengthening of international organizations such as the Pan American Health Organization to increase their ability to work with the public health ministries of Latin America to make family planning services available to all levels of society in Latin America. We plan to expand our support to broaden the base of trained manpower, of research and provision of clinical services primarily through multilateral agencies and to encourage them to seek support from other governments and private foundations which are more and more allocating development resources to this vital program area.

It is also important to point out that in May of this year, an initial population investigation was prepared by the Economic Commission for Latin America. This study entitled "Population Trends and Policy Alternatives in Latin America" includes an analysis of the effects of population growth on prospects for public education. Such studies and discussion at international forums increases Latin American awareness of the need for appropriate population policies.

DEVELOPMENT ASSISTANCE PRIORITIES

Mr. PASSMAN. On page 2, you indicate that development assistance priorities in Latin America are determined within the multilateral framework of the Inter-American Committee of the Alliance for Progress (CIAP). Does this mean that all development assistance priorities are determined through this organization?

Mr. KLEINE. The CIAP is increasingly useful, as I said in my prepared statement, in the process of identifying development assistance priorities. To say that CIAP determines priorities would overlook the fundamental right and responsibility of sovereign nationns to set their own national priorities. This they all do. Sometimes they need assistance or advice. And also they need to know how the international lending institutions view those priorities and whether they will make loans in support of them.

The CIAP is a good forum for carrying out both these functions. The CIAP staff prepares a country study which lays out the staff's view on country development problems, needs, and priorities for country action and external assistance requirements. Then, when a country comes up to the CIAP annual review, there is an opportunity for an exchange of views among the country, CIAP, and the international lending agencies as to the priorities. Often, the review results in recommendations to the country regarding realinement of priorities—for both local action and financing. These usually carry the implication that effective country performance can better qualify the country for help. In the last analysis, the international lending institutions make their own individual decisions on projects and the overall level of their assistance to a country. But we believe those decisions can be wiser, better coordinated, and more consistent with the real needs of the country concerned as a result of the international exchange of views which takes place in the CIAP forum.

MULTILATERAL PROGRAM

Mr. PASSMAN. Could you indicate for the record how much of the fiscal year 1972 program for Latin America will be programed through multilateral organizations?

Mr. KLEINE. $17,675,000 will be programed through multilateral organizations in the form of contributions to Inter-American Organizations for fiscal year 1972 as follows:

Special development assistance fund	$8,400,000
Special multilateral fund	8,600,000
Inter-American Export Production Center (CIPE)	675,000
	17,675,000

UNIVERSITY OF WEST INDIES

Mr. PASSMAN. On page 2, you indicate that assistance to the small countries of the Caribbean is channeled primarily through regional organizations such as the Caribbean Development Bank and the University of the West Indies. Could you please tell the committee how the University of the West Indies helps distribute this bilateral assistance?

Mr. KLEINE. Proposed assistance to the University of the West Indies would not be distributed per se but benefits would accrue to the regional members since this institution serves the region as its only university.

FISCAL YEAR 1972 INCREASES

Mr. PASSMAN. On page 3, you indicate that "other costs" have increased in fiscal year 1971 from $43,544,000 to $49,851,000 in fiscal year 1972. Could you please tell the committee what accounts for this large increase?

Mr. KLEINE. There are two major reasons for the increase. First, our contributions to Inter-American Organizations will go up from an estimated $13.0 million in fiscal year 1971 to a proposed level of $17.7 million in fiscal year 1972. Second, our family planning programs will increase from the fiscal year 1971 level of $15.6 million to $17.6 million in fiscal year 1972.

CONTRIBUTION TO INTER-AMERICAN ORGANIZATION

Mr. PASSMAN. On page 5, would you please tell the committee what the amount of $17,675,000 for contribution to Inter-American organizations consists of?

Mr. KLEINE. Mr. Chairman, the $17,675,000 figure is comprised of three major components; the special development assistance fund, the special multilateral fund, and the Inter-American Export Promotion Center (CIPE). The breakdown for each is as follows:

1. Special development assistance fund:	*Millions*
Pledged by the United States to meet its 66-percent share of the $7.5 million SDAF 1972 budget	$4.9
Added CIAP staff	1.0
Capital market studies	2.0
Available to OAS for implementation of the first phase of a regional program of tourism development, including plans for a proposed tourism year of the Americas	0.5
Total	8.4

	Millions
2. Special multilateral fund:	
Pledged by United States to meet its pledged share on 66/34 basis of SMF budget	8.0
Earmarked for special contributions to science programs where justified by U.S. capabilities, U.S. Government agency involvement, or U.S. interest in accelerated implementation	0.6
Total	8.6
3. Inter-American Export Promotion Center:	
Fiscal year 1972 request represents the level pledged by the United States to meet its 66-percent share of the $1 million CIPE 1972 budget	0.675
Grand Total	17.675

Agricultural and Rural Development

Mr. Passman. The first subfunction to be considered under the technical assistance title is agricultural and rural development for which the fiscal year 1972 estimate is $13,403,000, a decrease of $570,000 below the fiscal year 1971 program.

Would you provide for the record a breakdown by country of the fiscal year 1972 program for this function?

Mr. Kleine. I would be pleased to do so, Mr. Passman.

(The information follows:)

Fiscal year 1972 agricultural and rural development

	Thousands
Brazil:	
Agriculture education	$1,378
Agrarian reform	465
Agricultural production	121
Agricultural marketing	539
Agriculture-technical support	225
Colombia: National agriculture planning	340
Central American Economic Community (ROCAP): Agricultural planning	50
Costa Rica: Agricultural development	235
El Salvador: Agricultural development	1,050
Guatemala:	
Agricultural development	710
Cooperative development	321
Honduras:	
Agricultural productivity	350
Forest management	230
Nicaragua: Agricultural production and diversification	470
Bolivia: Rural development	891
Dominican Republic: Agriculture development support	607
Ecuador: Agricultural production	270
Guyana: Diversification and development of agriculture	471
Panama: Agricultural development	357
Paraguay: Agricultural productivity and institutional development	640
Peru:	
Agricultural institutional development and operation	995
Agricultural programs—planning and research	385
Uruguay: Agricultural institutional development	440
Regional projects:	
Agricultural sector support	170
Castelar Graduate School	323
Soil fertility	370
International tropical agriculture (CIAT)	750
Agricultural marketing systems	150
Agricultural management	100
Total	13,403

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FIVE-YEAR AGRICULTURAL PROGRAM

Mr. PASSMAN. On page 7 you mention that AID is contributing to a 5-year agricultural program in Latin America. Would you tell the committee how much this 5-year program is going to cost the U.S. taxpayer?

Mr. KLEINE. The second and third paragraphs on page 7 were inadvertently transposed. The program is taking place in Guatemala, where AID will be providing $23.0 million in loans and about $1.2 million in technical assistance to Guatemala's $150 million rural development plan.

HONDURAS MANAGEMENT PROJECT

Mr. PASSMAN. On page 10 under "Honduras" in connection with the forest management project, I note you plan to extend that project by 2 years to fiscal year 1975 and increase the estimated total cost by $395,000. Would you please comment on these changes?

Mr. KLEINE. Our original estimates assumed that the International Paper Co., would make a $100 million investment in a pulp and paper industry in Honduras. When the company decided not to do this, we felt that it was necessary to increase and stretch out the technical assistance which the U.S. Forest Service has been providing, in order to help the Hondurans design and implement their 10-year forestry plan. That objective is a key step toward effective management by Honduras of its great potential forest wealth.

NICARAGUA AGRICULTURAL PRODUCTION

Mr. PASSMAN. Also, on page 10, under "Nicaragua" is connection with the agricultural production and diversification project. I note you plan to increase the estimated total cost by $109,000 over what was estimated last year. Would you please comment on this increase?

Mr. KLEINE. The increase will permit a greater effort in marketing, agricultural economics, and grain drying and storage. This effort reflects the fact that the project has advanced to the point where it is now possible to make some real progress in the marketing phase of the project, while continuing work on the research phase.

GUYANA AGRICULTURAL PROJECT

Mr. PASSMAN. Again on page 10, under "Guyana," in connection with the diversification and development of agriculture project, I note you plan to increase the estimated total cost of this project by $269,000 over what was estimated last year. Would you please comment on this increase?

Mr. KLEINE. A recent evaluation of that project has led us to conclude that it is possible to accelerate the work being done at the Ebini research station, and also that the work done under the project could usefully be extended to savannah areas not previously reached.

PANAMA AGRICULTURAL PROJECT

Mr. PASSMAN. On page 10 under "Panama" in connection with the agricultural development project, I note you plan to extend this project by 3 years to fiscal year 1976 and increase the estimated total cost by

$703,000 over what was estimated last year. Would you please comment on these changes?

Mr. KLEINE. Yes, sir. The Government of Panama has assigned a higher priority to the agriculture sector, resulting in the further development of programs and concomitant opportunities for the utilization of U.S. assistance. Based on the results of a sector study conducted in fiscal year 1971, the Government is preparing a sector development plan for the 5-year period, 1972–76. Our assistance will help to design and implement the plan.

EL SALVADOR AGRICULTURAL PROJECT

Mr. PASSMAN. On page 14, in connection with the agricultural development project, I note you plan to increase this project by $1,772,000 over what was estimated last year for the total cost, and you also plan to extend this project by 1 year to fiscal year 1973. I also note that you have increased the fiscal year 1971 program by $274,000 above what was justified before this committee last year. Would you please comment on these changes?

Mr. KLEINE. All of these changes are related to El Salvador's increased emphasis on agricultural planning, and to AID's opportunities to help this emphasis bear fruit. A recently completed agricultural sector analysis, conducted by AID using Nathan Associates and the U.S. Department of Agriculture, will occupy a central role in El Salvador's future policy planning and execution. As a result of that analysis, this project is being expanded to increase participant training of Ministry of Agriculture personnel, and to provide technical advice for new activities in fishculture, and with the Center for Agricultural Technology (CENTA). Technical assistance to be provided will also help in the formulation of loans for agricultural credit, farm to market roads, and to CENTA. All these activities are important to Salvadoran efforts to meet domestic food requirements and expand agricultural exports.

GUATEMALA COOPERATIVE DEVELOPMENT PROJECT

Mr. PASSMAN. On page 16, in connection with the cooperative development project, I note you plan to extend this project by 3 years to fiscal year 1975 and increase the estimated total cost by $1,447,000 over what was estimated last year. Would you please comment on these changes?

Mr. KLEINE. The increases in the length and in the cost of this project reflect a decision to extend our activities in cooperatives, in connection with the emphasis on agricultural cooperatives under Guatemala's 5-year rural development plan covering the period 1971 to 1975. We are hopeful that our assistance will, in truth, help the national cooperative federations—as the project sheet states—"to become self-sufficient and effective instruments for improvement of productivity and living standards in rural Guatemala."

BOLIVIA RURAL DEVELOPMENT PROJECT

Mr. PASSMAN. In connection with the rural development project on page 17, I note you plan to extend this project by 1 year to fiscal

year 1976, and increase the fiscal year 1971 program by $317,000 over what was justified before this committee last year. Would you please comment on these changes?

Mr. KLEINE. The final obligation date has been extended because of the need to monitor and help implement a forthcoming agriculture production and marketing loan. The increase in the fiscal year 1971 program over the proposed figure in the fiscal year 1971 congressional presentation is due to the additional contractor technicians and commodities required under the Utah State sheep and wheat contract, in order to expand the activities supported by that contract assistance so as to include an emphasis on marketing.

PARAGUAY AGRICULTURAL AND INSTITUTIONAL DEVELOPMENT

Mr. PASSMAN. On page 18, in connection with the agricultural productivity and institutional development project, I note you plan to increase this project by 1 year to fiscal year 1976 and increase the estimated total cost by $1,042,000 above what was estimated last year. Would you please comment on these changes?

Mr. KLEINE. Yes, sir. This increase and the extension to fiscal year 1976 reflect the requirements of the national livestock program which Paraguay has approved. This is the program being assisted by a New Mexico State University team on AID contract, described in the project sheet on page 18. We are hopeful that improved nutrition practices, research, and curriculum changes at the National University will all help to boost beef production in Paraguay.

POPULATION AND HEALTH

Mr. PASSMAN. The next subfunction to consider under the technical assistance title is population and health, for which the fiscal year 1972 program is $17,865,000, an increase of $1,916,000 above the current fiscal year 1971 program.

Would you please provide for the record a country breakdown of the fiscal year 1972 program for this function?

Mr. KLEINE. It would be my pleasure, sir.

(The information follows:)

Fiscal year 1972 population and health

	Thousands
Brazil: Health (includes malaria eradication)	$236
National water and sewage	55
Colombia: Demographic research	510
Central American Economic Community (ROCAP): Health and demographic studies	326
Costa Rica: Demographic education	305
El Salvador: Family planing and health services	322
Guatemala: Population and rural health	997
Honduras: Health and family planing	575
Nicaragua: Family planning	590
Bolivia: Family care	335
Chile: Population/family planning	60
Ecuador: Population	818
Jamaica: Family planning	575
Panama: Health and population	438
Paraguay: Population and nutrition	427
Peru: Human resources and population studies	350
Uruguay: Maternal and child care	31

Regional projects:	*Thousands*
The Center for Latin American Demographic Studies	$375
The Population Council	1,800
The Pan-American Federation of Associations of Medical Schools	400
International Planned Parenthood Federation	3,250
The Pathfinder Fund	700
Pan-American Health Organization	4,000
Regional Technical Aids Center	40
Regional Advisory Services	350
Total	17,865

USE OF INTERNATIONAL AND PRIVATE ORGANIZATIONS

Mr. PASSMAN. On page 27 you indicate that the population programs which AID supports are largely carried out by international, public, and private organizations which receive funds from many donors, including European governments, foundations, and individuals. Could you tell the committee how much of the fiscal year 1972 request for population and health will be channeled through this type of organization?

Mr. KLEINE. $10.7 million of our fiscal year 1972 request for population programs will go to such organizations as International Planned Parenthood and the Pan American Health Organization.

INCREASE IN NUMBER OF PARTICIPANTS

Mr. PASSMAN. On page 29 you indicate that the number of participants will increase from 1,383 in fiscal year 1971 to 1,650 in fiscal year 1972. Would you please tell the committee what accounts for this large increase?

Mr. KLEINE. We are substantially increasing our grant to the Pan American Health Organization in fiscal year 1972 for an expanded hemispherewide education and training program. PAHO expects to increase the number of participants from 725 in fiscal year 1971 to 1,125 in fiscal year 1972.

URUGUAY MATERNAL CHILD CARE

Mr. PASSMAN. Was the maternal child care project under Uruguay justified to the committee last year?

Mr. KLEINE. No, sir; when we appeared before the committee in April of last year, we did not present this project because negotiations with the Ministry of Health were in a very delicate and preliminary stage. It was not clear until nearly 8 months following that appearance that we would be able to be helpful. Our assistance in fiscal year 1971 was aimed primarily at helping the Uruguayans establish three outpatient clinics in the Montevideo area. Each of the three will have a mobile clinic to extend medical service throughout the area. AID's funds have been used primarily for clinical equipment; once we were able to go ahead, we did not wait any longer to meet this urgent need for our help. As you know, the Foreign Assistance Act does not require advance notification to the Congress in the case of population projects.

COLOMBIA DEMOGRAPHIC RESEARCH PROJECT

Mr. PASSMAN. On page 31 in connection with the demographic research project, I note that you have increased the estimated total cost by $1,405,000 above what was estimated last year and you also have increased the fiscal year 1971 program by $388,000 above what was indicated last year. Would you please comment on these increases?

Mr. KLEINE. There are two reasons, sir, for these increases. First, we expanded our contract with the University of North Carolina to include a second geographic area for testing new methods and techniques for measuring demographic changes. Second, participant training and invitational travel have been augmented in order to take advantage of increased opportunities for training Colombians active in the population field.

GUATEMALA POPULATION AND RURAL HEALTH

Mr. PASSMAN. On page 32, in connection with the population and rural health project, I note you plan to increase the fiscal year 1971 program by $428,000 above what was justified before the committee last year. Would you please comment on this increase?

Mr. KLEINE. Yes, sir; this increase reflects the major emphasis which the Guatemalans have placed on promotion, training, and education activities, using our assistance; the staffing of two new training schools for practical nurses and health assistants; and expansion of the program to include activities carried out by the Social Security Institute.

ECUADOR POPULATION PROGRAM

Mr. PASSMAN. On page 35, in connection with the population program, I note again that you plan to increase the fiscal year 1971 program by $618,000 above what was justified before the committee last year. Would you please comment on this increase?

Mr. KLEINE. This basic reason for this increase is simply that there is a growing acceptance of family planning activities by Ecuadoreans. That means that the Ecuadorean Government has been able to do more, and AID has capitalized on the increased awareness of population concerns by expanding the scope of assistance offered. Here are some of the specific things we did in fiscal year 1971 with the increased obligations: We equipped 10 new rural health clinics and 80 rural health posts, provided more contraceptives, added audiovisual equipment to support an information program in the Ministry of Health, and equipped two new cytology labs. We provided motivational training, and incountry training for new cytology and post partum programs. We provided family planning training in the United States and Puerto Rico to 43 participants from the Ministry of Social Welfare, and training in sex education and statistics to 26 participants from the Ministry of Health. New contracts have helped to start a post partum program, cancer detection activities, and an evaluation unit in the Ministry of Health. The project sheet on page 35 provides further detail on what we hope to achieve under this project, and what has already been done.

JAMAICA FAMILY PLANNING

Mr. PASSMAN. In connection with the family planning project on page 36, I note you have increased the estimated total cost by $727,000 above what was estimated last year and you have increased the fiscal year 1971 program by $210,000 above what was justified before the committee last year. Would you please comment on these increases?

Mr. KLEINE. The increase in fiscal year 1971 was due to two factors: budget support for local salaries; and initiation of a contract with the University of Pittsburgh to develop a program of research and training in family planning at the University of the West Indies. These same factors, plus further increases for intensified public programs using the Pittsburgh contract, explain the increased estimate for total cost to completion. I might add that we have been particularly pleased with what it has been possible to accomplish in the Jamaica family planning programs; the project sheet on page 36 provides some idea of the progress made.

PANAMA HEALTH AND POPULATION

Mr. PASSMAN. On page 37, in connection with the health and population project, I note you plan to extend this project by 2 years to fiscal year 1975 and increase the estimated total cost of the project by $971,000. I also note that you have increased the fiscal year 1971 program by $420,000 above what was justified to this committee last year. Would you please comment on these changes?

Mr. KLEINE. Yes, indeed. The Panamanian Ministry of Health has demonstrated the desire—and the capability—to carry out a greatly expanded program in health and family planning. The increases are thus in response to the Ministry's initiative. The expansion involves ongoing activities, as well as some new intiatives in training, sex education, mass media information campaigns, and research. Extension of the terminal date is required in order to complete the expanded program now being implemented.

FISCAL YEAR 1972 ALLOCATION OF DEMOGRAPHIC POPULATION PROGRAM

Mr. PASSMAN. On page 38, you list the demographic population program projects with a fiscal year 1972 funding level of $10,915,000. Would you please tell the committee briefly how these funds will be allocated in fiscal year 1972?

Mr. KLEINE. Certainly, Mr. Chairman.

(The information follows:)

1. Demographic data and program evaluation methodology: Latin American Demographic Center	$375,000
2. Health delivery systems:	
International Planned Parenthood Federation	3,250,000
Pan-American Health Organization	4,000,000
Population Council	1,800,000
Pathfinder fund	700,000
3. Information and education:	
Pan-American Federation of Associations of Medical Schools	400,000
Regional advisory services	350,000
Regional Technical Aids Center	40,000
Total	10,915,000

Education and Manpower

Mr. Passman. The next subfunction we will consider under the technical assistance title is education and manpower training for which the fiscal year 1972 estimate is $19,664,000, a decrease of $1,217,000 below the current fiscal year 1971 program.

Would you please provide for the record a country breakdown of the fiscal year 1972 program for this function?

Mr. Kleine. Certainly, Mr. Chairman.

(The information follows:)

	Thousands
Brazil:	
Education and administration and planning	$866
Higher education	1,230
Education—Technical support	230
Technical science and education publications	106
Development planning and administration	922
Labor	675
Columbia:	
Labor affairs	310
Legal education reform	100
Education and technology and management	165
Tax administration	100
Central American Economic Community (ROCAP):	
Manpower planning and development	230
Development of institutions of higher education	539
Business administration	235
Regional education planning and research	95
Human resources development (British Honduras)	87
Economic integration assistance to SIECA	310
Costa Rica:	
General assistance to education	236
Development planning and administration	106
El Salvador:	
Free labor development	133
Public administration	97
Education development	113
Guatemala:	
Labor leadership development	145
Educational development	308
Public administration and municipal government	188
Tax administration	137
Development planning and investment	71
Honduras:	
Labor development	175
Education development	459
Public administration	273
Nicaragua:	
Free labor development	95
Education planning and development	30
Tax administrative reform	255
Bolivia:	
Government management assistance	477
Labor training	150
Human resources development	515
Chile:	
Training for development	125
Labor	50
Dominican Republic:	
Labor development	233
Tax administration	143
Ecuador: Human resources development	256

	Thousands
Guyana:	
Labor education and social projects	$109
General training	50
Tax administration	93
Jamaica: Reorganization of tax administration	190
Panama:	
Manpower and labor development	252
Education development and implementation	230
Government administration and fiscal reform	239
Paraguay:	
Education development	383
Government management and organization	226
Peru:	
Labor development	180
Manpower and education	215
Government finance and administration	210
Economic research and planning	360
Uruguay	
Labor development services	160
Development planning and administration	240
Venezuela: National manpower training and development	350
LA Regional:	
Free labor development (AIFLD)	2,825
Leadership development for women (OEF)	245
Education sector support	145
Latin American scholarship program of American universities (LASPAU)	1,750
Regional tax assistance	92
Statistical development	150
Total	19,664

TAX COLLECTIONS IN LATIN AMERICA

Mr. PASSMAN. On page 42, you indicate that the U.S. Internal Revenue Service is providing experts to advise Latin American countries in tax collection. Has this program been successful in increasing the tax collections of the various countries involved?

Mr. KLEINE. The results of the joint AID/IRS program include rising revenues (rising at a faster rate than GNP) traceable to improvements in tax administration; a gradually evolving professional and technical approach to tax administration; discernible changes in the attitudes of tax administrators and the taxpayer community in the move toward equity in the administration of tax laws; and a heightened sense of responsibility in both sectors. The pace and level of modernization in tax administration naturally varies from country to country—in most it has been quite impressive; in a few it has been spotty. The principal factor is the will and determination of the particular country to move ahead in tax administration, including political and executive support to tax officials responsible for administering the tax laws. I am providing a table which indicates the tax revenues as a percentage of gross national product.

(The table follow:)

CENTRAL GOVERNMENT TAX REVENUES AS A PERCENT OF GROSS NATIONAL PRODUCT

	1962	1963	1964	1965	1966	1967	1968	1969	1970 P
TOTAL	10.7	10.7	10.4	11.0	11.6	11.5	11.9	12.3[1]	11.4[1]
SUBTOTAL, C.A. +	8.5	8.2	9.0	9.7	9.6	9.4	9.5	9.8	9.9
ARGENTINA	8.6	8.1	6.4	8.6	9.9	11.3	10.5	10.0	9.8
BOLIVIA	8.9	8.9	9.3	9.4	9.8	9.6	9.3	9.0	10.1
BRAZIL	10.8	10.8	10.7	11.8	12.7	11.4	13.4	14.8	10.7
CHILE	16.3	15.6	14.9	17.5	19.2	19.0	19.5	20.5	24.1
COLOMBIA	8.3	7.5	7.6	6.5	8.2	8.6	8.3	9.4	9.8
COSTA RICA +	11.9	11.2	12.1	12.1	12.1	11.9	12.8	13.0	13.1
DOMINICAN REPUBLIC	14.9	15.5	15.7	11.6	14.2	14.5	14.2	15.3	15.3
ECUADOR	13.4	14.2	15.2	14.2	14.5	15.0	15.3	NA	NA
EL SALVADOR +	9.6	9.9	10.8	10.6	10.8	9.3	9.6	10.0	10.4
GUATEMALA +	7.1	6.0	7.0	8.3	8.0	7.8	8.0	8.1	8.0
HONDURAS +	7.2	7.3	8.2	8.9	10.2	10.3	10.9	10.8	10.9
MEXICO	6.8	7.0	7.1	7.3	6.9	6.8	7.2	7.4	7.4
NICARAGUA +	7.9	8.5	8.7	9.8	9.9	9.4	8.8	8.5	9.4
PANAMA	10.5	9.6	9.7	10.4	11.2	11.3	11.1	11.5	12.7
PARAGUAY	8.6	7.9	7.7	9.7	9.5	10.1	10.3	11.7	10.8

	1962	1963	1964	1965	1966	1967	1968	1969	1970 P
PERU	13.6	14.5	14.5	13.8	13.4	14.1	15.3	15.3	15.1
URUGUAY	14.9	15.2	14.3	12.2	13.8	11.9	12.2	12.2	12.9
VENEZUELA	21.2	21.7	21.2	20.2	20.6	21.3	20.4	19.0	19.6

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* C.A. COUNTRIES ARE COSTA RICA, EL SAVADOR, GUATEMALA, HONDURAS, AND NICARAGUA.

SYMBOL DEFINITIONS ARE: E...ESTIMATE, P...PRELIMINARY, NA...NOT AVAILABLE.

TOTALS EXCLUDE COUNTRIES SHOWN AS NOT AVAILABLE.

[1]BASED ON DATA WHICH INCLUDE A.I.D. ESTIMATES FOR ECUADOR NOT SHOWN SEPARATELY.

COLOMBIA LABOR AFFAIRS PROJECT

Mr. PASSMAN. On page 43, under Colombia in connection with the labor affairs project, I note you plan to extend this project by 1 year to fiscal year 1973 and increase the estimated total cost by $486,000 above what was estimated last year. Would you please explain these changes?

Mr. KLEINE. Yes, sir. The increased total cost and the extended terminal obligations date reflect the critical importance of labor and employment programs in the policies of the new administration in Colombia.

ROCAP BUSINESS ADMINISTRATION INCREASE

Mr. PASSMAN. On page 44, under ROCAP, in connection with the business administration project, I note you plan to extend this project by 1 year to fiscal year 1973 and increase the estimated total cost by $531,000 above what was estimated last year. Would you please comment on these changes?

Mr. KLEINE. Yes, the additional ROCAP assistance is designed to strengthen the administration of INCAE, the Central American Institute of Business Administration. With this extra help, we are increasingly confident that INCAE will be able to approach self-sufficiency when AID assistance ends. INCAE is already a going concern, and a network of INCAE chapters has been organized by local business leaders in each Central American country to help publicize the school, raise funds, and recruit students.

BOLIVIA LABOR TRAINING PROJECT

Mr. PASSMAN. On page 45, under "Bolivia," in connection with the labor training project, I note you plan to increase this project by $368,000 above what was estimated last year. Would you please comment on these changes?

Mr. KLEINE. Because of the situation in Bolivia, we have had to modify the labor program there. We are reducing assistance through the American Institute for Free Labor Development and shifting emphasis to a direct union to U.S. union interchange program, a ministry of Labor-U.S. Department of Labor interchange program and small, self-help projects with specific unions. Several years will be required to achieve maximum impact under this new emphasis. For that reason we have extended the program. The increased cost provides the required financing during the additional 4 years.

CHILE TRAINING FOR DEVELOPMENT PROJECT

Mr. PASSMAN. On page 45 in connection with the training for development project under "Chile," I note last year this project was estimated to have a final date of obligation in fiscal year 1972 and also an estimated total cost was indicated of $1,254,000. However, this year, I see that you have changed both of these categories to a continuing program with no estimated date of completion or estimated total cost.

Would you please explain to the committee why this project was placed in the indefinite category.

Mr. KLEINE. Last year we expected to phase out this project by fiscal year 1972, as increased funding for long-term fellowships became available under the $2.5 million human resources development loan, which was signed in April 1970.

The project was made a continuing one after the Allende administration took office in Chile in November 1970, as part of the overall policy of continuing people-to-people activities. The emphasis was changed to financing short-term generally nonacademic training to complement, rather than duplicate, the human resources loan—

JAMAICA TAX ADMINISTRATION PROJECT

Mr. PASSMAN. Also on page 45 under Jamaica, in connection with the reorganization of tax administration project, I note you plan to extend this project by 2 years to fiscal year 1974 and increase the estimated total cost of the project by $445,000 over what was estimated last year. Would you please comment on these changes?

Mr. KLEINE. These changes will contribute to more efficient tax collections, using an additional adviser from the Internal Revenue Service and increased training provided to officials of the Income Tax and Collection Departments. The changes were made following recommendations made by a U.S. study commission headed by Ambassador Bernbaum.

VENEZUELA NATIONAL MAN POWER TRAINING AND DEVELOPMENT PROJECT

Mr. PASSMAN. On page 46, under Venezuela in connection with the National Manpower Training and Development project, I note you plan to increase the estimated total cost by $650,000 over what was estimated last year. Would you please comment on these changes?

Mr. KLEINE. This change was in response to a request from the Venezuelan Government to provide consultants and related training in connection with development of the southern portion of Venezuela, a region relatively untouched in the development of its human resources. Venezuela will match U.S. funds on a 50–50 basis.

BRAZIL EDUCATION, ADMINISTRATION, AND PLANNING

Mr. PASSMAN. Were several projects combined under the education, administration, and planning—fundamental and secondary—project on page 47?

Mr. KLEINE. Just two. As the project sheet indicates, under Project Target, on page 47, the current project incorporates parts of the elementary education project and the secondary and industrial education project, described in the fiscal year 1971 presentation on pages 21 and 22, respectively. The project structure change is consistent with the decision of the Brazilian Ministry of Education to deal with elementary and junior high levels as one system of fundamental education.

BRAZIL DEVELOPMENT AND PLANNING PROJECT

Mr. PASSMAN. On page 49, in connection with the development planning and administration project, I note you plan to have a Bureau of Census adviser at a cost of $45,000. Isn't this a rather high cost for one individual?

Mr. KLEINE. The $45,000 represents the approximate total cost of the PASA with the U.S. Bureau of the Census and not only the salary of the one full-time adviser. In addition to the salary of the adviser, which will be about $25,000, there are also costs for personnel benefits ($2,000), international travel ($1,050), shipment of household effects and car ($5,600), and a short-term consultant to supplement the services of the full-time adviser ($3,500—including salary, benefits, and travel). There is also $2,000 for reserve for contingencies, $5,300 in lump sum payments for unused accumulated annual leave, and a small amount ($200) budgeted for technical materials, books, and commodities. A precise budget will be worked out between AID and the Bureau of the Census for the fiscal year 1972 costs early in the fiscal year. The fiscal year 1971 budget for the PASA was $44,200 and the fiscal year 1972 estimate of $45,000 is based on this.

ROCAP—INCREASE IN DEVELOPMENT OF HIGHER EDUCATION PROJECTS

Mr. PASSMAN. On page 50, in connection with the development of institutions of higher education project, I note you plan to increase the total cost of this project by $452,000 above last year's estimate and you also plan to increase the fiscal year 1971 program level by $206,000 above what was justified to this committee last year. Would you please comment on these increases?

Mr. KLEINE. The primary reason for the increase in fiscal year 1971 was that five vocational agricultural advisers from the University of Puerto Rico, who had been on short-term assignments, were shifted to 1-year assignments, in order to provide more continuity in the assistance furnished under the project. Extending the consultant services provided under the Puerto Rico contract through fiscal year 1973 accounts for the increased total cost.

REGIONAL LABOR DEVELOPMENT PROJECT

Mr. PASSMAN. In connection with the free labor development project on page 55, I note you plan to increase the estimated total cost of this project by $325,000 and also increase the fiscal year 1971 program by $270,000, above what was justified last year. Would you please comment on these increases?

I also notice that this program is to help develop responsible trade union leadership in Latin America. I hope we're not trying to create the same problems we have in the United States in Latin America.

Mr. KLEINE. I believe the revised estimate for fiscal year 1971 indicates a $270,000 increase because of AIFLD's need for additional funding of $120,000 for its union-to-union program and $150,000 for the regional revolving loan fund. The revised budget is now estimated to include $2,020,000 for AIFLD Washington headquarters, Front Royal and Georgetown University programs, $600,000 for the union-

to-union program, and $150,000 is for AIFLD's regional revolving loan fund for additional small impact projects in Latin America.

Now for the proposed fiscal year 1972 estimate, it is revised upward due to increased cost estimates for the AIFLD Washington headquarters, Front Royal and Georgetown programs. These costs are now estimated to total $2,110,000 instead of $2,020,000. However, new money for the AIFLD union-to-union program is to be decrased from the proposed $480,000 to $425,000, while $290,000 is requested for AIFLD regional programs in the Caribbean, Argentina, and Paraguay. The Caribbean area and Argentina now have no AID missions so funds must come from regional programs for proper monitoring purposes. The regional funds for Paraguay, where there is a mission, are projected to be used for testing the feasibility of a "minigrant" arrangement with AIFLD if a grant formula can be mutually agreed upon between AID and AIFLD sometime during fiscal year 1972.

As you indicated, this program seeks to help develop responsible trade union leadership in Latin America. The workers and unions in the hemisphere want to build stronger free labor movements in their countries, to develop effective and responsible trade union leadership. They want to increase their share of industrial productivity through such means as collective bargaining, and organization; and to develop precise statistical data in order that governments can deal more effectively with labor problems. And they want to establish institutions—credit unions, cooperatives, housing, trade schools and vocational centers, workers banks, medical service centers, and community service projects. We hope that this program brings these desires of theirs closer to realization.

Industrial and Urban Development

Mr. Passman. The next subfunction we are to consider under the technical assistance title is industrial and urban development for which the fiscal year 1972 estimate is $8,645,000 an increase of $220,000 above the current fiscal year 1971 program.

Would you please provide for the record a country breakdown of the fiscal year 1972 program for this function?

Mr. Kleine. I would be glad to, Mr. Chairman.

(The information follows:)

Fiscal year 1972 industrial and urban development

	Thousands
Brazil: Industry and commerce	$303
Colombia: Urban development	50
Commercial and industrial planning	75
Regional export expansion	539
Regional tourism expansion	105
Capital market development	30
Costa Rica: Civic and social research development	75
El Salvador: Rural community development	75
Guatemala:	
Rural community leadership and modernization	261
Export development	49

	Thousands
Honduras:	
Private enterprise development	$126
Civic development	203
Cooperative development	292
Nicaragua:	
Community development	139
Institutional cooperative development	93
Industrial development	194
Bolivia:	
Industrial development	72
Engineering advisory service	365
Ecuador: Industrial development	257
Guyana: Development of clay brick and roof tile industry	25
Panama:	
Urban development	262
Private enterprise development	454
Paraguay: Private enterprise development	286
Peru:	
Transportation development	45
Community and local government development	305
Housing and urban development	145
Uruguay: Industrial management and marketing	195
Regional projects:	
Partners of the alliance	400
New initiatives	2,500
Cooperative housing development	150
Cooperative development-CUNA	450
Cooperative development-OCA	50
Total	8,645

PANAMA INDUSTRIAL DEVELOPMENT PROJECT

Mr. PASSMAN. On page 59, you indicate that AID will assist in an industrial development project in Panama principally through contractual services and participant training. Since it appears that you're going to rely heavily on contractual services and participant training, could you tell the committee how you would audit this program to insure the efficient use of funds?

Mr. KLEINE. This project is subject to both internal and general audit requirements as is the case with all USAID programs. In addition, there are two direct-hire advisors in the Private Enterprise Development Division of the Panama Mission who, in addition to their other duties, will maintain a continuous monitoring over these contract and participant training activities. All contracts will be subject to the standard AID requirements for evaluation of contractor performance. Under this system, the mission submits a semiannual evaluation report to AID/W during the contract period and an additional, final evaluation report after the work under the contract is completed. In cases where closer supervision or monitoring of the contract is deemed necessary, more stringent reporting requirements will be included in the contract.

FISCAL YEAR 1972 REQUEST FOR NATIONAL ASSOCIATION OF THE PARTNERS OF THE ALLIANCE

Mr. PASSMAN. Also on page 59, you indicate that AID provides support to the National Association of the Partners of the Alliance. Could

you tell the committee what is in the fiscal year 1972 budget request for this item and also indicate what these funds are used for?

Mr. KLEINE. $400,000 is included in the fiscal year 1972 budget request for the Partners of the Alliance project: $115,000 for salaries and benefits for 10 technicians, $235,000 for volunteer travel, and $50,000 for overhead.

INDUSTRIAL AND URBAN DEVELOPMENT DECREASE IN PARTICIPANTS

Mr. PASSMAN. On page 60, you indicate that the number of participants will decrease from 570 in fiscal year 1971 to 188 in fiscal year 1972. Could you please explain how this large decrease was brought about?

Mr. KLEINE. The decrease can be attributed to two of our regional projects. A project with Loyola University in New Orleans, which provides leadership training to young Latin Americans, will terminate at the end of fiscal year 1971. It is also our plan that the project with the Organization of Cooperatives of the Americas (OCA) terminate its training element at the end of fiscal year 1971.

GUATEMALA RURAL COMMUNITY LEADERSHIP AND MODERNIZATION PROJECT

Mr. PASSMAN. On page 61, under Guatemala, concerning the rural community leadership and modernization project, I note you plan to extend this project by 1 year to fiscal year 1975 and increase the estimated total cost by $907,000 above what was estimated last year. Would you please comment on these changes?

Mr. KLEINE. The current estimates of total cost and final date of obligation are geared to the time frame of Guatemala's rural development program, which spans the 5-year period, 1971 to 1975. AID has assigned a higher priority to civic and social development activities of the sort carried on with the help of this project, as a part of its support of the rural development program. Guatemala has evinced its interest in these activities through training of rural municipal officials, and reorganization of social welfare agencies and community development programs.

HONDURAS COOPERATIVE DEVELOPMENT PROJECT

Mr. PASSMAN. Again on page 61, under Honduras, in connection with the cooperative development project, I note you plan to extend this project by 1 year to fiscal year 1974 and to increase the estimated total cost of the project by $469,000 above last year. Would you please comment on these changes?

Mr. KLEINE. There are two reasons for these changes: First, technical assistance is being expanded to the Honduran Federation of Agricultural Co-ops; and secondly, we are providing for the monitoring of proposed loans to the Federation of Savings and Credit Associations of Honduras, and the Honduran Housing Cooperative Federation. The expanded loan and grant assistance will build on the momentum already generated: Agricultural co-ops have grown in just 1 year from 12 to 19 affiliates. Savings and credit affiliates number

123, with 29,000 families as members, paid in capital of $4 million and cumulative loans of $12 million.

ECUADOR INDUSTRIAL DEVELOPMENT PROJECT

Mr. PASSMAN. Also on page 61, under Ecuador, in connection with the industrial development project, I note you plan to extend this project by 3 years to fiscal year 1975 and to increase the estimated total cost by $541,000 above what was estimated last year. Would you please comment on this situation?

Mr. KLEINE. Yes, sir; these changes will permit us to provide technical guidance for the small enterprise loan authorized in fiscal year 1970; to help Ecuador establish an industrial standards institute; and to provide for an orderly phaseout of our assistance to the Ecuadorean Development Center, which has promoted $160 million in new investment since 1963.

INCREASE IN PAN AMERICAN DEVELOPMENT FOUNDATION PROJECT

Mr. PASSMAN. On page 62, under regional projects in connection with the Pan American Development Foundation, I note you plan to increase the fiscal year 1971 program by $289,000 above what was justified before the committee last year. Would you please comment on this increase?

Mr. KLEINE. In the fiscal year 1971 presentation to the Congress, $75,000 was requested for the Pan American Development Foundation. In the actual operating year budget for fiscal year 1971 $364,300 was allocated for this project, including: $64,300 to continue funding the 1968 grant for technical assistance to the National Development Foundations and $300,000 in grant assistance to the PADF revolving loan fund to be used on a matching basis with private Latin contributions for locally determined self help projects in urban and rural areas.

The increase was not included in the fiscal year 1971 request to the Congress. It was anticipated that, PADF's objectives being consistent with those of the Inter-American Social Development Institute, further AID support of the PADF would best be deferred pending ISDI review. However, the results of ISDI's evaluation and review of this program are currently not expected before mid-fiscal year 1972 and PADF lacks the capital resources to match local cash contributions on hand. Accordingly, our proposal for additional assistance was communicated to you by letter on March 29, 1971, to which verbal approval was given, to make AID grant funds available to sustain the momentum and incentive for development within the private Latin sector during the interim period of ISDI's review.

GUYANA—CLAY, BRICK, AND ROOF TILE INDUSTRIES PROJECT

Mr. PASSMAN. I notice on page 65, in connection with the development of clay, brick and roof tile industries project that you sent a Mr. George Black who is 92 years old to Guyana for 6 weeks to demonstrate his techniques for making hand form dried bricks. Could you tell the committee how successful this 92-year-old man has been in establishing a brick-making industry in this country?

Mr. KLEINE. Yes, sir, although only 12 weeks have elapsed since Mr. Black arrived in Guyana and it is still early to evaluate the full impact of his activities on establishing a full-scale hand-crafted, brick-making industry, preliminary reports from our mission there indicate continued high interest and enthusiasm on the part of the Guyanese with whom Mr. Black was working at the Victoria Village site. The bricks are being sold by the villagers for both public and private use and broken brick is used to fill holes in the access village road. Heavy rains are hampering operations and will continue to until the end of the rainy season in September.

Meanwhile, to assure maximum continuity in the effort, with the personal approval of Prime Minister Burnham we are bringing four Guyanese young men to Winston-Salem, N.C. this August for training as a team under Mr. Black's direct supervision. Mr. Black himself identified at least two or three of these young men for training.

The Guyana Community Development Organization is actively encouraging formation of additional cooperative brickmaking groups and there are now seven in various stages of formation and production throughout the country. Mr. Black was enthusiastically received by the people of Guyana, who have shown continuing interest in his skills. Our AID newspaper Front Lines has a full story including photographic coverage on Mr. Black's work. I'll send some copies for the committee.

PROGRAM DEVELOPMENT AND SUPPORT

Mr. PASSMAN. The last subfunction to be considered under the technical assistance title is program development and support for which the fiscal year 1972 estimate is $35,497,000, an increase of $3,031,000 over the current fiscal year 1971 program.

Would you please provide for the record a country breakdown of the fiscal year 1972 request for this function?

Mr. KLEINE. Yes, sir.

(The information follows:)

	Thousands
Brazil:	
Training for regional development	$350
Special development activity	125
Technical support	2,499
Colombia:	
Special development activities	50
Technical support	1,385
Central American Economic Community:	
ROCAP: Technical support	905
Costa Rica: Technical support	173
El Salvador: Technical support	332
Guatemala:	
Technical support	585
Special development activity	150
Honduras:	
Special development activities	50
Technical support	642
Nicaragua: Technical support	624
Bolivia:	
Technical support	430
Special development activities	50
Chile:	
Special development activities	125
Technical support	950

Dominican Republic:	
Special development fund	40
Technical support	777
East Caribbean: Regional economic development	100
Ecuador:	
Technical support	920
Social and civic development	1,147
Special development activities	50
Guyana:	
Technical support	342
Special development activities	50
Jamaica:	
Special development activities	50
Technical support	185
Panama:	
Special studies and training for development	215
Special development activities	50
Technical support	1,091
Paraguay:	
Technical support	425
Special development activities	40
Peru:	
Special projects activities	35
Technical support	875
Uruguay:	
Technical support	300
Special development activities	40
LA Regional:	
Regional training coordination (ROCM)	30
Technical consultants	235
Seminars and workshops	150
Regional technical support	50
Regional technical aids center (RTAC)	1,200
Contributions to Inter-American Organizations:	
Special development assistance fund	8,400
Special multilateral fund	8,600
Inter-American export promotion center (CIPE)	675
Total	35,497

PROJECTS ON CONTINUING BASIS?

Mr. PASSMAN. By not indicating the final date of obligation, and the estimated total cost of all the projects under this function, are you saying all these projects are on a continuing basis?

Mr. KLEINE. Not necessarily, sir. The "Program development and support" category includes technical support projects, special development activities, and other projects which, under the AID project number system, are classified as "General and miscellaneous." Some of these projects do have finite terminal dates. But a majority of them—as a glance at table IV beginning on page 69 will show—are either "Technical support," or "Special development activities" which fund small one-time impact projects, and which we assume we will have in any country as long as we have an AID mission there, and therefore do merit the "continuing" label. This being the case, the designers of the format for this year's congressional presentation felt that it was useful and simpler to leave off the columns for "Future year obligations" and "Estimated total cost."

BRAZIL—TECHNICAL SUPPORT PROJECT

Mr. PASSMAN. On page 69, under Brazil, in connection with the technical support project, I note that you plan to increase the fiscal year 1971 program by $622,000 above what was justified before the committee last year. Would you please comment on this increase?

Mr. KLEINE. In last year's congressional presentation, we requested $2,045,000 for technical support costs, and our latest estimate is that we will obligate $2,667,000 in fiscal year 1971 for these costs. The increase results from several items which were not included in the original fiscal year 1971 request.

(*a*) There was an accelerated move of part of the AID mission from Rio de Janeiro to Brasília during fiscal year 1971 following the move of several Brazilian ministries to the new capital. There have been substantial costs related to this move, which were not included in the original request.

(*b*) The Federal pay raise of approximately 6 percent increased the salaries of all AID employees by that amount, resulting in a corresponding increase in that part of the technical support costs.

(*c*) There has been a reduced availability of trust fund local currencies to the Brazil mission, necessitating the use of dollars from technical support for several items in lieu of local currency as was originally planned for fiscal year 1971.

COLOMBIA—TECHNICAL SUPPORT PROJECT

Mr. PASSMAN. On the same page, under Colombia, concerning the technical support project, I note you also plan to increase this fiscal year 1971 program by $334,000 above what was justified last year. Would you please comment on this increase?

Mr. KLEINE. Yes; there were several reasons: Contract services of a long-term economist and eight short-term experts to assist in analysis and review of present and planned sector programs; participant training for Colombian Government personnel responsible for planning and execution of sector development programs, and additional travel and transportation costs for a heavier than anticipated turnover of personnel.

ECUADOR—SOCIAL AND CIVIL DEVELOPMENT PROJECT

Mr. PASSMAN. On page 73, in connection with the social and civic development project, I note you are requesting $97,000 for two contractors to assist the National Rice Federation to provide services and technical advice to rice farmers. Isn't this quite a large sum for two individuals:

Mr. KLEINE. Yes. The $97,000 figure includes a third contract employee who will serve as advisor to the Ecuadorean Cooperative Bank. This information was inadvertently excluded from the project description.

INTER-AMERICAN ORGANIZATIONS SPECIAL DEVELOPMENT ASSISTANCE FUND

Mr. PASSMAN. In connection with the Special Development Assistance Fund project on page 76, I note you plan to increase the fiscal year 1972 program by $3,600,000 over the current fiscal year program. Could you please explain this large increase?

Mr. KLEINE. Yes, sir. The project target, indicated on page 76, is "to join in a multilateral effort to support programs of the Inter-American Economic and Social Council (IA–ECOSOC) with special emphasis on the Special Development Assistance Fund (SDAF)". As the prior reference on page 76 shows, we have included not only the SDAF, described on pages 132 and 133 of last year's presentation, but also activities described on page 138. Specifically, I refer to the Presidential initiatives for strengthening CIAP staff and supporting CIAP capital market studies. These acitvities, as well as the SDAF which CIAP monitors, all fall under the jurisdiction of IA–ECOSOC. The proposed use of fiscal year 1972 funds is shown on page 78; second tranche payments of $1 million for CIAP staff and $2 million for capital market studies—first tranche payments were made in fiscal year 1970; $4.9 million for SDAF (the fiscal year 1971 actual is $4.8); and, finally, $0.5 million for implementation of the first phase of a regional program of tourism development, including plans for a proposed Tourism Year of the Americas.

UNITED STATES PLEDGE

Mr. PASSMAN. I note on the special development assistance fund project, the special multilateral funds for education, science, and technology project, and the Inter-American Export Promotion Center project that the United States has pledged a share of 66 percent of the particular project's budget. Could you tell the committee if the United States has any legal obligation to meet this 66 percent pledge?

Mr. KLEINE. Yes; there is a legal obligation, which however, is conditioned by the terms of the pledge. Each country has the right when it is making its pledge to set down the conditions under which it will make payment in accordance with its own domestic laws. We, and a number of other countries, make our pledge subject to the availability of funds. Our payments also are made contingent on proportional matching payments by the other OAS members. Once those terms of the pledge have been met, there is an obligation to fulfill a commitment to an international organization, which can reasonably be described as a legal obligation.

DEVELOPMENT LENDING

Mr. PASSMAN. The next major title to be considered is the development lending program for which the fiscal year 1972 estimate is $310,000,000, which is an increase of $65,000,000 above the current fiscal year 1971 program.

Would you please provide for the record a country breakdown of the fiscal year 1972 program for this title?

Mr. KLEINE. Certainly, Mr. Chairman.

(The information follows:)

Fiscal year 1972 development loans

	Thousands
Columbia	$75,000
Brazil	60,000
Central American Economic Community Regional Office of Central America and Panama (ROCAP)	10,000
El Salvador	10,500
Guatemala	15,000
Honduras	9,000
Nicaragua	10,000
Bolivia	10,000
Dominican Republic	15,000
Ecuador	14,000
Guyana	3,500
Jamaica	10,000
Panama	25,000
Paraguay	6,000
Peru	10,000
Uruguay	12,000
Eastern Caribbean regional	10,000
Regional	5,000
Total	310,000

LATIN AMERICAN COUNTRIES' REACTION TO FAMILY PLANNING PROGRAMS

Mr. PASSMAN. On page 83, you indicate that unprecedented population growth compounds the difficulty of achieving real gains for ordinary citizens. With this thought in mind, have all the countries accepted the family planning program?

Mr. KLEINE. Although attitudes toward family planning programs vary among the Latin American nations and among the diverse social and economic groups within any one country, in general, we see a progressive use of family planning services in the region. Even in those countries which are neutral toward or opposed to setting official population goals, family planning clinical services have been established and a steadily increasing number of women use them and adopt some form of contraception.

DEVELOPMENT LENDING

Mr. PASSMAN. On page 85 you indicate that the multilateral lending institutions have increased their role substantially in Latin America, and you also indicate that AID is trying to strengthen their development program to the same area. Do you feel that these Latin American countries are capable of repaying these loans when they come due?

Mr. KLEINE. The prospective foreign debt situation of Latin America is of course a matter of serious concern to the United States. Although the "debt burden" of Latin America is less serious than in some Asian and African countries, it has a significant impact on the Latin American economies. As of December 31, 1969, the external public debt outstanding of the Latin American countries including Jamaica and Trinidad and Tobago totaled approximately $18.3 billion, with service payments on this debt projected at $2.6 billion for 1970 and $2.4 billion for 1971. By way of comparison, merchandise exports from Latin America in 1970 exceeded $14.5 billion. There is also a substantial flow of private investment capital in addition to official and bilateral multilateral assistance which increase Latin America's capacity to service debt.

In response to a request from CIAP, the World Bank and the IMF are currently engaged in a comprehensive study of the debt service situation as it affects Latin America. An interim World Bank report completed last January which projected debt data through 1985 noted cautiously that under certain "realistic" assumptions it appeared that over the long term Latin American countries should be able to meet debt servicing commitments although "temporary" difficulties could be expected in some cases when there are short run export fluctuations. Based on available data, this appears a reasonable assessment. In addition, given the relatively favorable terms on loans from official sources, as opposed to the terms of loans from private creditors, Latin American countries would certainly be disposed to avoiding situations where nonrepayment of official loans would reflect unfavorably upon their sensibly prized "credit worthiness."

CONCENTRATION OF LOANS

Mr. PASSMAN. You also indicate on page 85, that around 61 percent of the proposed development lending program in fiscal year 1972 will be concentrated in Colombia, Brazil, and the Central American Common Market countries. Could you tell the committee why this large concentration in these few countries?

Mr. KLEINE. Among the countries which qualify for AID in Latin America, Colombia and Brazil certainly have the greatest absorptive capacity and have achieved a degree of planning and administrative success which permits us to adapt effectively our sector lending technique to their developmental needs. Sector lending is rapidly becoming a most effective instrument for attacking developmental problems and permits us to concentrate a relatively large amount of resources in key areas. The progress that has been made in the Common Market has also permitted us to channel a relatively large amount of funds into this region. The expanded market which each country may now compete for has motivated new projects and significantly improved levels of planning and programing.

As other countries begin to improve and professionalize their planning capability and programing processes we would hope to increase our sector lending activity and expand it throughout the hemisphere particularly in the areas of agriculture, education, and health.

INCREASE IN DEVELOPMENT LOAN PROGRAM

Mr. PASSMAN. Would you briefly tell the committee the need for this $65 million increase in the development loan program for fiscal year 1972?

Mr. KLEINE. In preparing our fiscal year 1972 development loan program we were principally guided by evaluation of proposed programs developed by the various AID field missions. All told, the missions have identified some $450 million in potential loan projects for fiscal year 1972. While in the ordinary course of events not all of these would be brought to the loan stage during the year, we believe that the proposed lending level would permit financing the highest priority projects. We have made allocations on a country basis which reflect our conclusions as to the projects which should be financed as

well as our assessment of appropriate lending levels given considerations of need, absorptive capacity, and AID's capacity to adequately monitor the program.

BRAZIL DEVELOPMENT LOAN PROGRAM

Mr. PASSMAN. On page 86, you indicate that $17,540,000 was deobligated from the Brazil development loan program. Would you please explain why this large amount was deobligated?

Mr. KLEINE. The $17,540,000 total deobligated or deauthorized from the Brazil loan program during fiscal year 1971 is made up of 13 loans, seven of which represented simple deobligations of balances outstanding following completion of the projects. Six of these completed project deobligations totaled $717,000; and one, from the combined loans 015 and 015A for northeast highway construction, was in the amount of $2.74 million. This unusually large deobligation upon completion of the northeast highway construction project was due to having eliminated some roads originally proposed for financing under the loan.

The remaining $14.08 million is made up of two deobligations totaling $7.31 million and two deauthorizations of loans not signed totaling $6.77 million. The reasons for these four actions are as follows:

1. LOAN 054—FINEP

Of AID's $11 million loan to FINEP $1.8 million for feasibility studies was deobligated in early 1971 due to the limited prospects for the future use of these remaining dollar resources. The terminal dates for commitment and disbursement of uncommitted funds under this loan had been previously extended on two occasions by the mission.

2. LOAN 059—SAO PAULO HIGHWAY MAINTENANCE EQUIPMENT

A total of $5.5 million of this $20 million was deobligated in November 1970 due to the fact that certain items of maintenance equipment totaling $5.5 million, which originally were to have been imported from the United States, were subsequently found to be manufactured in Brazil and were thus not eligible for importation under the terms of Brazil's "Law of Similars." Accordingly, the loan was reduced by that amount.

3. LOAN 067—SANTA CATARINA HIGHWAY MAINTENANCE EQUIPMENT

This loan to the State of Santa Catarina originally authorized in the amount of $7.5 million was first reduced by $2.2 million in May 1970 following a reduction in the size and scope of the highway maintenance project. Subsequently the State proved unsuccessful in obtaining the necessary Federal Senate approval of the AID loan. USAID advised the State that it would not be possible to retain the funds obligated to the project beyond the end of calendar year 1970 if Federal Senate approval was not obtained in the 1970 session. When the approval was not obtained, the $5.5 million balance in the unsigned loan was deauthorized in December 1970.

4. LOAN 079—NATIONAL RESEARCH COUNCIL OF BRAZIL

This loan in the amount of $1.47 million to the National Research Council was deauthorized in February 1971 following prolonged and unsuccessful negotiations with the prospective borrower over the terms and conditions of the loan agreement. Loan 079 was originally authorized as a part of the $13.4 million loan (077) for agricultural research. Loan 077 to the Ministry of Agriculture, in the amended amount of $11.93 million, was signed in March 1971.

DOMINICAN REPUBLIC DEVELOPMENT LOAN PROGRAM

Mr. PASSMAN. You also indicate that $12,059,000 was deobligated from the Dominican Republic development loan program. Would you please comment on this?

Mr. KLEINE. This consists of a $12 million deobligation for an education loan which was authorized in fiscal year 1968 but which we never signed and of a $59,000 refund from the Dominican Republic under the private investment fund loan which had made an invalid disbursement in that amount.

The education loan had been under negotiation since 1968. It had not been signed because it became apparent that one of the major conditions for disbursement would not be met. This condition had to do with a proposed change in the teacher salary schedule which was necessary to address the shortage of qualified teachers in the school system. The increase in teachers' pay provisions conflicted with an austerity program of the President under which salaries had been frozen for both the private and public sectors. The Government felt that while greater incentives were necessary to attract teachers into the profession, higher salaries for teachers would weaken the ability of the Government to hold the line against pressures for salary increases from other groups. Accordingly, the Dominican Government prolonged negotiations while deciding what could be done. In mid-1970, the Dominican Republic expressed interest in reviewing the previously authorized loan to see if it were still valid since it appeared that the necessary conditions could then be met. After several months of joint effort by the Dominican Republic and AID officials, it was decided that the loan which had been planned some 3 years previously would need substantial revision. Therefore, the original amount was deobligated and a new loan was prepared and authorized using fiscal year 1971 funds.

COLOMBIA—PRIVATE INVESTMENT FUND

Mr. PASSMAN. On page 90, under Colombia, would you please explain what the private investment fund is?

Mr. KLEINE. The private investment fund, established in 1963, is a special account within the Bank of the Republic, Colombia's central bank. Its principal purpose is to channel medium- and long-term financing through financial intermediaries, such as banks and development corporations, to high priority capital investments in the private sector which will contribute to diversification and promotion of exports, to import substitution or to the elimination of shortages in

the production of goods and services, particularly those related to production for exports.

AID has provided the private investment fund with two loans of $10 million each, as well as counterpart funds. The Fund has received substantial assistance from other donors, which include the IBRD, the IDB, Germany, and the Netherlands.

COLOMBIA—LOAN AGREEMENTS

Mr. PASSMAN. On page 91, under "Colombia," I notice that four of the development loans had the loan agreements signed in June of 1970. Would you please explain why these loan agreements were signed so late in the fiscal year?

Mr. KLEINE. As is usually the case, signing of loan agreements by the recipient country is dependent upon the course of negotiations between the parties involved and as such is necessarily unrelated to fiscal year considerations. In this instance three of the four loans in question, an education sector, an agriculture sector, and a program loan were signed on the same day because they were developed, presented and negotiated as an integral program. They were developed to complement Colombian efforts in education and agriculture as well as, taken as a group, to assist in meeting the country's import needs. The fourth loan, one to finance a slaughterhouse, had been authorized earlier but had not been signed due to lengthy negotiations with respect to the level of the borrower's contribution to the project as well as to the type and amount of technical assistance which would be required. With negotiations almost completed, all four loans were signed the same day in order to increase the public relations impact.

COLOMBIA—SLAUGHTERHOUSE DEVELOPMENT LOAN PROGRAM

Mr. PASSMAN. Also on page 91, under "Colombia" in connection with the slaughterhouse development loan, I note this is a two-step loan whereby the money was re-lent at terms of a 5-year grace period with a 15-year life at an interest rate of 9½ percent during both periods. Would you please explain why the relending terms were so high?

Mr. KLEINE. Under the two-step procedure the Government of Colombia contracts the dollar obligation to repay the loan. The Livestock Bank, which is the borrower, satisfies its obligation under the first step of the agreement by paying to the Government of Colombia, in pesos, the principal amount over a 15-year term including a 5-year grace period with interest at 9½ percent per year. The spread between the rate of interest paid by the Colombian Government to the U.S. Government and that paid by the borrower to the Government of Colombia is 7½ percent during the first 10 years and 6½ percent during the remaining 5 years of the life of the loan. The difference in the cost of money approximates the internal rate of inflation in Colombia and is considered adequate compensation to the Government of Colombia for assuming the dollar exchange risk. The term of the loan reflects a considered judgment of the time required by the borrower to make subloans and achieve a repayment flow adequate to service the debt obligation.

BRAZIL—AID ASSISTANCE REDUCTION TREND

Mr. PASSMAN. On page 93, under Brazil, you state that AID assistance has been substantially reduced to this country. Do you think this trend will continue?

Mr. KLEINE. Yes, as the result of Brazil's continuing economic progress and that country's shift to multilateral sources of long-term loans for its major development requirements.

BRAZIL—DNER HIGHWAY LOAN

Mr. PASSMAN. On page 96, under Brazil, concerning the DNER highway engineering service development loan, I note that the loan agreement was signed in March of 1968 at an authorized level of $400,000, but as of this date only $37,000 has been disbursed. Would you please comment on this delay?

Mr. KLEINE. Yes, implementation is now proceeding smoothly; the disbursement figure as of May 31 was up to $75,000. We delayed implementation while reexamining the original scope of the project, to determine how the Federal Highway Administration team would work with the Vargas Foundation, to do the specialized tasks which the DNER had indicated were of greatest interest to it, and coordinate with the World Bank. All that is settled now.

BRAZIL—MASCARENHAS HYDROELECTRIC LOAN

Mr. PASSMAN. On page 96, under Brazil, concerning the Mascarenhas hydroelectric and distribution expansion development loan, I note that the loan agreement was signed in August of 1966 at an authorized level of $13,300,000 and as of this date only $2,071,000 has been disbursed. Would you please comment?

Mr. KLEINE. This project is moving satisfactorily. By May 31 disbursements were up to $3,284,000. Turbines were ordered in August 1969 for delivery in 1972, and generators in August for delivery also in 1972. Local currency contributions by Brazil were delayed in 1968–9 because of budgetary difficulties, but during 1970 were provided on a timely basis.

BRAZIL—SANTA CATARINA HIGHWAY MAINTENANCE PROJECT

Mr. PASSMAN. Also on page 97, under Brazil in connection with the Santa Catarina Highway maintenance project development loan, I note the loan was authorized in June of 1967 but as of this date no loan agreement has been entered into. Would you please comment on this situation?

Mr. KLEINE. This loan in the amount of $7.5 million was authorized to provide financing to the highway department of the State of Santa Catarina for the dollar costs of the purchase of highway maintenance equipment, and for technical assistance related to the reorganization of the department.

Following the authorization, lengthy negotiations were entered into as it became necessary to (1) examine equipment lists relative to import restrictions imposed by the Brazilian Law of Similars which

prohibits importation of equipment where similar equipment is produced locally, and (2) reevaluate the financial capacity of the state to undertake the program as originally planned due to the Government of Brazil's reductions in the state sharing formula on gasoline tax receipts.

As a result of the above examination, USAID/Brazil concluded that it would be necessary to reduce the size and scope of the project; $2.2 million was deobligated from the $7.5 million loan in May 1970.

USAID/Brazil experienced continuing difficulty in signing the loan agreement as the state had not been able to obtain the approval of the Brazilian Federal Senate of the loan. Federal approval of loan agreements entered into by a state is a requirement of Brazilian law. Both the state and the Federal Government were advised by USAID/Brazil of the importance of obtaining Federal approval of the loan during the final session of 1970, and that it would not be possible to retain the funds obligated to the program beyond the end of calendar year 1970.

When Federal Senate approval of the loan was not obtained, the $5.5 million balance in the unsigned loan was deauthorized in December 1970.

BRAZIL—AGRICULTURAL RESEARCH PROJECT

Mr. PASSMAN. Also on page 97, under Brazil, in connection with the agricultural research development loan, I note this loan was authorized in February of 1968 and as of this moment no loan agreement has been entered into. Would you please comment on this situation?

Mr. KLEINE. I am happy to report that we signed a loan agreement on March 9, 1971. As you know, the information shown on the loan summary tables is as of December 31, 1970. The delay in signing the loan was due principally to a reorganization of the Ministry of Agriculture. Shifts in personnel and organizational responsibilities within the Ministry required the AID Mission to review and revise the project with new personnel. A national commission, established by the Brazilian Government to examine all agricultural priorities, worked closely with AID personnel in further defining the scope of this project. The commission completed its work in January, the President of Brazil authorized the signing of the loan in February, and the loan was signed in March.

BRAZIL—EDUCATION SECTOR NO. 2 DEVELOPMENT LOAN

Mr. PASSMAN. On page 97, under Brazil, in connection with the education sector No. 2 development loan, I note this loan was authorized on June 29, 1970. Why was it necessary to wait until the next to the last day of the fiscal year to authorize this loan?

Mr. KLEINE. The immediate reason that the second education sector loan to Brazil was not authorized until June 29, 1970, was because internal AID clearances on the authorizing document were not completed until shortly before that date. The loan paper itself was completed in the USAID Mission at the end of May and forwarded to AID/W for review during early June. Following review and approval of the project by the Latin American Bureau, the loan was reviewed by the interagency Development Loan Staff Committee on

June 19, 1970 and was approved by that body several days later. Thereafter, the time required to obtain the necessary clearances of the language contained in the authorizing document delayed the signature of the authorization by the Administrator until June 29, 1970.

The reason the loan paper could not be ready for presentation in Washington until May 1970 is related to the phases and timing of the AID programing cycle. During the October to December 1969 period, the mission was occupied with the preparation of the fiscal year 1970 country field submission (CFS) which set forth the mission's development strategy and identified the project proposals which it sought to develop into loans. The CFS was due in Washington in January 1970. Included among the loans proposed for fiscal year 1970 was education sector loan II. Once this proposal had been clearly identified as a part of the proposed mission program, discussions were undertaken with the Brazilian Government concerning the feasibility of such a project. These discussions led to the preparation of the intensive review request (IRR) during November and December 1969. Authorization from AID/W for the intensive review (or preparation) of the proposed loan by the USAID Mission was given in January 1970, and discussions/negotiations of the proposal with the Brazilian Government were formally initiated.

The program described in the loan paper, which was completed in late May 1970, was the result of painstaking negotiations with the Brazilian Ministry of Education which extended over a period of several months. The basic thrust of the sector loan strategy proposed by USAID was the establishment of an intermediate creditlike mechanism managed by the Education Ministry and designed to allocate financial assistance to Brazilian states on the basis of satisfactory state education plans which addressed the problems and restrictions affecting the primary-secondary education system and on state commitments to undertake needed educational improvements and reforms; and subsequently, on state performance in carrying out these plans and commitments.

In addition to the activities to be carried out under the state plans, a number of complementary special education improvement programs were also to be conducted under the general coordination and supervision of the Education Ministry. These special programs focused on specific education activities designed to contribute directly to the achievement of the objectives of the loan. The special programs included the following: (*a*) Modernization of curriculum and instructional methods; (*b*) development of a management information system; (*c*) provision of adequate instructional materials; (*d*) increased and improved staff training (in the United States and Brazil); (*e*) programs of educational experimentation and innovation; and (*f*) development of school design and equipment guidelines.

Detailed negotiating documents describing each of the above sector program components were prepared by the USAID Mission, translated into Portuguese, and negotiated, section by section, with the new administration in the Ministry of Education, which had taken office in late 1969. The resulting documents, agreed to by both AID and the GOB, formed the body of the loan paper, which exceeded 100 single-spaced pages.

Final agreement on all elements of the program, including policy and financial commitments from the Federal Government, was not reached until late April-early May. Thereafter, the loan paper was prepared, reviewed and approved by the mission review committee and forwarded to AID/W by the end of May.

CENTRAL AMERICA COMMON MARKET

Mr. PASSMAN. Could you tell the Committee how the Central American Common Market is working out?

Mr. KLEINE. The level of trade within the Central American Common Market (CACM) has continued to grow. In 1970 it reached the level of $297 million, which exceeded by more than 15 percent the $258 million level attained in 1968, the previous high year. Preliminary data for the first 3 months of 1971 indicate that, nothwithstanding action by the Government of Honduras at the end of 1970 to withdraw temporarily from the free trade area, the overall trade level fell by less than 6 percent, in comparison with the same period of 1970.

This progress was made in spite of serious difficulties which the CACM encountered in recent years. In mid-1969 a brief outbreak of hostilities between El Salvador and Honduras led to rupture of diplomatic and commercial relations; trade relations between these two CACM members have not been reestablished.

Prior to 1969 several problems had occurred that suggested the need for structural modification of the CACM: (*a*) the benefits of trade within the CACM were unevenly distributed with the less industrially developed members—Honduras and Nicaragua—complaining of a net trade deficit; (*b*) a substantial part of the new industry created within the CACM was based largely on imported materials with little "value-added" in terms of Central American contribution; and (*c*) for many products, the level of tariff protection was relatively high. During 1970, the five CACM members worked intensively to restructure the Common Market in order to cope with these difficulties. But although there appeared to be a large area of agreement among the members, formal agreement was not achieved. Consequently, on December 31, 1970, Honduras withdrew from the free trade area—presumably as a temporary measure—by imposing duties on imports from the other Central American countries.

In spite of these difficulties, there is, within each of the countries, strong support for the continuation and strengthening of the integration movement. All participate in a variety of integration activities, including the Central American Monetary Council, which, with the active participation of the five central banks, proceeded to establish a monetary stabilization fund in 1969 shortly after termination of the Salvador-Honduran conflict.

GUATEMALA—LOAN BY GUATEMALA BANK TO AN INDIVIDUAL IN CONNECTION WITH A RUBBER PLANTATION

Mr. PASSMAN. I have a letter in my possession concerning an individual's efforts to establish a rubber plantation in the Petein region of Guatemala. Apparently the Bank of Guatemala several years ago received a development loan from the United States and in turn pro-

vided subloans to small banks around the country. The individual that wrote this letter apparently received one of the subloans to finance his operation and apparently the Bank of Guatemala found it necessary to call all those loans back and have them canceled. Apparently the bank in performing this action sold the machinery belonging to this individual in order to recoup some of its losses. This individual indicates that the reason these loans were canceled was that AID officials prevailed on the Guatemala Government by saying that the Petein region of Guatemala was not suitable for rubber development. Could you provide a little background data for the record on this particular case?

Mr. KLEINE. With regard to the case you mention, a proposed subloan to a Mr. Carleton, it is true that several years ago an AID rubber technician working in Guatemala jointly concluded with Guatemalan technicians that rubber growing in the Petein was not a viable economic operation. Based on this technical advice, it was the decision of the Bank of Guatemala to stop lending to rubber farmers operating in the Petein.

At the time this decision was made, a local bank had advanced $8,700 of its own funds to Mr. Carleton. However, the Bank of Guatemala did not formally approve the loan and did not advance any of its funds nor any AID funds to Mr. Carleton. So, although an AID technician was involved in reaching a negative decision on lending in the Petein, AID money was not involved in this particular case.

COSTA RICA—AGRICULTURAL SECTOR DEVELOPMENT LOAN

Mr. PASSMAN. On page 103, under Costa Rica in connection with the agricultural sector development loan, I note that this loan was authorized on June 30, 1970. Why was it necessary to wait until the last day of the fiscal year to authorize this loan?

Mr. KLEINE. The timing of the authorization of the agricultural sector loan to Costa Rica is principally a function of the timing of the decisions leading to the loan. A preliminary decision was made in March of 1969 to undertake the analysis upon which the sector program was based. This decision was confirmed in June of 1969, and the necessary resources were earmarked at that time for both the analytical and programing effort necessary for an ambitious sector program. The analysis phase was completed in February of 1970; the detailed program proposals responding to the analysis were completed in April of 1970. Preparation of the program documentation and final negotiation with the Costa Rican Government took place in May. The loan paper arrived in Washington on June 2. An additional factor pointing toward a mid-calendar year 1970 authorization was the mission's target of executing the program at the outset of 1971. In order for the Costa Rican Government to make the necessary budgetary arrangements for support of the program, an authorization was deserved early in the second half of calendar year 1970. In fact, this timetable was adhered to. Disbursements under the loan started in the first quarter of calendar year 1971.

EL SALVADOR—EDUCATIONAL REFORM PROGRAM

Mr. PASSMAN. On page 104, under El Salvador in connection with the educational reform program, including ITV-expansion phase development loan, I note this loan was approved June 30, 1969, again the last day of the fiscal year, but as of this date, no loan agreement had been authorized. Would you please comment on this situation?

Mr. KLEINE. Following ratification of the loan agreement by the Salvadoran National Assembly, it was signed on February 16. We do not anticipate any unusual implementation problems.

GUATEMALA PRIMARY EDUCATION AND PILOT SCHOOL PROGRAM PROJECT

Mr. PASSMAN. On page 105, under Guatemala in connection with the primary education and pilot school program development loan, I note this loan agreement was signed in November of 1968 at an authorized level of $8,600,000, but as of this date no disbursements have been made. Would you please comment on the situation?

Mr. KLEINE. Yes, sir. All conditions precedent to implementation have been met, the consultant hired, and the construction plan revised. We expect that the first construction bids will be advertised during November and December 1971.

GUATEMALA STUDIES AND SURVEY NUMBER 2 DEVELOPMENT LOAN

Mr. PASSMAN. Also on page 105, under Guatemala in connection with the studies and surveys No. 2 development loan, I again note that this loan was authorized on June 30, 1969, again the last day of the fiscal year, but no loan agreement has been signed. Would you please comment on this delay?

Mr. KLEINE. The table you refer to was prepared on the basis of loan status as of December 31, 1970 and for that reason does not show that the loan in question was signed on February 5, 1971. The delay in signing is basically related to two factors. The first was that presidential elections were imminent and this began to occupy more and more of the administration's time. Secondly, when a new administration was elected, there was necessarily a period of review and evaluation of pending activities which included this loan. Once this was concluded with the recommendation to move ahead, the loan had to be submitted to the Guatemalen Congress for approval. Before a loan can be signed in Guatemala three separate congressional approvals are required. The loan was signed after all legislative approvals were obtained.

NICARAGUA—JUNE AUTHORIZATION OF LOANS

Mr. PASSMAN. On page 107, under Nicaragua, I notice that out of 10 development loans made, eight of these loans were approved and authorized in June of the particular year involved. Would you please explain why we always wait until the last month of the fiscal year to authorize these loans?

Mr. KLEINE. The high instance of loan authorizations in June has occurred principally due to the requirements of the programing cycle. The CASP instructions are normally sent to the Mission in December or January, with CASP's due in March or April. The mission

workload from December to March, therefore, is very heavy. As the CASP's increasingly become a program document, more detailed studies formally associated with the CFS now have to be done before agreement on program levels presented in the CASP. Thus, the involvement of loan officers, program officers, economists in the CASP is greater than ever before. These are the same people involved in the development and negotiation of loan proposals and the drafting of development loan papers. In addition, the missions are now preparing a great deal of the congressional presentation material.

In view of the above, most missions can not gear up to develop, analyze, negotiate and process internally development loans until the final quarter of the fiscal year.

The situation described above creates a vicious cycle. Once loans have been authorized in the April/June quarter most loan officers spend the summer and fall negotiating the loan agreements and aggressively working with the borrowers to fulfill conditions precedent in order to get the authorized projects or programs underway. Given the limited personnel in the field and the complicated nature of AID loans such as small business notification requirements, 50/50 shipping, etc. implementation and monitoring is a heavy burden and does not permit the loan officer to devote as much time as desirable during the first quarter of the fiscal year to the development of new loan proposals.

The timing of congressional appropriations is also a factor although not as significant perhaps as the situation described above. Congress usually does not appropriate funds until late in the calendar year or toward the middle of our fiscal year. Although it is true that loans may be processed and authorized under continuing resolution, the OYB review which sets up general country levels does not occur until after appropriation. For that reason, large country programs such as Brazil and Colombia are not normally processed for approval until late in the fiscal year.

ROCAP—CABEI INTEGRATION FUND DEVELOPMENT LOAN

Mr. PASSMAN. On page 108, under ROCAP, I note that the CABEI Integration Fund development loan was authorized in July of 1968 and the loan agreement was signed in April of 1969 at an authorized level of $30 million. But as of this date no disbursements have been made. Would you please comment on this fact?

Mr. KLEINE. Infrastructure construction projects under the integration fund require a long lead time and disbursement period. The process requires approvals by various Central American governments. This loan has started disbursing, however; the figure is $453,000 as of May 31. Letters of commitment have been issued for consulting and engineering services totalling $850,000 for dollar costs; and commitments in local currency exceed $1 million.

I might also add that an IBRD industrial finance mission to Central America has just completed an evaluation of CABEI. The World Bank's general appraisal is good and it points out that "project appraisal is well organized, systematic and thorough" and that "judged in the context of other development finance companies with which the

World Bank has conducted business, CABEI appears in a favorable light."

DOMINICAN REPUBLIC EDUCATION LOAN

Mr. PASSMAN. On page 115, under Chile in connection with the feasibility studies development loan, I note the loan agreement was signed in July of 1968 at an authorized level of $2,500,000 but as of this date no funds have been disbursed. Would you please comment on this situation?

Mr. KLEINE. $72,000 had been disbursed as of May 31. I might explain that following the election of a new government, with a subsequent change in top level personnel and reorganization of government agencies, activities under this loan were virtually suspended. Now that the situation has stabilized and policies of the new Chilean Government have been clarified, the loan is moving ahead.

DOMINICAN REPUBLIC EDUCATION LOAN

Mr. PASSMAN. On page 116, under the Dominican Republic in connection with the education loan, I note this loan was authorized on June 28, 1968, at an authorized level of $12 million, but as of this date no loan agreement had been signed and therefore no loans have been disbursed. Would you please comment on this loan?

Mr. KLEINE. Yes, sir; our negotiations with the Dominicans had indicated that, while we and they were agreed on most aspects of the loan, there were certain conditions, particularly the requirement for a revised teacher salary scale, which were not totally acceptable to them. Subsequently, it was agreed that a salary scale would be negotiated and implemented, and that the loan should be reprogramed to conform to revised targets and requirements. The President of the Dominican Republic established a commission to work with AID representatives in developing a revised program. The AID mission then negotiated a new loan which was authorized in fiscal year 1971 and the original loan was deauthorized.

PANAMA—URBAN DEVEPOPMENT PROJECT

Mr. PASSMAN. On page 121, under Panama, in connection with the urban development loan I note this loan was approved on June 30, 1969, at an authorized level of $320,000. However, as of this date, no loan agreement has been signed, and no disbursements have been made. Would you please comment on this loan?

Mr. KLEINE. Mr. Chairman, the loan to which you are referring was cancelled on January 23, 1971. The loan was to have financed technical assistance to strengthen the institutional capacity of the Panama Housing and Urbanization Institute. Significant changes in the leadership of the Housing and Urbanization Institute have brought a review of urbanization policies and as a result of these factors it was decided to delay implementation of the technical assistance program. Activities contemplated under the loan may be included in a future Housing Sector Loan now being discussed with the Government of Panama.

Supporting Assistance, Fiscal Year 1972—Request by Country

Mr. Passman. The last major title we are to consider is supporting assistance for which the fiscal year 1972 estimate is $5,850,000 a decrease of $317,000 below the current fiscal year 1971 program.

Would you please provide for the record a country breakdown of the fiscal year 1972 program for this title?

Mr. Kleine. I'd be happy to, Mr. Chairman.

(The information follows:)

Economic supporting assistance[3]

[In thousands of dollars]

Bolivia	115
Brazil	174
Costa Rica	198
El Salvador	56
Guatemala	377
Honduras	171
Nicaragua	91
Colombia	340
Dominican Republic	370
Ecuador	135
Guyana	99
Haiti	3,000
Jamaica	96
Panama	203
Uruguay	225
Venezuela	200
Total	5,850

Mr. Passman. If I'm not mistaken, all the programs carried under this title for Latin America are for public safety with the exception of Haiti, is that correct?

Mr. Kleine. That is correct, Mr. Chairman.

Latin American Public Safety Program

Mr. Passman. Why is it necessary to fund such small public safety programs to all these countries?

Mr. Kleine. To answer your question completely, Mr. Passman, I believe we should respond to three points: the necessity, the number, and the size of the public safety programs.

Public safety assistance has a dual rationale, that is, security and development. These programs are designed to assist Latin American civil security forces to maintain law and order and to prevent short-term terrorism and violence from growing into full-blown insurgency where military redress must be employed. Moreover, public safety assistance contributes significantly to the development of civil security forces as democratic institutions.

These programs are initiated in selected countries, only after certain requirements have been fulfilled. First, the host government must request this form of assistance. Second, a study must be conducted by qualified technicians to determine the nature and extent of the civil security force's needs and capabilities, as well as to identify the proposed program requirements. Third, a project agreement must be drawn and signed by both participating governments.

The size of the public safety programs is influenced by several factors, most important of which are the recipient government's ability to absorb the technical assistance, their needs as determined by the previously mentioned study, the political situation in that country and the availability of U.S. resources.

I wish to point out that the fiscal year 1972 public safety assistance in Latin America represents a progressive reduction since fiscal year 1966, amounting to a decrease by 60 percent in funds and almost 50 percent in terms of resident advisers. Yet, the number of programs and their requirements remained the same. While the U.S. resources have been limited for these programs, we make every effort to contribute the most to the development of the Latin American civil security forces.

HAITI—FISCAL YEAR 1972 REQUEST

Mr. PASSMAN. Would you please explain briefly what the $3 million request for Haiti will be used to finance?

Mr. KLEINE. The $3 million for Haiti is comprised of three portions. First, $2,075 million has been requested for malaria eradication. AID funds, using the U.S. Public Health Service's technical management, have helped reduce incidence of malaria to 1 percent. A Public Health Service evaluation indicates that 2 more years will be needed to reduce the remaining malaria cases to a negligible level.

Second, $650,000 has been requested to permit CARE to continue and expand community development and family planning programs. This program has helped establish 46 community councils, grain storage facilities, schools, water systems and roads; and provide family planning services for 4,500 patients per month.

Finally, $275,000 has been requested for the Special Development Activities Fund to foster community self-help projects, and support small pilot activities for humanitarian assistance designed to help alleviate poverty and disease.

COLOMBIA PUBLIC SAFETY PROJECT

Mr. PASSMAN. On page H–9 under Colombia concerning the public safety project. I note you plan to extend this project by 3 years to fiscal year 1975 and increase the estimated total cost by $1,301,000 over what was estimated last year. Would you please comment on these changes?

Mr. KLEINE. At the time the project data sheet for the fiscal year 1971 congressional presentation was prepared, the mission in Colombia was considering the termination of the public safety program in fiscal year 1972. However, the country team later reviewed the program and recommended that the project be continued through fiscal year 1975. The increase you noted, Mr. Passman, reflects public safety funding requirements for the years from 1973 through 1975. The public safety project would be designed to accelerate the development of the police whose contribution to the maintenance of law and order is important for Colombia's progress.

The annual level will be somewhat higher than in recent years in order to add an additional U.S. adviser, as well as to increase training. The current level, however, is considerably lower than the average annual level since the program's inception in fiscal year 1963.

URUGUAY PUBLIC SAFETY PROJECT

Mr. PASSMAN. On page H–20 under Uruguay, in connection with the public safety project, I note that you have increased the estimated total cost of this project by $788,000 above what was estimated last year and you also indicate that the fiscal year 1971 program has been increased by $424,000 above what was justified before the committee last year. Would you please comment on these increases?

Mr. KLEINE. At the time the fiscal year 1971 congressional presentation was formulated, the mission in Uruguay had intentions of scaling down the public safety project; hence the figures for that fiscal year reflected the reduction.

However, in view of the rapid deterioration of the internal security situation in Uruguay, exemplied by the kidnapping and killing of Dan Mitrione and kidnapping of Dr. Claude Fly plus other dignitaries, it was in the interest of the United States to continue the program at the on-going level.

Moreover, in fiscal year 1971 following the Dan Mitrione incident a development grant of $360,000 was provided to improve police mobility and communication in Montevideo.

Therefore, the bulk of the $424,000 increase you noted was from this special development grant plus a slight increase for short-term technical assistance in specialized fields and for an increase in U.S. participant training. The overall increase of $788,000 includes the funding requirement just mentioned plus the program requirements to sustain the present level of assistance, excluding the aforementioned special grant of $360,000 in fiscal year 1971.

Mr. PASSMAN. Mr. Shriver?

Mr. SHRIVER. Thank you, Mr. Chairman.

DRAWING ON SPECIAL U.S. TALENTS

On page 7 of Mr. Meyer's statement, you say that our assistance program must increasingly draw upon the special national talents the United States possesses. Since we have been reducing the number of U.S. technicians in Latin America, how do you propose to do this?

Mr. MEYER. Mr. Shriver, to draw on our talents does not necessarily mean to use more people. Latin Americans as well as we are very much aware of the fact that there is a technology gap between us and them and they look to this gap being filled by U.S. technical competence: not necessarily in massive numbers of people.

Mr. SHRIVER. How do you propose to do that?

Mr. MEYER. This we would do within the framework of the requested program for 1972. I have been in all the countries now, and have been struck by the fact that over the past 10 years there has grown up a group of competent young officials in many of the countries who have demonstrated their awareness of modern planning and taxation techniques. We don't have to send the whole IRS down to strengthen Colombia's skills in tax collection as we did in 1961 and 1962.

MILITARY MODERNIZATION PROGRAMS IN LATIN AMERICA

Mr. SHRIVER. On page 8 you mention "modest" military modernization programs being undertaken by some Latin American countries.

Which countries are you referring to?

Mr. MEYER. Most of them, on a basis proportionate to the size of the country.

Mr. SHRIVER. Which countries? What have these countries purchased in the last couple of years and from what countries were these purchases made?

Supply that for the record.

Mr. MEYER. They are modernizing, Mr. Shriver, and where they cannot buy from us they buy elsewhere.

Mr. SHRIVER. I am also wondering if those purchases are modest in terms of the countries' national resources.

Mr. MEYER. That I would be delighted to put in the record because, oddly enough, they still are.

(Classified information supplied to the committee.)

(Clerk's note: Additional information was requested but at the time these hearings were printed, this information had not been received. A reasonable period of time was allowed for the preparation of this information before the transcript was printed. Additional information was supplied to the committee at a later date.)

CRITERIA USED TO JUSTIFY PROJECTS

Mr. SHRIVER. Mr. Kleine, I am interested in the criteria quoted on page 2 of your statement that you use to justify projects.

Are U.S. inputs really needed? Can they be effective? Can needs be wholly or better addressed through assistance from other countries or through multilateral agencies?

Mr. KLEINE. That is the approach we are pursuing in all of our activities.

Mr. SHRIVER. Who has the final say whether projects meet this criteria?

Mr. KLEINE. AID, sir.

Mr. SHRIVER. Have there been some projects that have been discontinued because they did not meet this test?

Mr. KLEINE. Yes, sir; there have been a number of projects.

Mr. SHRIVER. What are some of them? Put that in the record.

Mr. KLEINE. This past week we completed a review of our entire portfolio of technical assistance projects and have concluded that a small percentage of them, do in fact, fall short of what we believe to be the criteria. We will be glad to provide for the record examples of these, and the reasons why we decided to terminate them sooner than we had anticipated.

(The information follows:)

Listed below are examples of activities for which final obligation dates (FOD) were accelerated to fiscal year 1971 as well as the reasons for termination. They are either whole projects or discrete activities within projects which also encompass other continuing activities.

Project title	Original FOD	FOD after transition review	Reason for termination
Bolivia: Agrarian reform	Fiscal year 1974	Fiscal year 1971	Project objectives met. Personnel trained and institution operation.
Brazil:			
Municipal and State administration	Fiscal year 1972	do	Project objectives substantially met. Institution well established.
Capital markets	do	do	Brazilian Government to take over project responsibilities which will be loan funded in the future.
Central bank training	do	do	Project objectives met ahead of schedule.
Chile:			
Public administration-urban development	Fiscal year 1973	do	Change in government policy toward decentralizing administrative authority in urban development agency.
Health service administration	do	do	Project objectives substantially completed, permitting accelerated termination.
Ecuador: Population (Ministry of Defense)	do	do	Organization development completed. Increased host government resources allow U.S. close out.
Panama:			
Cooperative housing	do	do	Grant project objectives achieved with termination of housing loan.
Community development	do	do	Grant program objectives achieved and institution established. Any future assistance requested will be considered for loan financing.

ASSISTANCE TO RELIEVE UNEMPLOYMENT

Mr. SHRIVER. On page 5 you say that unemployment is substantial in the capital cities of Latin America and underemployment is almost pervasive. I know what you are talking about, because my own hometown has an employment rate now of about 10 or 11 percent, and has had this for the past year and a half.

How much of your 1972 request could be considered as going to meet these problems in Latin America?

Mr. KLEINE. Much of our proposed program has a direct bearing on these problems. For example, the urban development program in Colombia is designed to help create employment opportunities, not within the large cities of Colombia, but in satellite cities. Credit will be made available to small- and medium-sized industries to enable them to attract personnel. Indirectly, practically all of our work addresses this problem of unemployment: we are seeking to help individuals to acquire the professional capacity and technical skills in education or agriculture, so that they can move from the ranks of the many unskilled to the skilled categories in which, surprisingly enough, there are needs that are not being met.

PROBLEMS OF MIGRATION FROM RURAL TO URBAN AREAS

Mr. SHRIVER. You have mentioned on page 8 the problem of significant migration from the rural areas to the cities with all the concomitant results. We have that problem, too. How much of your request could be considered as meeting this problem in Latin America?

Mr. KLEINE. All our agriculture projects are designed to make the rural areas of the Latin American countries more productive. The education programs that are moving out into the rural areas, and the health programs to provide services to people who have not had these services in the rural areas, too, will encourage increasing numbers of people to stay outside of the cities and enable them to live fruitful and really satisfying lives there.

To that degree again, a good part of the program is directed.

Mr. SHRIVER. You couldn't possibly meet all of those needs just as we cannot in this country.

Mr. KLEINE. Exactly. Our program in any country is a very small percentage of the total resources that the government of that country has at its disposal. We provide a small percentage of the external resources going into a country, and our share of the total has been going down. The amounts from the multilateral agencies are going up. My point is that the totality of resources available to Latin American governments, if properly directed, can make a significant impact, but that AID inputs alone, unless used in support of the other available resource, could not. Thus our program aims to have a catalytic effect in mobilizing the much greater resources that the country itself can generate. The direct immediate impact of a dollar expenditure from the AID program by itself on so many jobs or so many people staying in the rural areas would not be very great in totality.

PUBLICIZING THE U.S. PROGRAM

Mr. SHRIVER. Do the people of those countries know what we are doing is to help themselves in these areas?

Mr. KLEINE. I believe so, yes, sir.

Mr. SHRIVER. How do those who are actually participating know this?

Mr. KLEINE. There is direct contact. What we do is well known. A Brazilian university has received sustained assistance over a period of years, and it has become very well known that the U.S. Government has been working with the institution, and of course the local publicity about the undertaking of new activities is always there. I couldn't gage precisely what percent of the people know, but I would say it is well known in Latin America that the United States has been providing assistance to help Latin America, and that the United States is still continuing this commitment.

Mr. SHRIVER. Is there any resentment toward the United States?

Mr. KLEINE. Amongst some there is resentment.

Mr. SHRIVER. Because of what we are doing? Because of the aid program?

Mr. KLEINE. Not as a rule, but there are cases, for example, where groups who are trying to develop tensions will seek to exploit the

fact that the U.S. Government is helping in education. This is against national sovereignty, they say. These cases are very rare. What we are doing is at the request of the governments, and the people that are involved in the projects know this, and there is great receptivity to our doing more.

EXPORT PROMOTION

Mr. SHRIVER. How much of this request is directed to export promotion? What products are involved?

Mr. MEYER. We wish to foster export promotion across the board. The traditional products don't need our help. The nontraditional products do need application of modern marketing concepts at least.

Mr. SHRIVER. How much of it is directed toward export promotion?

Mr. KLEINE. We will provide that for the record.

(The information follows:)

HOW MUCH OF THE PROPOSED FISCAL YEAR 1972 BUDGET IS DIRECTED* TOWARD EXPORT PROMOTION

For year fiscal 1972, there are six proposed loans totaling $22 million directly related to export promotion.

Country	Loan proposal	Amount
Bolivia	Private investment fund	$3,000,000
Guatemala	Air cargo	1,000,000
Jamaica	Forestry development	5,000,000
Nicaragua	Livestock	4,000,000
Paraguay	River transport	4,000,000
Uruguay	Industrial exports	5,000,000

Other proposed loans are also aimed at increasing exports, such as the agriculture and urban/industry sector loans and a capital markets loan in Colombia, an agricultural inputs loan in the Dominican Republic, a capital markets loan in Jamaica. These loans total $70 million.

Missions have proposed technical assistance activities of $1,955,000 directly related to export promotion. In addition, $675,000 is earmarked for the Inter-American Export Promotion Center in Colombia. Also under consideration are projects in export problem and product identification, marketing and trade promotion, training of Latin Americans involved in export business, and provision of experts in such fields as export inspection, quality control, cost control, design, packaging, export insurance, establishment of arbitration mechanisms, sanitary requirements, industrial and free trade zones, and export standards. These proposed projects are in response to President Nixon's call for new initiatives in the export development area.

Mr. SHRIVER. Is there any conflict with what we are producing and what we have been selling in South America or Latin America?

Mr. KLEINE. I think not.

EFFECT OF ASSISTANCE ON U.S. EXPORTS

Mr. SHRIVER. For instance, a number of years ago, the chairman of the committee and I were in Taiwan, and we went through a factory outside Taipei, where they made batteries. They looked like the batteries that we use in this country in flashlights, but that company sold most of their products to South America and Latin America. None of it was permitted to come to this country.

What I am getting at is this: Is our aid disturbing in any way our industrial production and ability to sell in world trade and particularly in Latin America?

Mr. KLEINE. The United States has been enjoying a surplus for a number of years in its balance of trade with Latin America.

Mr. SHRIVER. I understand that.

Mr. KLEINE. Before we undertake an activity that is directly related to increasing production of a product that might be exported, we see whether or not increased exports of that product would have a direct effect on the U.S. industry. We have in the legislation a specific prohibition against supporting increased production of an item of which more than 20 percent of the output would be directed to the United States. We normally are pushing exports not for the U.S. market but for the market within Latin America, as well as to other parts of the world. Latin America is in deficit with other parts of the world. We hope that Latin American opportunities for increasing sales through exports with special emphasis on nontraditional exports, will grow so that they may earn more of the foreign exchange they need to service their growing debts.

Mr. PASSMAN. They got along very well for centuries before we got started on this aid program, didn't they?

Mr. KLEINE. I don't know how well.

Mr. PASSMAN. I don't either, but they got along for centuries and built up 20 countries. The point is that you said that we had a surplus in our trade balance with Latin America in 1970?

Mr. KLEINE. Yes, sir.

Mr. PASSMAN. We do include all AID shipments as an export in that total; do we not?

Mr. HELLER. Yes, sir.

Mr. PASSMAN. Thank you.

Mr. SHRIVER. I saw some projects directed toward improvement of production of beef in Latin America.

Mr. KLEINE. We have been providing assistance to both Uruguay and Paraguay to help improve their beef.

Mr. SHRIVER. Is that for use in their country or to compete with beef in this country?

Mr. KLEINE. It is primarily for exports within Latin America and to Europe.

MONITORING MULTILATERAL AGENCIES

Mr. SHRIVER. On page 11 you say that $17.7 million of this request will go to programs administered by multilateral institutions, such as the Organization of American States. Mr. Passman may have asked you, but let me repeat if he did. How are you able to monitor those funds?

Mr. KLEINE. The funds that are provided through these multilateral agencies are administered by them. We have worked very closely with the OAS, and with the CIAP, to assure an ever-improving system of administration, budgeting, evaluation, and implementation.

This past year a number of resolutions were voted by the governing bodies of the OAS technical assistance programs, all tending toward improved management, programing, analysis, and reporting. To my knowledge, we have never had a turndown in our requests for information as to what the OAS is doing, where they are doing it, and why they are doing it.

We do not have, as was indicated earlier, the right of direct examination, but thus far we have not found this to be a great problem. The OAS has willingly provided the information that we have needed to determine how well they are in fact doing. Our missions in Latin America have provided us with their evaluations of activities being carried out through the OAS. The returns that we have gotten from the people in the AID mission do not indicate any disatisfaction with regard to the performance and the end result.

Mr. MEYER. I might add, Mr. Shriver, we have two tough professionals in the USOAS mission who know about figurekeeping and who are hardnosed about the utilization of budgeted funds.

Mr. SHRIVER. There is not anyone outside of your organization to oversee the use of these funds.

Mr. MEYER. Just the GAO.

Mr. SHRIVER. Have they had any occasion to look into it?

Mr. MEYER. As recently as a year and a half ago the GAO looked at the whole budgetary structure of the OAS——

Mr. KLEINE. Two years ago the GAO made and assessment of OAS operations. Following their recommendation, a number of their——

Mr. SHRIVER. Procedures?

Mr. KLEINE (continuing). were improved.

Mr. SHRIVER. They have not checked on any projects?

Mr. MEYER. No; I don't think so.

FUNDS FOR POPULATION CONTROL IN FISCAL YEAR 1971 AND FISCAL YEAR 1972

Mr. SHRIVER. Would you put in the record a table showing the input of funds for population control in fiscal year 1971 and that expected in 1972?

Mr. KLEINE. Yes, sir.

Mr. SHRIVER. Include the money spent by the recipient governments themselves and any private moneys.

Mr. KLEINE. Yes, sir.

(The information follows:)

INPUT OF FUNDS FOR POPULATION CONTROL IN FISCAL YEAR 1971 AND THAT EXPECTED IN 1972

At this time I can give you the projections through December 1971 for the major contributors to population programs in Latin America. Most follow a calendar year fiscal cycle. Therefore estimates on their cycle year 1972 programs are not yet available. In 1970 private, non-AID contributions totaled almost $9.8 million and in 1971 $8.8 million. Contributors included Ford Foundation, International Planned Parenthood Federation, Pathfinder Fund, Pan American Health Organization, Rockefeller Foundation, the World Bank, and the Population Reference Bureau. Latin American governments and private groups together with donors throughout the world contribute to the programs carried but by these organizations. In addition, Latin American groups furnish facilities and commodities, medical and administrative manpower, research and training and are generally assuming financial support for AID supported national programs. The AID program was $10.9 million in fiscal year 1970; an estimated $15.6 million in fiscal year 1971; and a requested $17.6 million in fiscal 1972.

REDUCTIONS OF U.S. PERSONNEL IN LATIN AMERICA

Mr. SHRIVER. On page 17 you mention 45 percent reduction in U.S. personnel serving in Latin America from 1967 to fiscal year 1972. Is that a result of substantial cutbacks in your funds voted by Congress, or is it a result of more foreign nationals doing the work?

Mr. KLINE. It is both. The amount of funds that have been made available to the program has been reduced. We do use foreign nationals whereever they can replace U.S. nationals. The permanent reduction reflects essentialy the declining size of the overall program along with the increasing magnitudes of programs funded by the multilateral agencies. So we regard ourselves as, in essence, a last resort where there is a need that is not being met. If we then feel that we can provide an effective input, we undertake it.

LAND REFORM ACTIVITIES

Mr. SHRIVER. How much of this request is for land reform activities?

Mr. KLEINE. There are activities related to land reform in several of our projects in agriculture. For example, much of the proposed loan to Colombia in agriculture, will benefit INCORA, which is the Colombian institution responsible for land reform. Our loan assistance to INCORA includes the whole range of support given to the farmer through the redistribution of land, credit, and other agricultural inputs.

AID loans have furnished $18.5 million supervised credit to INCORA, and we have been working with INCORA for a number of years in just building onto this momentum.

Mr. SHRIVER. I see on page 1174 of last year's hearings a table showing the percentage of farmland involved in the reform. That is an extensive table. All the money spent for this purpose through the years has had very little effect on these countries. The highest percentage of land affected is 2.16 percent for Bolivia. In almost all of the other countries, the effect is less than 1 percent of the land. Would you comment on that?

Mr. KLEINE. I don't have that here. I will update the table.

Mr. PASSMAN. Reinsert the old table at this point in the record and provide a new table. We can compare them both.

Mr. KLEINE. I have a figure here. In 1970, eight Latin American countries reportedly had granted a total of 97,750 land titles to new owners, who were resettled on 12,536,482 acres for an average of 128 acres per family. These same countries have set new and higher goals for 1971, moving on the new land titles, from 97,000 through close to over 144,000 land titles and 108,000 families.

Mr. PASSMAN. Will the gentleman yield?

Mr. SHRIVER. Certainly.

Mr. PASSMAN. These figures are insignificant when you relate that to around 225 million population in 20 countries. What we want is this table.

Mr. SHRIVER. Yes, the table.

Mr. PASSMAN. We want to establish percentages. Those figures do not mean anything. So if Mr. Shriver is agreeable we will put the old table in from last year, put in the new table in this year and let us decide how great the progress has been by comparing one with the other, OK?

Mr. SHRIVER. Yes.

(The information follows:)

PERCENTAGE OF FARM LAND BY COUNTRY INVOLVED IN LAND REFORM

As requested by the committee, two tables appear below. The first is the table reprinted from last year's hearings on the percentage of farm land by country involved in land reform. The second table shows the most recent information available in the same subject. For some countries, the figures have not changed, not because there has been no progress, but because more current information is not available for those countries.

The solution to the agrarian reform problem is not a simple matter, and the issue is a politically sensitive one in most countries. AID experience shows that the expropriation of large areas of cultivated land and its distribution to landless workers does not usually, of itself, result in either significant increases in production or income. Land reform for best results must be supported by incentive creating marketing policies, efficient marketing systems, access to credit at reasonable interest rates and mortgage conditions, technical advice supported by sound research and local availability of essential inputs such as tools, fertilizer, good planting stock, pest control materials, and so forth. This in turn requires that both campesinos and the private sector have confidence in and support from their Government, economic incentives and a desire to improve their families' welfare through their own efforts.

Tenure reforms have been most successful where they have enabled cash renters and sharecroppers, experienced in managing farms, but paying exorbitant rents usually to absentee landlords to acquire title to their land by payment over a number of years. These farmworkers bring experience to their task and are therefore better able to make use of modern production practices if these are available.

Aside from granting titles to cultivated lands, a number of Latin American governments are authorizing both individual and group control over either the land they have been farming as a sharecropper, land worked as employees of a previous owner or lands otherwise confiscated by or under the control of the government. Data on the amounts of rural people benefitted by these programs are not available but are estimated to be at least double the number of titles granted annually. Tenure programs in Colombia, Peru, Honduras, Bolivia and Chile have accented this approach during the last several years.

Venezuela, Ecuador, Costa Rica and Colombia have aggressive programs for land purchase at current market rates for resale or distribution to small farmers. Most of this land is resold at cost or subsidized rates to the new tenants.

Colonization programs have comprised an important segment of a number of countries' agrarian reform. This has in part been due to (1) a desire to settle people on land in areas where political control of the land may be tenuous, (2) to relieve population pressures in other rural areas of the country, (3) promote land reform where resistance to expropriation is extreme, and (4) to create new work opportunities for rural people. In general, because of infrastructure costs and the inability to supply the required technical, credit and marketing support to these new farmers success has not always met expectations. Significant colonization programs have been carried out in Paraguay (13.2 percent of the total farmland), Venezuela (5–6 percent), Ecuador (5–6 percent), Colombia (2.3 percent), Honduras (3.2 percent), Guatemala (2.9 percent) and Brazil (no data available).

AID still considers land reform—the legal acquisition by farmers of rights to their own land—an important goal, and stands ready to assist those countries who express a genuine desire for assistance in this area. Our support must be conditioned, however, upon the initiative of Latin Americans themselves.

Looking at agrarian reform more broadly, the real issue in Latin America is how to improve the lot of the average farmer, and in this regard land tenure reform is only one factor—and in some countries not the most important one. Poor farmers in many Latin American countries own their farms, but lack credit, adequate access to markets, extension information and other needed farm inputs, and therefore are not able to increase their farm production or their own well being. AID has provided substantial assistance in the areas of sector planning, credit, agricultural extension services, seed production, adaptive research and marketing—all of which are needed for agrarian success.

AID assistance in agrarian reform has been directed at facilitating—upon request of Latin American countries—a rational and orderly process of rural modernization. U.S. support has included :

Assistance in planning of agrarian modernization, including sector analysis.

Counseling on the legal aspects of modernization, including titling legislation and assistance in improving water use laws.

Aerial photography and cadastral surveys for accurate definition of land ownership needed for tax and resettlement purposes.

Resources surveys to assess land capability potential.

Loans for land development and for extension of credit to small farmers.

Agrarian research through the University of Wisconsin Land Tenure Center and the Inter-American Committee for Agriculture Development (CIDA).

Training of agrarian specialists through the Wisconsin Land Tenure Center and the OAS sponsored Inter-American Center for agrarian reform in Bogota.

Table I

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	2,798 (2)	0.40	173 (2)	0.02
Bolivia	274,645	25,696 (3)	9.36	5,932 (3)	2.16
Brazil	2,127,990	.....	.....	.....	.....
Chile	189,235	5,531 (2)	2.92	932 (2)	.49
Colombia	284,585	7,070 (3)	2.48	840 (3)	.30
Costa Rica	12,675	833 (3)	6.57	12 (3)	.09
Dominican Republic	12,182	126 (3)	1.03	29 (3)	.24
Ecuador	73,390	164 (3)	.22	124 (3)	.17
El Salvador	5,347	42 (3)	.79	2 (3)	.04
Guatemala	27,222	98 (2)	.36	.....	.....
Honduras	28,022	166 (3)	.59	75 (2)	.27
Mexico	493,137	58,468 (2)	11.86	8,648 (2)	1.75
Nicaragua	32,500	412 (2)	1.27	201 (2)	.62
Panama	18,912	142 (2)	.75	62 (2)	.33
Paraguay	101,687	5,560 (3)	5.47	625 (3)	.61
Peru	321,305	1,988 (3)	.62	588 (3)	.18
Uruguay	467,325	74 (2)	.02	18 (2)	.00
Venezuela	228,012	9,209 (2)	4.04	988 (2)	.43

(1) From 1967 FAO Production Yearbook.
(2) From 1968 reports.
(3) From 1969 reports.

Table II

PERCENTAGE OF FARM LAND BY COUNTRY INVOLVED IN LAND REFORM

Country	Total land[1] (thousands of acres)	Land distributed through 1970 (thousands of acres)	Percent of total	Land distributed 1970 (thousands of acres)	Percent of total
Argentina (2) (5)	694,165	2,798.0 (4)	0.40 (4)	(2)	0.02 (4)
Bolivia	274,645	29,350.6	10.69	3,654.6	1.33
Brazil	2,127,990	(3)	(3)	256.0	(3)
Chile	189,235	5,811.0	3.07	280.0	0.15
Colombia	284,585	8,359.0	2.94	1,289.0	0.45
Costa Rica	12,675	843.2	6.65	10.2	0.08
Dominican Republic (2)	12,182	126.0 (4)	1.03 (4)	(2)	0.24 (4)
Ecuador	73,390	429.6	0.59	265.6	0.36
El Salvador (2)	5,347	42.0 (4)	0.79 (4)	(2)	0.04 (4)
Guatemala	27,222	137.1	0.50	39.1	0.29
Honduras	28,022	240.1	0.86	74.1	0.26
Mexico (2) (5)	493,137	58,486.0 (4)	11.86 (4)	(2)	1.75 (4)
Nicaragua	32,500	723.7	2.23	311.7	0.96
Panama	18,912	181.7	0.96	39.7	0.21
Paraguay	101,687	6,014.5	5.91	454.5	0.45
Peru	321,305	8,088.0	2.52	5,850.0	1.85
Uruguay	467,325	134.0	0.03	60.0	0.01
Venezuela (2) (5)	228,012	9,209 (4)	4.04 (4)	(2)	0.43 (4)

(1) From 1967 FAO Production Yearbook.
(2) Data for 1970 not available.
(3) No data available.
(4) Distributed through 1969.
(5) No A.I.D.-supported agricultural program.

POLITICAL SITUATION IN BRAZIL

Mr. SHRIVER. Mr. Meyer, last year you told me while you did not think Brazil had a dictatorship, the government there had abolished the Congress and there was concern as to the government's tendency to curtail adverse criticism.

You said the 1970 and 1971 programs there were under study. What is the situation there now?

Mr. MEYER. Brazil has the same government, Mr. Shriver, but that government has reopened the congress, and there is a much freer political atmosphere, including pretty fierce criticism from the Congress. The Government of Brazil is dedicated to a conviction that economic progress will mean political progress.

They have done some extraordinary things in their economic progress over the last 2 years. I am sincerely impressed with the increasing share of the Brazilian budget for education, and with their interest in developing their northeast. They have developed a concept of profit-sharing that applies, first, to private sector employees and then to all the government employees.

They are doing pretty well.

GAO REPORT ON HONDURAS

Mr. SHRIVER. I have a report dated December 30, 1970, from the Comptroller General, which is marked secret, whatever that means today, concerning the administration and effectivness of U.S. economic and military aid to Honduras. This report contains some rather disturbing observations about our AID efforts there. The criticism was directed primarily at our official lack of concern or knowledge about the necessity for self-help efforts on the part of Honduras.

Are you familiar with that report?

Mr. MEYER. I am not familiar with the report, sir.

Mr. SHRIVER. What about the observations?

Mr. MEYER. We have a new AID Director in Honduras, who is one of the best in the game. As for self-help, it is not a thesis that we can impose on a people that have yet to learn it.

It is a very difficult country to operate within, if for no other reason than it is one of the few in the hemisphere whose geography is such that travel from one part of the country to another is difficult, except by air.

As I said, the new AID Director is really a first-class guy in every sense. Honduras has just gone through an election and has elected its first popularly elected president since 1948. If they can get over the effects of their war with El Salvador, they will be able to concentrate more, on the kind of things that I gather the GAO report covers.

Now might I go off the record?

Mr. SHRIVER. All right.

(Discussion off the record.)

Mr. KLEINE. I would like to supplement the comments of Assistant Secretary Meyer on the GAO report on economic and military aid to Honduras. The review of activities undertaken by the GAO in this report covers a period that ended 2 years before the date of submission of the report.

The examination was made of the activities pursued in Honduras toward the goals of the Alliance for Progress established in 1961 in the Charter of Ponte del Este. We, in our commentary to the GAO, submitted a copy of a review that we had made of the Alliance goals. In this review we concluded that these goals must still be viewed as very desirable and important, but that the time frame set for their attainment was unrealistic. While great progress had been made, it was not possible to achieve such aspirations as full literacy for all people within that time frame.

We also pointed out, Mr. Shriver, that we had, since the time of the GAO report, instituted tremendous change in program planning and evaluation with respect to our activities in Honduras. We felt that with more specific and realistic goals, and with the improved system of planning and evaluation, Honduras achievements will more closely match the targets set. Moreover, as Mr. Meyer mentioned, we do now have a new Director in whom we have the fullest confidence.

The previous man was a good man, too. He was working under difficult circumstances, recognizing that our Honduras program is an institutional training kind of operation, not one that calls for major inputs of capital.

ISDI ASSUMING RESPONSIBILITY FOR AID PROJECTS

Mr. SHRIVER. I will ask just one more question.

Which of your projects have been discontinued or will be because of the establishment of the Inter-American Social Development Institute?

Mr. KLEINE. That, sir, is too early to say. The Inter-American Social Development Institute has not yet begun operations nor made final decisions on what programs it will pursue. We do refer to them now any ideas or proposals that fall in the social development area, to ascertain their possible interest.

Mr. SHRIVER. We will be looking forward to some expenditure reductions and elimination of some of the projects.

Mr. PASSMAN. Social development, this is in the same area that you have been in ever since you started the program.

Mr. KLEIN. Our efforts have focused primarily on the government-to-government area.

Mr. PASSMAN. I know that, but you people cook up all these projects, and it almost runs me crazy. What they are actually doing is in the same field you are in? If we put it in a favorable light, they want to help the people do the same thing you are trying to help them to do under the technical aid program, is that not it?

Mr. KLEINE. Same general objective, yes.

Mr. PASSMAN. That is right, just overlapping. My dear friends, these things just grow and grow.

Dr. Long?

PUBLIC SAFETY PROGRAM

Mr. LONG. Thank you, Mr. Chairman. I note that your $2.85 million request for public safety programs is to aid Venezuela and 14 other nations—primarily to improve the quality of their national police forces or their constabularies. Could you elaborate on the threat to

stability that these forces meet? Is it primarily urban and rural guerrilla activity, or is it nonpolitical, everyday crime?

Mr. KLEINE. The threat which Latin American police must meet today varies from country to country. However, generally speaking, the principal threat is urban terrorism and violence, although it wasn't too long ago in many countries, such as Bolivia and Colombia, where rural guerrilla activity was prevalent.

In Uruguay, for example, urban terrorism is accented by numerous kidnapping, bombings, and robberies. Guatemala today is faced with violence in principally urban areas with assassinations of police personnel, high government and business officials. Even in Venezuela where terrorism and insurgency have been minimized, they are experiencing an upsurge of urban disturbances, such as student demonstrations and riots, and even kidnapping of children.

In other Latin American countries, such as the Dominican Republic and Nicaragua, nonpolitical, everyday crimes present a serious threat which the police must face.

The threats—those politically motivated and those due to common criminality—can create a general climate of social insecurity and disorder, disrespect for law and order, for normal government processes and for rights of the general public.

RESULTS OF DEVELOPMENT SECTOR LOANS

Mr. LONG. You state that development "sector" loans are partly designed to create jobs and better living conditions in rural areas in countries such as Colombia. I would like to have some statistics on the results of this program. Has it succeeded in making rural life attractive to a substantial percentage of the population?

Mr. KLEINE. Although each of our sector loans made to date is different because of differing internal rural development problems, stage of agrarian development and desired national government rural objectives, they are all directed toward improving the incomes, increasing number of jobs available and removing barriers to rural agricultural production. Since most of the agricultural sector loans were made in 1970 and 1971, it is somewhat early to expect to have firm statistics showing the results of these programs. However, lending criteria by the supervised agricultural credit entities in Colombia are now taking into account the relative employment generation impact of small farm credit, in addition to their impact on marketing possibilities and profitability. Thus, comparing similar credit investment levels for commodities such as peanuts, beans, yams, strawberries, and onions which have intensive labor requirements at low costs will tend to be favored over commodities such as barley, sorghum, and beef which appear to cost significantly more per job created when other factors are equal.

In Colombia, the latest agricultural sector loan is directly related to a Colombian agricultural program which aims at providing supervised credit to some 13,500 newly titled small farms, and production credit to some 7,500 subsistence farmers in selected development areas, and increasing land titling from an estimated 18,500 to 25,000 units per year between 1971 and 1973 as well as providing assistance to decreasing marketing and processing costs.

While hard data on rural job creation and income increase are hard to come by, some sample studies in Colombia have produced the following preliminary information: (1) The small farmer receiving supervised agricultural credit from INCORA passes through a sequence of farm credit plans which may take 4 to 6 years to complete. (2) In percentage terms as measured from an estimated performance level prior to entering the credit program and completing the 4 to 6 year farm development sequence, the following advances are obtained: gross product is up 24 percent per year, amount of labor hired is up 46 percent, inputs purchased is up 22 percent, family living level is up 25 percent, farm and family cash generation is up 41 percent, net worth is up 21 percent, and farm site value is up 16 percent.

In a similar Guatemala sector loan signed in 1970, general targets seek to provide 26,000 loans over a 5-year period providing employment to an estimated 100,000 rural people annually. Considering that the cumulative value of the increased production in the 10th year by these small and meduim farm operators is estimated to be over $400 million for basic grains and diversified crops, the effect on rural income may be seen.

The Costa Rica sector loan will allow an estimated 17,000 rural small farm operators to improve their production and enhance their income during the first 4 years of the program in addition to financing some 25,000 land titles and provide a guarantee fund to permit the private banking system to finance land purchase for small farmers.

RESULTS OF URBAN SECTOR LOANS

Mr. LONG. I'd like some information on the results of "urban sector" loans in attracting people to intermediate-sized cities and thus alleviating slum conditions in major cities.

Mr. KLEINE. To my knowledge, there are no definitive studies as yet on the ability to divert population away from the metropolitan centers to the intermediate cities. It is too early to evaluate the results of our loans in this sector.

In Panama, one of our loans is directed toward regional planning in order to concentrate more attention on the development of the less developed areas as distinguished from Panama City, but planning must precede any sectoral loan. In several countries, Guatemala and Honduras, for example, we have under consideration loans for "sites and services" and minimal shelter housing of which a part will be for smaller urban communities as a means of restraining some of the rural migration to the capital areas. In Mexico, a condition of our loan was that 50 percent of all new housing be located outside of the Federal District. These, however, are housing rather than sectoral loans although a similar purpose is involved.

As a result of a recently authorized loan of $29 million to Colombia, we should, however have a basis for testing out the soundness of an urban/regional approach. This loan is aimed at developing financial institutions to make loans to intermediate cities for urban infrastructure and industry in order to provide employment in those intermediate centers and make living more attractive. Part of the loan will be for "sites and services" and "shell" housing in the larger cities but this should not be considered counterproductive because in

Colombia, at least, squatter settlements attract occupants from the inner city slums rather than initially from rural areas. Successive evaluations of the loan targets and the current status of each of the loan objectives throughout the implementation of the loan will provide answers to the question you have posed.

RESULTS OF EFFORTS TO DEVELOP EXPORT MARKETS

Mr. LONG. I would like to have some specific examples of the success of our technical assistance efforts to develop export markets. Has this program allowed countries such as Brazel and Colombia to compensate for revenue lost through the drop in coffee prices?

Mr. KLEINE. AID has initiated export development programs in several Latin American countries. Some of these have been in connection with the offers of assistance which were made by Secretary of Commerce Stans when he visited specific countries. As a consequence of Secretary Stans' offer, USAID Missions in Uruguay, Venezuela and Argentina, working closely with Department of Commerce personnel on temporary detail, arranged for trade shows utilizing U.S. trade centers in Europe. In the case of Uruguay the Government estimates that as a consequence of the trade show which was held at the Frankfurt Trade Center, nontraditional exports would increase by 2 to 3 percent. In the case of Venezuela, it is estimated that the trade show held at the Milan Trade Center will result in sales of nontraditional products of approximately $35 million during the next 5 years. In addition to trade shows using Department of Commerce facilities the USAID export development specialist in Guatemala arranged for Guatemalan Government participation in a series of European trade shows. Wide acceptability of nontraditional exports particularly those involving handcrafted products has been reported.

Both Brazil and Colombia have indeed been making extensive efforts to improve their export capability in an attempt to compensate for revenues lost because of the drop in coffee prices. Although they have each enjoyed some success by exporting a wide variety of new products, they have not yet compensated for revenues lost from the drop in coffee prices.

POPULATION PLANNING RESULT

Mr. LONG. I would like to have some statistics on the success of our various population planning activities. For example, what results have the family planning clinical services had? Have family planning units in medical school curriculums produced results?

Mr. KLEINE. A trend can be observed during the 1960's, when AID began supporting clinical programs, in which the birth rate in various Latin American countries appears to begin to decline. The availability of private and official clinical programs probably contributed to this trend. Once the 1970 census returns are in, we expect to see this trend continue. At that time, we will have evidence as to the effect the availability of clinical services, among other variables, has had on fertility.

As to family planning units in medical school curriculums, within the last 2 years the population problem and contraception have been

brought to the attention of future doctors often for the first time. The results should be seen when the graduates enter practice. In some countries where this training is given, new doctors who spend 1 year in public service will be the first academically trained in the science of family planning.

While there are progressive movements in many Latin American nations, including Colombia, Ecuador, Jamaica, et cetera, the Central American countries present a striking example of the change in attitudes and of program implementation since the initiation of AID assistance in this field. In 1964 there were no government-sponsored programs of family planning in any Central American country. By 1971, all governments openly support demographic studies and research, the training of medical and other professional personnel who work in the population field, and clinical services provided through public health facilities.

In three countries (Nicaragua, El Salvador, and Costa Rica) the social security health systems include family planning as a component of regular health services. Two countries serve as training centers for other Latin America professionals who wish to increase their knowledge of human reproduction, demography, and administration of family planning services.

Over 400 health facilities in the region have initiated family planning services since 1964, serving an estimated 250,000 women. It is estimated that more than this number of women obtain contraceptive services through private physicians or pharmacies, having been motivated by programs of education and information introduced by a number of private and public agencies.

Introduction of family planning and demography courses within the last 2 years in medical schools have brought these subjects to the attention of future doctors often for the first time. The results will be seen when the graduates enter practice. In some countries where this training is given, these new doctors who spend 1 year in public service will be the first academically trained in the science of family planning.

VENEZUELA FAMILY PLANNING

Mr. LONG. I note that we are not giving family planning assistance to Venezuela. Have they ever requested it?

Mr. KLEINE. Yes, Mr. Long, they did request our help, and we did help them, beginning in fiscal year 1967. From that year through fiscal year 1971, our assistance to Venezuela in family planning totaled $575,000. We are now terminating that assistance, as part of a total phaseout of our aid to Venezuela. However, Venezuela will continue family planning activities with the help of the International Planned Parenthhood Federation and other private groups.

VENEZUELA STATUS OF AID ASSISTANCE

Mr. LONG. In addition to public safety assistance, the fiscal year 1972 budget only contains a request to fund an education and manpower training project. Have other projects in Venezuela been terminated or completed? What is the size of the AID mission there?

Mr. KLEINE. Yes, the other projects are being phased out with the exception that activities relating to the housing guarantees program

will be carried on through a regional housing office. As of June 30, 1971, there were 11 Americans assigned to the AID Office in Venezuela.

VENEZUELA—EFFECT OF REVERSION OF U.S. OIL CONCESSIONS TO VENEZUELA

Mr. LONG. Secretary Meyer, I understand that the Venezuelan Government is considering legislation to provide for the reversion of U.S. oil concessions to Venezuela. How will that affect U.S. investments?

Mr. MEYER. Pending legislation in the Venezuelan Congress regarding the reversion of petroleum concessions to Venezuela, beginning in 1983 as provided in the concession agreements with the oil companies, could affect the operations of the U.S. oil companies. However, the bill has not gone through the entire Venezuelan legislative process so we are not in a position to comment on what its specific effects might be.

U.S. oil companies have expressed concern with the following provisions which are contained in the present draft of the bill: (1) payments from the companies of amounts equal to 10 percent of past and future depreciation allowances to a special fund to guarantee the reversion of assets in efficient operating condition. The contributions are not to be tax deductible; (2) the proposed reversion bill requires the uncompensated reversion upon expiration of the concessions of all assets used in any phase of operation of the concession including refining and transportation; (3) broad powers vested in the Ministry of Mines and Hydrocarbons to supervise company operations to insure conformity with the law. Although the effect would depend upon the implementation of this authority the companies are naturally concerned; and (4) the reversion prior to expiration of uneconomic or unexplored acreage.

Until the legislation is adopted and a careful study can be made, it would be premature to draw conclusions. However, if the law should result in serious restrictions on management control of operations and serious departures from the terms of the concession agreement, questions of violation of international law could arise. We are watching the evolution of the legislation carefully, expressing our views within the framework of our ongoing petroleum consultations with senior officials of the Venezuelan Government, and are examining potential legal issues.

Mr. PASSMAN. Mrs. Reid?

AID'S ROLE IN BRAZIL'S ECONOMIC SUCCESS AND OTHER LATIN AMERICAN COUNTRIES' GOALS

Mrs. REID. An article in the Washington Star last night indicates that Brazil, a nation that was floundering 7 years ago, has now become stable and prosperous. One reason given for this success story is a reduction in the rate of inflation by adhering to a balanced budget. What part has AID played in Brazil's success story and are any of the other Latin American countries striving to follow the same economic policies—especially in regard to control of inflation?

Mr. KLEINE. Brazil's current impressive economic growth resulted from adoption of a number of sound economic policies, including those designed to control inflation. In August 1968, Brazil adopted a flexible, controlled exchange rate ("crawling peg") involving frequent adjust-

ments. These "minidevaluations" and such measures as balanced Federal budgets have succeeded in slowing down inflation which, in 1970, dropped below 20 percent for the first time since 1964. U.S. assistance programs contributed importantly to meeting Brazil's stabilization and development objectives, through a series of program loans made in 1966, 1967, and 1968.

Argentina, Uruguay, and Chile have also experienced persistent, and often acute, inflation during the decade; inflation has also been a problem in Colombia, but to a lesser degree. Argentina's inflation averaged over 25 percent in the 1960–67 period. In 1967 an economic program was initiated designed to pull Argentina out of the pattern of cyclical economic fluctuations and establish it on a path of sustained growth. Results in 1968 and 1969 were promising. The cost-of-living increase fell to 16.4 percent in 1968 and 7.4 percent in 1969, with the latter increase the lowest recorded since World War II. In 1970, however, as a consequence of changes within both the political and economic spheres, Argentina experienced a slowdown in economic growth and a marked resumption of inflation. The increase in 1970 was 13.4 percent and is estimated to have risen by over 15 percent in the first 5 months in 1971.

A comprehensive stabilization program, initiated by Uruguay in 1968, has had encouraging results. Accelerating inflation, which increased the cost of living by 125.3 percent in 1968, was reduced to 20.1 percent in 1969 and approximately 17.3 percent in 1970. There are indications, however, that the Government may have difficulties in completing its economic reform program and that it may not be able to sustain its stabilization program.

Chile, having fought the wage-price spiral without enduring success during most of the decade, has now—with its new Government—embarked on a policy of containment of inflation through price controls.

Beginning in 1967, Colombia, with continuing substantial U.S. loan support, adopted a number of exchange, monetary, and fiscal policy measures, which resulted in a greater availability of goods—domestic as well as foreign—making it possible to reduce the rate of inflation to more moderate levels. The consumer price index, which rose 20.1 percent in 1966, grew more slowly thereafter. By 1969, the annual increase had been reduced to a more modest 7 percent compared to an average for the last 5 years of 9.9 percent. In 1970, this index rose by 6.6 percent, continuing the moderate trend of 1969.

COMPARISON OF INCREASE IN AGRICULTURAL PRODUCTION WITH POPULATION GROWTH IN LATIN AMERICA

Mrs. REID. You state on page 4 that for the region as a whole Central Government expenditures on agriculture doubled in real terms over the decade, while in Central America they more than tripled. How has the increase in agricultural production compared with population growth?

Mr. KLEINE. Agricultural production in Latin America rose just over 35 percent from 1960 to 1970 but the population increased by 32 percent. As a result, per capita production rose only 2 percent. In Central America, agricultural production rose 57 percent while the population increased 38 percent. Per capita production in Centrol America thus rose by 14 percent.

Food production, however, has performed better than the agricultural sector as a whole. During the decade, food production for the entire region rose 45 percent and for Central America, 60 percent. Per capita food production thus rose nearly 10 percent in Latin America and over 17 percent in Central America.

EDUCATIONAL TELEVISION IN LATIN AMERICA

Mrs. REID. You mention on page 7, that in El Salvador you are supporting an instructional television program at the junior high school level. Do the Latin American countries have sufficient facilities and capabilities to make widespread use of instructional television?

Mr. KLEINE. Most Latin American countries do not have sufficient facilities and capabilities to make widespread use of instructional television (ITV) at this time. Now, and for some time to come, many will need extensive technical assistance and development loans from AID and other donors in order to carry out a wide range of experimentation, including ITV, in the education sector. Successful mass dissemination of education and information by traditional means is beyond the financial and resource capabilities of most of the LDC's. Many Latin American countries such as El Salvador, Colombia, Brazil, and Panama are fully aware that applications of educational technology may provide a significant answer. The research and development period for the systematic introduction of experimentation in these areas is relatively costly and demands highly trained technicians, educational planners, and managers. The developing countries cannot afford to "go it alone." However, neither we nor they can afford not to modernize traditional systems if the spiraling enrollment targets for 1975, 1980, and 1990 in Latin America are to be met.

AID financed assistance has played a major role in helping to plan and implement the El Salvador project. Technical assistance totalling $1 million to date has provided help in curriculum development, teacher training, television production, and administration. A $1.9 million loan to provide technical assistance for a two-channel instructional TV production, transmission and reception system was signed in November 1969. A follow-on $8 million loan for primary level classroom construction and extension of the TV based reform to primary school grades was signed in February 1971. The program is on target. As a result of this planning, El Salvador hopes to reach 50,000 junior high school students with the new national program by January 1972. A comprehensive evaluation carried out through an AID contract with the Academy for Educational Development and Stanford University indicates that instructional television has been successful as the key element in modernizing the entire educational system in El Salvador. The primary function of a continuing evaluation project is for AID and LDC leaders to gather as much information as possible about cost benefits in this area which may be applied by other Latin American countries in similar uses of instructional technology in their own educational reform programs.

In summary, the needed expansion of the educational system at reasonable unit costs in Latin America will require new procedures. The introduction of instructional television alone will not solve the problem.

There is no single or simple answer. From past experience, we think a mix of cost-cutting procedures such as more productive use of trained personnel, modernized curriculum, including carefully designed programed materials, individualized instruction, more efficient use of time and space, as well as incorporating community and voluntary resources into the system, will be necessary.

We believe these procedures should be developed in each country as a result of carefully controlled experimentation, such as the El Salvador project. Therefore, in the future, AID will be directing its efforts in assisting selected Latin American countries in educational experimentation in the following critical areas: research, training, planning assistance, and project support in the use of sophisticated techniques such as ITV, as well as an array of other, perhaps simpler and lower cost educational technologies. We are not concerned with helping them develop additives to standard educational efforts. This, they cannot afford either in terms of funding or human resources. We are committed to helping them plan and develop a new and improved system of learning, including the systematic development and application of concepts, plans, equipment—hardware—instructional material—software—management and evaluation of results.

ALLIANCE FOR PROGRESS PIPELINE

Mrs. REID. What is the present situation in regard to funds in the so-called pipeline of the Alliance for Progress?

How long could technical assistance continue if no new funds were provided this year?

Mr. KLEINE. Our estimated pipeline for June 30, 1971, is $936.4 million for development loans and $56.7 million for technical assistance. We have been working to reduce the pipeline. The comparable figures for June 30, 1970, were $1,037.7 million for loans and $70.3 million for technical assistance.

Our technical assistance pipeline consists mainly of forward funding for contracts, and for participants in training or ready to go into training programs, and for commodities on order.

If no new technical assistance funds were provided for fiscal year 1972, we would not be able to operate beyond June 30, 1971. On that date, salaries and allowances for all our direct-hire staff in the missions and here in Washington would cease, as would funds for all PASA's for U.S. personnel—except those PASA's included in bilateral project agreements—administrative funds, and related direct other costs.

I should underline the fact that the $936 million in loan pipeline represents the amount of money obligated or committed under loans but not yet spent. In most cases, services are being performed, commodities and equipment ordered, training being provided, et cetera, but bills have not yet been paid. AID authorizes the total amount required for a project at one time—even though it might require several years for the physical facilities to be constructed, equipment to be designed, built, and delivered, and suppliers to submit bills. If no new obligational authority were appropriated, virtually no projects could be undertaken this year, and resource flows into Latin America would decline as ongoing projects were completed.

LAND REFORM IN LATIN AMERICA

Mrs. Reid. Has any additional progress been made in regard to land reform in the Latin American countries over the past year?

Mr. Kleine. Latin America made continued progress in land or agrarian reform in all of the countries for which 1970 data is available. Some 97,750 farm titles to approximately as many families were provided, for a total of 12,536,482 acres. This figure relates to all of the countries in Latin America except Argentina, Dominican Republic, El Salvador, Mexico, and Venezuela, for which we do not have current figures.

In individual countries, however, the rate of progress continues to vary from year to year and Government to Government. For example, in Colombia, 16,000 new farm titles for 1.2 million acres were granted in 1969, and 21,000 titles for 1.3 million acres were granted in 1970. Also, in the same year, Colombia for the first time initiated court action to seize a ranch on land classified as being too productive for cattle grazing in an area where land is scarce.

Bolivia continued to be very active through 1970 in land distribution. In 1969, this country granted 62,476 titles to 5.9 million acres, and in 1970 granted an additional 47,030 titles to 3.7 million acres.

Announcements of expanded programs for the expropriation of large farms and their redistribution to those who work the land have been made by both the Allende administration in Chile and the Peruvian Government of General Velasco during 1970. In calendar year 1970, the Peruvian Government granted land titles on 250,000 acres of coastal land and 5,625,000 acres of natural pasture in the Sierra. It also has reported expropriations of 3,705,831 acres between June 24, 1969, and December 31, 1970, with redistribution of 2,079,970 acres to small farmers and cooperative farming enterprises.

TYPES OF EXCESS EQUIPMENT TRANSFERRED TO LATIN AMERICA UNDER THE EXCESS PROPERTY PROGRAM

Mrs. Reid. According to a recent report, AID has transferred the Coast Guard cutter *Narcissus* to the Government of Guyana, under its excess property program. What other types of excess equipment have been transferred to Latin American nations under this program?

Mr. Kleine. In addition to the transfer of the Coast Guard cutter *Narcissus* to the Government of Guyana under the AID section 608 excess property program, other excess equipment transferred to Latin American nations in fiscal years 1970–71 consisted of generators, trucks (¼ ton through 5 tons), buses, ambulances, tractors, graders, pumps, cranes, compressors, lubricators, forklift trucks, trailers, surgical equipment, and miscellaneous clothing and personal equipment.

The recipient countries are Guatemala, Nicaragua, Costa Rica, Honduras, Jamaica, Guyana, Brazil, Chile, Ecuador, Uruguay, Colombia, Bolivia, and Peru.

EFFECT OF THE ALLENDE REGIME IN CHILE ON PRIVATE INVESTMENT

Mrs. Reid. How has the Allende regime in Chile affected the incentives for private investments throughout Latin America in regard to the fear of nationalization of private enterprise?

Mr. MEYER. I believe that the Allende government's policies toward private ownership of productive enterprises in Chile have probably had little effect on the level of private investment in other Latin American countries. Where other government leaders have taken a tough position toward private investors, I suspect that the principal factors involved were those indigenous to the individual countries. As far as the investors themselves are concerned, my feeling is that their principal concern is with the particular situation in the country in which they are investing. In Chile, there has been little new foreign private investment since President Allende came into office last November.

NEW AND INNOVATIVE APPROACHES FOR LATIN AMERICA

Mrs. REID. In your statement on page 5, you say that bringing tangible benefits to the common man in terms of jobs, schooling, health facilities, and housing will require building upon the momentum already achieved, as well as devising new and innovative approaches as yet barely tested or on the drawing boards. What specific new approaches are planned for fiscal 1972 that have not been tried previously?

Mr. KLEINE. An experimental activity is being planned in Guatemala for an innovative and low-cost program of providing basic education at the village level involving a nonformal and nonschool approach. Vital skills packages will be prepared involving literary, work-related skills, and farm practices, as well as basic education. The materials would be designed to be largely self-instructing visual, audio, and written materials. Delivery systems to the users would involve mail service, hand-to-hand distribution, and radio, calling on minimally trained monitors who would be local village residents. Materials used will involve simple and low-cost charts, film strips, slides, audio cassette, and radio techniques.

A series of research and experimentation studies linking economists and engineers in various Latin American institutions are under consideration to focus on labor intensive technologies for industry, agribusiness, agriculture, and physical infrastructure such as roads and irrigation works. These practical experimentation efforts will assess the comparative effects of different levels of technology on such items as production levels, the costs of employment generation, job creation, income, quality of goods produced, profitability, and labor management.

A series of pilot grants have been prepared for a few Latin American centers such as the Getulio Vargas Foundation in Brazil, the Di Tella Institute in Argentina, and the Shell Foundation in Venezuela, to carry out interdisciplinary sectoral analyses. These will focus on how technology and science can best be applied to problems in urban, industrial, agriculture, and natural resources development, addressing the multiple goals of production increases, employment generation, and income distribution. Engineers, economists, and management skills will be combined for such analyses. For certain of the studies, communication and computational linkages will be provided between selected centers within Latin America working on these problems, and with selected U.S. centers working on similar problems.

The advantages and costs will be explored of using telephone, radio, and satellites communication links. The use of advanced analytical techniques such as input-output studies, linear programing and others will also be explored.

The sectoral approach which has been emerging over the past several years will be further refined and developed during this coming year. The sectoral methodology seeks major improvement in the analytical and decisionmaking processes on the part of development officials with regard to the problems in their areas such as agriculture, education, and urban development. It gives consideration to all of the most important factors such as social, economic, technical, administrative, and attitudinal elements. It attempts to identify the most binding constraints to the development situation and to concentrate efforts on a small number of important and implementable activities which are likely to have the greatest incremental impact on change. It emphasizes improvements in the management functions of data collection, manipulation, and analysis; periodic and timely monitoring of progress; evaluation of efficacy, and rapid feedback for refined plans, policies, budgets, and operations. It also includes experimentation with alternative solutions and technologies as an integral part of the development effort, with comparison of costs and benefits based on local conditions and constraints.

The sectoral approach involves interdisciplinary teams in a determined effort to bring together a group of analysts who can combine a variety of modern techniques to form a workable framework for planning and management. Through techniques of analysis such as input/ouput analysis, linear and nonlinear programing, operations research, and statistical analysis, coupled with the power of the computer, this framework is emerging. A key concept is that of a computerized data base, complete with programs for analysis, which will allow the decision-maker to receive timely information in the form most appropriate to his needs.

NEW IDEAS FOR MEETING THE PROBLEM OF RURAL-URBAN DISPARITY

Mrs. REID. What ideas are being advanced for meeting the problem of rural-urban disparity in incomes?

Mr. KLEINE. The rural-urban imbalance in income—one of the most serious problems in Latin American development—is receiving increased attention by the U.S. Government and by international organizations.

We have long recognized the importance of promoting higher productivity in agriculture, as a means both of increasing overall economic growth and income and of lessening the disparity between rural and urban incomes. Past efforts to improve Latin American agriculture have been directed primarily toward the transfer and adaptation of the production technologies of developed nations. In recent years, however, it has become increasingly apparent that discrete loans or technical assistance projects in agriculture have limited impact unless they are viewed as an integral part of the agriculture sector as a whole. Attention must be given to such factors as inefficient marketing nets, the high cost of inputs, limited credit, low farm prices, and distortions of relative capital and labor cost. Therefore, our assistance programs

are increasingly being considered within a framework which views all aspects of the agricultural sector—social, economic, technical, and administrative—in the same context.

PUBLIC AWARENESS IN LATIN AMERICA OF U.S. ASSISTANCE EFFORTS

Mrs. REID. In your statement on page 9 you say the current, but always uneasy confidence in the availability of U.S. help provides additional room to national policymakers for economically and politically humane policies. How much knowledge does the average person in Latin America have about the efforts of the United States to be of assistance?

Mr. MEYER. Public awareness in Latin America of U.S. economic assistance varies greatly from country to country, but informal evaluations by our missions show a relatively high degree of awareness particularly among the so-called target or literate audiences. Admittedly, it is difficult to measure the extent of common knowledge even under the best of circumstances, but I am satisfied that, given the varying circumstances there is general awareness of U.S. assistance. There is also what I would call a "negative awareness" arising from reports of U.S. trade restrictions, possible cuts in sugar quotas, suspension of assistance arising from fishing boat seizures, and so on. But, to the best of my knowledge, public awareness of U.S. assistance is normally coupled with a positive response to this assistance.

In one Central American country (Nicaragua), observers of our mission estimate there is 90 percent awareness of U.S. assistance in the target audiences. There are several other countries where similar high estimates prevail. Then in a small South American country (Paraguay), there is a vague awareness among at least 50 percent of all the people, while among the literate audience the awareness increases to nearly 100 percent. In a larger South American country (Colombia) the best estimate is that there is almost 100 percent awareness in literate groups, although much of the populace could not cite specifics as to projects and programs. In another country (Ecuador) the estimated awareness ranges from 30 to 80 percent, depending on the group involved. Public awareness in yet another country (Uruguay) of exceptional literacy, in general terms is relatively high, possibly as much as 70 percent of the entire populace.

To try to offer a global estimate on awareness in entire populations is clearly difficult. As much as we can try to make the public aware of the appropriate information, especially as U.S. participation in the Alliance for Progress, I doubt that we will do better than what has been achieved to date. In some countries it would be counter-productive to attempt more. We still have the clasped hands emblem of the Alliance for Progress displayed on U.S.-financed projects in most countries. In some countries there has been reduced information activity in line with the "low profile" aspirations.

EVALUATION OF THE DIPLOMATIC AND ECONOMIC 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 present evaluation of that situation?

Mr. MEYER. For the past 10 years or so the Soviets have been pushing to expand their diplomatic presence in Latin America, and with much success. In 1960 the U.S.S.R. had diplomatic relations with only three Latin American countries, Argentina, Mexico, and Uruguay. Now they have relations with 13, including Cuba, Mexico, Costa Rica, and all the countries of South America except Paraguay. Moscow clearly sees this expansion to be in Soviet interests. I think Latin American motivation includes, among other things, hope for greater trade with the U.S.S.R., a desire to show independence of the United States in foreign affairs, and a wish to increase local government popularity with domestic leftist groups.

On the economic side, Soviet relations with Latin America (excepting Cuba) remain negligible. The U.S.S.R. still accounts for less than 1 percent of Latin America's total foreign trade. The Soviets have shown increasing interest in extending credits to the Latin Americans, but there has been little of real significance in this field thus far. I would guess that the Soviets are also somewhat cautious as a result of their experience with Cuba, which is costing them more than $1 million a day.

THE CARIBBEAN DEVELOPMENT BANK

Mr. PASSMAN. If you will tolerate this question: I hope this is not so, but I am afraid that it is; you have the Caribbean Development Bank in the making, do you not?

Mr. KLEINE. It already exists, sir.

Mr. PASSMAN. Have we committed ourselves to $10 million to that bank?

Mr. KLEINE. Yes, sir.

Mr. PASSMAN. Already?

Mr. KLEINE. Yes, sir.

Mr. PASSMAN. If I understand it, the terms are 40 years with 2-percent interest during the initial 10-year grace period.

Mr. KLEINE. Correct, sir.

Mr. PASSMAN. And 3 percent thereafter?

Mr. KLEINE. Yes, sir.

Mr. PASSMAN. I believe you stated earlier, and it will apply to this, we are going to have to borrow this money, are we not?

Mr. KLEINE. It is the same source as all aid money.

Mr. PASSMAN. I say we are going to have to borrow it, are we not?

Mr. KLEINE. Yes, sir.

Mr. PASSMAN. We are going to pay 6 percent to borrow it, but we are going to make it available for 2 percent for 10 years, which means we are going to give it to them for one-third of what it cost us to borrow it?

Mr. KLEINE. During the grace period.

Mr. PASSMAN. This does not make sense. Thank you very much for your appearance. The committee will adjourn until tomorrow morning.

FRIDAY, JUNE 25, 1971.

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
DAVID SHEAR, DIRECTOR, OFFICE OF DEVELOPMENT PLANNING, BUREAU FOR AFRICA, AGENCY FOR INTERNATIONAL DEVELOPMENT
EDWARD I. DONOGHUE, CHIEF, PROGRAM OPERATIONS DIVISION, BUREAU FOR AFRICA, AGENCY FOR INTERNATIONAL DEVELOPMENT
ALLISON B. HERRICK, CHIEF, CONGRESSIONAL AND EVALUATION DIVISION, BUREAU FOR AFRICA, AGENCY FOR INTERNATIONAL DEVELOPMENT
WILLIAM F. COURTNEY, DIRECTOR, ECONOMIC POLICY STAFF, BUREAU OF AFRICAN AFFAIRS, DEPARTMENT OF STATE
CHARLES F. FLINNER, CONTROLLER, AGENCY FOR INTERNATIONAL DEVELOPMENT
KENNETH D. McNAIR, REGIONAL BUDGET BRANCH, OFFICE OF THE CONTROLLER, AID
CATHERINE HAMMOND, OFFICE OF LEGISLATIVE AFFAIRS, AID

Mr. PASSMAN. The committee will come to order.

We shall continue our examination of the request for funds to finance the foreign aid budget for fiscal 1972. Today we shall discuss the budget request for funds for Africa. We have as witnesses the Honorable Samuel C. Adams, Jr., Assistant Administrator, Bureau for Africa; and the Honorable David D. Newsom, Assistant Secretary, Bureau of African Affairs, Department of State; and their supporting witnesses.

We will put all the witnesses' names in the record.

I would assume each of you gentlemen would like to make a statement to the committee.

Mr. ADAMS. Yes, Mr. Chairman.

STATEMENT OF THE ASSISTANT ADMINISTRATOR, BUREAU FOR AFRICA, AID

Mr. Chairman and distinguished members of the subcommittee, this is my second opportunity to appear before you on behalf of AID's economic assistance for Africa. I look upon this as not only a personal privilege but also as an opportunity to report to you on what I believe has been significant progress in our program of development assistance since the hearings of this committee last year.

The United States, as the leader of the free world, has a real interest in reducing poverty and political unrest through the promotion of economic and social development in the developing world. Many Americans are especially concerned with over 300 million people living in Africa. We share with all Africans their desire for the dignity of full participation in their own societies, as well as their desire to realize Africa's potential to become a viable and prosperous

region in the world community. As I stated before this committee last year, we must continue to combat the widening of the gap in the standard of living that separates the people of Africa from those of other more developed parts of the world. My travels in Africa over the past year and a half have further convinced me that we must help Africans to attack core problems in food production, in basic health and family planning services, and transforming their educational systems to meet the requirements of rapidly changing societies. If left unattended, 10 years from now the costs of redressing these same problems will increase tremendously and will result in a great deal of human suffering.

For fiscal year 1972 we are proposing economic development assistance of $160 million consisting of $65 million in development grants for technical cooperation and $95 million for development loans. We also plan $6 million in supporting assistance.

The program we are proposing:

Recognizes the fact that Africa remains the poorest region in the world.

Recognizes the fact that Africa remains the poorest region in the wolrd.

Concentrates on core development problems in agricultural production, in manpower training and in the public health and population sector.

Emphasizes specific management improvements.

Calls for cooperation with other donors in order to increase the effectiveness and the total level of assistance to Africa.

AFRICA'S NEEDS

After a decade of independence for most of the continent and despite considerable progress, per capita income in almost half of the countries is less than $100. The great majority of the African farmers are outside of the cash economy and exist by means of subsistence farming. The resulting low level of productivity provides inadequate incomes and severely limits the amount of domestic savings available for investment. The recent major breakthrough in new types of cereals have to be adapted to African conditions. Agricultural research and production programs are, therefore, one of the major areas of AID emphasis. The farmers need improved seed and better marketing mechanisms in order to achieve an equitable return. The traditional cattle producers of Central and West Africa need assistance in increasing production to meet the growing needs of the beef consuming coastal areas.

Somewhat less than one-third of the primary school age children are being educated. Less than 10 percent of those who complete primary school have places in the secondary school system. This means that curricula must be revised in order to provide primary school leavers with an education which will give them a chance to become productive citizens rather than part of the mass of unemployed now moving to African cities in increasing numbers. Some attempt must also be made to retrain these unemployed in order to make them productive in their own society.

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In some countries there is only one physician for every 70,000 persons and the overwhelming majority of Africans never see a doctor during the course of their entire lives. Endemic diseases such as malaria and bilharzia affect most of the population and over one-fourth of Africa's children still die before they reach the age of 5. The development of low-cost health delivery systems is the key to mitigating this suffering.

The average annual rate of economic growth for Africa as a whole now approximates 5 percent. This growth is, however, eroded by rapid and growing rates of population increases. Simple, inexpensive family planning is needed.

The infrastructure of Africa is woefully incomplete and the majority of people still live over a day's walk from the nearest road. Telecommunications both within and among countries is also inadequate. Transportation systems must be modernized and extended so that African countries can trade with each other.

CONCENTRATION ON CORE DEVELOPMENT PROBLEMS

Despite the great diversity of the continent, the fundamental problems to which I have referred recur in virtually every country and region. We are focusing an increasing amount of resources on the solution of those fundamental problems in agriculture, manpower training, public health/population, which have been identified by the African countries as primary impediments to their development. Our programs will be discussed in detail below, but I would like to use agricultural production as an example of our focus and concentration. The first priority, with almost 80 percent of the Africans engaged in subsistence farming, is the need to increase agricultural production and income.

Increasing agricultural production and income will not only improve the standard of living of the small farmers but should also help to generate higher levels of domestic resources needed to support sustained development. We are concentrating particularly on cereals and livestock production in our agricultural programs in some 14 countries and regions in Africa. These production programs are linked to basic agricultural research projects and manpower training projects, and integrated approaches are used. In the case of livestock for example, we emphasize that all key aspects of production, including disease control, nutrition, range management, and marketing must be addressed if there is to be an effective return for the farmer and for the economy. In our package projects we are able to provide technical and capital assistance together in support of an activity such as grain or livestock production.

IMPROVED MANAGEMENT

Concentration on core development problems has enabled the Africa Bureau to strengthen its program management. A smaller number of larger, more important projects provides better units of management. We have, therefore, worked to bring to completion some 55 projects over the past 2 years. Many of these were in fields of activity peripheral to the basic problems we are now addressing. We plan to bring

another 26 projects to completion in fiscal year 1972. With fewer projects we should be able to deliver more assistance per dollar spent as field overhead and administrative staffs are reduced. We are now utilizing more intermediaries in place of AID direct hire technicians to implement projects. In addition, many of the advisers we contract for are provided directly to the host governments to fill established positions. They receive a salary and financial support from these governments. Another management improvement we have undertaken is the elimination of AID loan staff offices in most individual missions. Their functions have been centralized in two regional offices—one covering all of east Africa and the other all of west Africa.

COOPERATION WITH OTHER DONORS

The level of total U.S. assistance will provide a small but vital portion of the external resources African countries must receive to support an acceptable level of development. The AID request for fiscal year 1972 represents less than 8 percent of the external aid going to Africa; Western European countries and IBRD are providing the vast bulk of assistance. U.S. bilateral assistance is important, however, because it is provided in conjunction with assistance of other donors, contributing to the total resource flow which will have a significant impact on improving levels of income and the quality of life in Africa.

About two-thirds of AID's funds for Africa are concentrated in 10 countries: Morocco, Tunisia, Ghana, Congo(K), Nigeria, Liberia, Ethiopia and the East Africa community state of Kenya, Tanzania, and Uganda. U.S. assistance is coordinated with that of other bilateral donors through IBRD consultative groups which exist for each of these countries, except Liberia.

The balance of our assistance is provided largely through regional projects in central, west, and southern Africa, often undertaken jointly or in coordination with the major donors of these regions—France, Great Britain, the European Development Fund, and the World Bank.

Focusing the AID program on a limited number of key development areas has permitted better coordination between our programs and those of other donors. In Central and west Africa, the French and the European Development Fund will be working in close concert with us in livestock development while the Canadians and the French are actively participating with AID in grain stabilization programs in the same area. Following close consultations with us, the World Bank is providing an increasing volume of assistance in Nigeria, Ethiopia, Congo(K) and Morocco. The United Kingdom and the Canadians are the major donors in the university system for Botswana, Lesotho and Swaziland. In all, 20 percent of the technical assistance activities in which we are involved also receive direct assistance from other donors as well. Through our development loans, which are increasingly being designed to mesh with the technical assistance activities of ourselves and others, we are also creating an incentive for increased participation by other donors. The Shashi complex in Botswana is receiving financing from the World Bank and from four other donors, in addition to ourselves. Transport sector

loans in the Congo are designed in close cooperation with the IBRD and the UNDP, as are a series of roads in central Africa. These are just some examples of the way in which the United States has been able to encourage flows of resources from other areas into the major sectors of emphasis which we and Africans see as fundamental for development in the 1970's.

I would like to turn now to a somewhat more detailed discussion of our budget request and the strategy for providing assistance to address bottlenecks to development in these sectors.

The largest portion of our requested technical cooperation funds of $65 million will be directed toward increasing cereal and livestock production and agriculture revenues. Another one-fourth of the program is for projects in the field of education and training. Our population program, which has doubled in each of the past 2 years, will increase to nearly $8 million. And through the industrial and urban development program of $5 million, we will provide expertise for feasibility studies and surveys, management of telecommunications, and engineering studies for capital activities to be financed by us or by other donors. Special self-help and development funds totaling $1.5 million are proposed for 26 countries. These funds will augment local resources for small, worthwhile projects supported by local organizations.

We plan to apply $95 million in development loan funds to activities in nine bilateral country programs and four regional programs. Program loans to finance essential imports will be made to Ghana, Nigeria, Tunisia, and Morocco. Sector loans will promote agriculture development through provision of commodities and generation of local currency in the Congo, Ethiopia, Morocco, Southern Africa, Central Africa, and the Senegal River area of west Africa. Construction of educational facilities will be supported in Nigeria and Uganda.

In addition to these development assistance activities, we are proposing economic supporting assistance of $1 million for completion of our reconstruction activities in Nigeria and support of education for southern Africa refugees and public safety funds of $5 million for technical assistance and for construction of a police staff college in Nigeria.

In agriculture American technical assistance has made possible considerable progress in attacking many development problems. In North Africa high-yielding wheat varieties are being adapted to local conditions in both Morocco and Tunisia. Seed multiplication now underway in these countries will result in large-scale increases in food grain production. In Ghana where new varieties of rice have been introduced, self-sufficiency in this food staple should be achieved within a 5-year period. In east and west Africa new types of sorghum, millet, and corn have been developed. Further field trials for local adaptation are continuing, and the next step will be commercial adaptation.

In Ethiopia agriculture package projects concentrating in specific and varied pilot areas will be supported by development loans to provide fertilizer and other needed commodities. These projects will bring together the necessary elements—research, improved seed varieties, extension, credit, husbandry, and effective storage and marketing systems—all combined to achieve increases in production.

We continue to regard overall rural development—particularly that which will raise the incomes of small farmers—as a key objective. When these farmers are enabled to enter the market economy, the revenue-producing base of African economies will be broadened. The capacity of the rural sector to generate jobs for growing populations will also be increased. At Vihiga in Kenya, for example, our assistance to a developing rural area will encompass a broad spectrum of activities from water and road development to technical advice on cultivation techniques and the use of credit. Other donors to Kenya's rural development plan will be undertaking similar packages of activities in several other parts of the country.

In the poorer countries of west Africa our approach is to offer assistance in cooperative development of livestock and grain stabilization programs among regional groupings of countries. In the Entente countries, a $6 million sector loan authorized in fiscal 1971 will provide capital for purchase of capital equipment and for subloans to the member states for the construction of facilities to handle livestock. Experts provided by the United States and other foreign donors will assist in a program to develop cattle routes, border stations, fattening stations, and abbatoirs. In the Lake Chad Basin area, a similar combination of lending and technical assistance will be directed toward improvement of interregional marketing programs in order to increase the foreign exchange earnings of the livestock producing countries.

In most of Africa, educational institutions still reflect the colonial, classical approach to education and are not relevant to development requirements for the 1970's. We are, therefore, assisting a number of countries to modernize curriculums and, most appropriately, are working with them to introduce new educational techniques, especially in the areas of science and mathematics. During the 1960's we made large investments in formal education institutions and assisted the creation or development of about 40 postsecondary and higher level institutions. Having assisted in building the institutional base, we are now putting less of our resources into increasing the quantity of available higher education and more into projects that address changes in the quality and kind of education.

We are also becoming engaged more fully in working with Africans to develop training systems outside of the formal, more traditional education system. In Ghana and in Nigeria, we are undertaking skills training programs patterned after the Opportunities Industrialization Center's program in the United States. We are developing training in situations which provide basic and middle level training in such fields as local maintenance and repair.

We have another major interest in education—reducing the technical and managerial manpower gap, in the short run, by providing operating experts and in the longer run by increasing the number of trained Africans. We have projects—in Morocco, Ghana, and Ethiopia and in east and west African regional organizations—that are designed to provide experts to train governmental and organizational managers in planning and operating skills. We want to help African countries and organizations to be able to replace U.S. technical advisors and those of other countries as quickly as possible with their own trained people.

In the health field, two major disease control activities, in malaria and measles/smallpox, will be completed in fiscal 1972. We will turn our attention to followup health activities which address endemic diseases and maternal/child care and to the training of health workers who can teach the elements of routine care and preventive medicine to the many villagers and urban migrants who have not had access to health services in the past.

We expect that the teaching of maternal/child health care, combined with basic information about the importance of child spacing and limitation in size of families, will create the basis for long-term changes in the rate of population growth.

Although Africa as a whole can produce the food to feed its populations, parts of the continent are overcrowded. Continual increases in numbers of people will make it impossible for African governments to provide even minimal educational and health services on an equitable basis. And the effects of economic growth will be dissipated by rising needs for central government expenditure. In the past few years increases in population have kept the real rate of economic growth at a little over 2 percent.

We will be assisting both private and government organizations in the gathering, assessment and use of demographic statistics. We believe that by fostering a realistic recognition of the impact of population growth, we can help African governments understand the need for policy decisions and actions to promote family planning. At the University of Ghana, a population center will be established. Other universities will be assisted to include the study of population trends and the dynamics of population growth in an interdisciplinary curriculum. In cooperation with the Bureau of the Census, the United Nations and the Economic Commission for Africa, we will offer demographic training for officials of African governments and will assist them to conduct demographic surveys and to survey data.

There are still significant gaps in the basic road and communication networks in Africa, not only within particular states but across the borders linking neighboring countries. This year AID loans, in combination with those of other donors, will be applied to completion of the road connecting Tanzania and Zambia, to internal roads in the Congo, and to telecommunications links in West Africa. For the coming year we propose to continue to finance construction of microwave and radio links that form part of a network linking French and English speaking countries along the coast and in the interior. We also will finance the Botswana portion of the road to link Zambia with Botswana. We will help Tanzania to develop its highway maintenance system.

In the industrial field our assistance will be directed toward African institutions that are engaged in promoting industrial development. Among these are the regional banks, the African Development Bank, the East African Development Bank and intermediate credit institutions in several countries. We also plan to provide advisers to assist in organizing comprehensive export and tourism programs that will bring foreign exchange into African countries.

In Morocco, within the framework of the government's basic plan for rural and urban development, we plan to carry out studies and provide consultant services on the urban problems in particular. We

believe it is important to find effective direct means of attacking the situation in the cities. We also believe, however, that our major efforts to increase rural production and the incomes of rural people will have an effect on the quality of rural-urban migration and may result in the constructive mutual growth of rural and urban ties.

Mr. Chairman, I think you will find that the program we are presenting for Africa is a good program. Its activities will be carried out in accordance with the priorities of the developing countries to which it is directed. Many of the projects will be closely coordinated with related activities of other donors, who have agreed with us to concentrate on the key problems of each country or region. Our particular competence will be put to work in certain fields and theirs in others.

The program is not large in comparison with those planned for other regions, but it will be effective in influencing the lives of the people of Africa who are, after all, interdependent with us in this modern world.

Mr. PASSMAN. Mr. Newsom we will now have your statement.

STATEMENT OF THE ASSISTANT SECRETARY OF STATE FOR AFRICAN AFFAIRS

Mr. NEWSOM. Mr. Chairman and members of the committee, I welcome this opportunity to appear again before this committee in support of the administration's request for appropriations for foreign assistance programs in Africa. Since my testimony here last year I have completed two more extensive visits to Africa which allowed me to view at first hand the operations and accomplishments of our aid program in African countries. I have now visited some 30 African countries since taking up my present position almost 2 years ago. Last month I met in regional conferences, in Tananarive, Yaounde, Abidjan and Tunis with our Ambassadors to African countries. In all these meetings our chiefs of missions stressed the important role of our economic assistance programs in Africa.

My own contacts with African leaders confirm that economic development and external assistance to support it carries a top priority in the programs of African governments. Economic assistance programs are clearly a key to the development of the kind of relations we want with African countries.

In his foreign policy message to the Congress in February the President defined the major goals we seek in Africa as peace, development, and justice. These goals are broad, but nevertheless closely related to preoccupations of the developing African countries. Most of these countries are newly independent, all of them are in the early stages of development.

Our economic assistance programs support the goal of development of African countries. These programs also serve our other principal goals of peace and justice in Africa. The preservation of peace and the attainment of justice are facilitated when peoples are prospering and looking forward to continuing betterment of their material conditions.

In a very direct sense, also, these programs are essential to the achievement of our specific objectives in Africa. Economic development remains the primary preoccupation of nearly every leader in

Africa. The degree to which other nations capable of doing so respond to these needs remains the key to effective diplomatic communication, investment opportunities, and trade.

We need, therefore, a flexibility of response. Although we provide substantial aid to some, we cannot ignore the need of others whose friendship and understanding we seek.

We need to recognize the continuing need for technical assistance, the need to continue to provide men to convey the skills on which modern societies are based.

We need to continue to assist those nations and those peoples who show an eagerness to help themselves.

We need to continue to play a role in the building of institutions necessary for educational growth and social and economic stability.

It is only 15 years since the march toward African independence began. We can see in that time the results of our patient development of effective relations with the African nations. Much of this progress is directly related to the economic assistance we have provided.

The early years of independence were years of great expectations, both for what the African nations could do and what we could do for Africa. These initial expectations proved largely beyond the capabilities of either. We act today within a more modest, but a more realistic and workable framework.

Within that framework, we have been able to move together with the African nations and with other donors to plan and to create. While there have been failures and while the need remains great, the functioning accomplishments justify a measure of satisfaction among all, in both the executive and legislative branches who have worked to make these possible.

Our efforts have given substance to national hopes.

Our efforts are helping to give a practical meaning to African regionalism.

Our efforts are helping to create a new generation of trained and motivated men and women ready to assume more and more the administrative and managerial burdens of development.

Our efforts have helped bring order and coordination into the multi-donor and multilateral programs.

Our efforts have helped create and strengthen African institutions.

LEVEL OF AID

This request for economic development assistance for Africa in fiscal year 1972 totals $160 million, including $95 million for development lending and $65 million for technical assistance. We are also requesting $6 million for supporting assistance, largely public safety programs. The request for $160 million in development assistance is an increase of $14 million over estimated expenditures for the same purposes in the current fiscal year. This proposal would continue Africa's share in the worldwide U.S. foreign economic development assistance programs at 11 percent.

While this is a modest portion of total U.S. assistance it is important if the United States is to do a significant share of the international aid effort in Africa. In recent years the U.S. share (including AID, Public Law 480, ExIm and Peace Corps) of all bilateral external aid to Africa has been about 20 percent, with AID assistance accounting for about half our effort. The United States, of course, is

carrying a smaller share of the aid burden in Africa than in other areas of the world. Relative shares are coming under closer scrutiny with the increase in multilateral groups to coordinate external aid plans. There are now IBRD-led consultative groups serving some 10 African countries. Four of these consultative groups are new or were reactivated during the past year. If the American voice is to carry its proper weight in these increasingly important forums for international cooperation it is important that U.S. aid not diminish.

By turning to international organizations for development advice and finance the African countries often find they can avoid some of the frictions that inevitably arise in bilateral aid relationships, particularly when the principal source of external assistance is a former colonial metropole. Also, some large projects, particularly in basic economic infrastructure, can be done promptly only on a multidonor basis. The size of some projects often exceeds the amount of aid any single donor is willing to allocate to a particular country in any one year.

I expect that mutlilateral aid to Africa will continue to increase and there will be increasing efforts at multilateral coordination of aid programs in Africa. I beleve it is in the U.S. interest to encourage the expansion of multilateral cooperation in aid programs in Africa. But at the same time we need to continue our bilateral aid programs. In many instances only by providing a distinctive American response to what Africa needs can we continue a sound basis for cooperation with evolving African nations. It is worth listing some of the continuing features of our bilateral aid programs that further U.S. objectives in Africa.

Support for the 10 countries which have been given emphasis in the past. In these countries we have important interests and the special nature fo our contribution reinforces our role.

Bilateral technical assistance programs assure that we have a direct method, promptly available, to help overcome Africa's shortage of trained manpower. Africa has a proportionately greater need for technical assistance than any other continent and technical assistance programs operated by international agencies often do not attract U.S. experts.

Modest self-help programs often provide the only way of demonstrating our continuing interest in some of the least-developed of all African countries. Without some support for their development programs, it would indeed be difficult to have our voice heard in these countries.

Support for regional programs—most African countries are small; they recognize that economic viability requires that they cooperate with each other. Since we cannot carry on recurring annual bilateral programs in each of them support for regional projects is often an effective way of helping several of them at one time in overcoming critical problems.

Participation in multidonor projects—particularly in the smaller African countries the cost of a single project often exceeds the amount of aid a single donor is able to allocate. This applies to international organizations as well as bilateral aid programs. A cooperative approach through the multidonor mechanism is often the most effective way to support a project without undue expense and still retain a clear U.S. identification with our contribution.

Strengthen African regional institutions—On a continent of many countries there is urgent need for institutions to provide channels for intercountry cooperation. Assistance to such organizations as the U.N. Economic Commission for Africa, the African Development Bank, the OAU's Scientific, Technical and Research Commission, is often an effective way of supporting African economic development.

REGIONAL AND MULTIDONOR PROJECTS

The adjustment to greater concentration on regional and multidonor projects has not been easy. There were political disadvantages to the idea of concentration on a few countries. Some of our best friends in Africa felt bypassed by this concentration. Even though some doubts continue about our ability effectively to contribute to development through regional and multidonor projects, I find progress during the past 2 years in developing regional and multidonor projects in these areas most noteworthy. In francophone Africa AID has made a $6 million loan to the entente fund to help develop a community for livestock and meat, that may possibly be extended to include Nigeria, Ghana and Mali. This project is addressed to two critical problems of the area—shortage of meat in the coastal, urban centers and low production and productivity in the cattle-growing regions of interior Africa. In francophone Africa AID has also initiated regional grain stabilization programs which promise to alleviate a critical problem of securing threats of famine, high grain prices, and the need for grain imports.

In southern Africa apartheid and foreign rule lie at the heart of some of the continent's most acute problems. It has been the President's stated intention to show our support for the three independent states in this area where apartheid does not exist. It is therefore particularly noteworthy that during the past year AID has helped to devolp regional and multidonor projects responsive to some of the region's critical development problems. The Shashe mining development with a total cost of over $150 million, which is benefiting from a $6.5 million AID loan, will provide important sources of revenue and employment for Botswana. The Botswana/Zambia road project will provide a good surface transport link between those countries. This road will also give Botswana a direct surface transport tie to the independent African countries north of the Zambezi. AID assistance is also going to the regional University of Botswana, Lesotho, and Swaziland. The United States also extended a $2.2 million loan to Swaziland to further that country's rural development program, which is also receiving support from the United Kingdom.

TRADE AND INVESTMENT

Low per capita incomes (half of the African countries have per capita incomes of less than $100 per year) cause Africa, more than any other continent, to look abroad for finance for development programs. Because incomes are low, savings are meager and there is little domestic capital for financing development programs. Even a country like Nigeria, whose oil discoveries have resulted in a doubling of foreign exchange earnings in recent years, must seek financing abroad for at least 20 percent of its development programs next year.

Important as it is, government-to-government assistance (which amounted to $1.5 billion last year) cannot be expected to meet minimum African needs for investment capital. Consequently African countries are seeking to expand their own earnings of foreign exchange and to attract private foreign capital in greater volume. It is important that we support these efforts through:

U.S. participation in commodity agreements which will stabilize markets for primary products which provide the bulk of foreign exchange earnings for most African countries; e.g., coffee and cocoa.

Further opening up our domestic market for primary products. The African sugar producers are hopeful of receiving larger quotas for sales on our market. The recently approved House bill moves in this direction.

Participation in the UNCTAD-sponsored generalized trade preference programs which would open new markets for goods manufactured in Africa.

Encouragement of private investment in Africa. Our OPIC programs are responsive to this need. Although they necessarily develop slowly, they promise to facilitate the flow of U.S. capital to Africa.

U.S. TRADE AND INVESTMENT IN AFRICA

U.S. support for Africa countries development not only benefits Africans and promotes peace and security on the African continent. It is also opening up new opportunities for American business. During the past decade U.S. investment in the developing areas of Africa has more than doubled totaling $2.2 billion (at book value) at the end of 1969. Among the developing regions of the world Africa (excluding South Africa) ranks second only to Latin America as a recipient of American investment. American business has larger investments in Africa than in the Middle East or Asia (excluding Japan). Moreover, U.S. private investment in Africa is growing at a faster rate than in other developing areas. At least over the next few years there are good prospects for a continuation of the upward trend.

U.S. trade with the developing countries of Africa is in approximate balance, with both exports and imports growing at the impressive rate of about 8 percent per year. Moreover, as developing African countries advance they become markets for sophisticated technology, where our competitive advantage is greater. In recent years Africa's growing airlines have purchased American-built jet airlines valued at $200 million. We have sold equipment for ground stations for communications satellites valued at over $40 million.

RECENT TRENDS IN AFRICA

As might be expected on a continent where most countries are newly independent, there were substantial heartening developments in the past year, as well as a continuation of vexing problems.

Nigeria, Africa's largest country, is turning its attention to its longer range development. The reconciliation following the civil war has been a tribute to the peoples of Nigeria and to its leadership. The country, with the war behind it, is in the period of reconstruction and is looking ahead to longer range development. In October 1970, the Federal Mili-

tary Government announced a nine-point program to restore civilian rule by 1976. Nigeria is also playing an increasingly significant role on the African scene.

The progress which marked the previous year in Congo (Kinshasa) continues. Rampant inflation has been halted for more than 2 years and the Government's economic policy is now directed at accelerating development programs. However, weak copper prices have resulted in serious declines in the Government revenue needed to finance development programs.

There was one irregular change of government in Africa since my last appearance before this committee. In a coup in January President Obote of Uganda was replaced by a military regime. Since 1961 there have been coups in 19 countries in Africa, but the belief that instability is common to the building of new nations in Africa is often exaggerated. Some 18 African countries still have the same leaders who presided over their independence.

Economic nationalism remains a strong force in many African countries. Resentment of foreign control of finance and business can surface quickly and sharply. It has led a number of African governments to acquire participating interests in foreign-owned enterprises in key sections of the economy. Extractive industries are particularly vulnerable as are banks and insurance companies. In most instances nationalization measures have been carried out in ways designed to assure foreigners that their continued presence was desired. The continuing need for new foreign capital undoubtedly moderates the African desire to exercise greater control over their economies. Most African governments recognize the need to maintain a climate attractive to foreign capital.

Despite repeated statements of our desire to minimize the effects of East-West differences in Africa there are instances of Communist efforts to undermine the position of this country in Africa. Fortunately the effects have been minimal. Communist countries also continue to seek opportunities to extend their own influence in Africa. In view of African resistance to transplants of foreign ideology these efforts are mainly low-key. The Soviet Union continues to concentrate on the Mediterranean and Red Sea areas, but is also seeking to profit from its military sales to Nigeria during the civil war in that country. The Chinese Communists are continuing their support for the projected Tanzanian-Zambian railroad. During recent months a number of African countries have joined the increasing trend toward diplomatic recognition of Communist China.

CONCLUSIONS

In many respects African countries have made a good beginning in promoting their economic development programs in the first year of the new decade. Certainly African leaders are giving economic development a top priority. African countries are welcoming the new opportunities for external help offered by international institutions. They are participating wholeheartedly in multilateral efforts to make aid programs more effective. This is no time for the United States to flag in its support for African economic development. The request before you is a modest one, but it is necessary if the United States is to do its

part in advancing Africa's economic development. I urge you to approve it.

Thank you, Mr. Chairman.

FISCAL YEAR 1972 REQUEST FOR AFRICA

Mr. PASSMAN. Thank you very much, gentlemen. We now have some questions we would like to ask with respect to the African program.

I guess, Mr. Adams, you will be answering the questions.

Mr. ADAMS. I will do my best.

Mr. PASSMAN. You are requesting for fiscal 1972, $165,865,000; is that correct?

Mr. ADAMS. Yes.

Mr. PASSMAN. You had a program in fiscal 1971 of $164,392,000?

Mr. ADAMS. That is correct.

Mr. PASSMAN. There is an increase at this point of $1,473,000 above your 1971 program?

Mr. ADAMS. That is correct, sir.

Mr. PASSMAN. I guess you subscribe to and support fully Dr. Hannah's philosophy.

Mr. ADAMS. I do, sir.

Mr. PASSMAN. That there is an asking price and a taking price?

Mr. ADAMS. I do, sir.

Mr. PASSMAN. We have always known that, but in recent years we have had our witnesses agree to the point that there is an asking price and a taking price. So you are starting off with the asking price, and the taking price will have to be established subsequently, is that correct?

Mr. ADAMS. That is correct, sir.

Mr. PASSMAN. All right. I yield to Mr. Shriver.

Mr. SHRIVER. Thank you, Mr. Chairman.

MULTILATERAL AID IN AFRICA

Mr. Newsom, on pages 5 and 6 of your statement you discuss your opinion that it is in the interest of the United States to encourage multilateral forms of aid in Africa. You say our cooperation with these multilateral organizations is important, "if the American voice is to carry its proper weight."

What do you mean by that?

Mr. NEWSOM. Well, if the American voice, in the conduct of the multilateral programs, and particularly in those that are governed by consultative groups under World Bank auspices, is to be heard, then it is important that we continue our own essentially bilateral input into the programs which are within the purview of these consultative groups.

Mr. SHRIVER. By consultative groups you are referring to whom?

WORLD BANK COORDINATION OF AID

Mr. NEWSOM. In the case of about 10 African countries, the World Bank has acted as a coordinating agency in bringing together those

developed countries which are providing economic assistance in order to coordinate that assistance to prevent overlapping and to insure the maximum benefit from foreign economic assistance.

In Tunisia, for example, there is I believe an annual meeting of the donor countries participating in the consultative group. There was recently one for Ethiopia, and so on.

Mr. SHRIVER. You go on to say that multilateral aid avoids some of the frictions that arise from bilateral aid, especially when the bilateral aid is from the former colonial metropole. We should not have that trouble, should we?

Mr. NEWSOM. No. The point I was making there is that the former colonies wish to diversify the assistance they receive from abroad by having assistance from the multilateral agencies as well as receiving bilateral assistance from other countries that were not the former colonial power.

Mr. SHRIVER. What kind of oversight would we have in connection with moneys that we, as a nation, put into these multilateral programs in Africa? What kind of review would there be to make sure that there would not be fraud or corruption or misuse of our money as has occurred so often in the past in connection with AID?

U.S. RELATIONS WITH UNDP IN AFRICA

Mr. NEWSOM. I believe Assistant Secretary De Palma testified on the relationship we have with the United Nations development program, which is run by an American and with which we consult closely in New York.

In addition to that, in Africa, particularly in those countries where we have bilateral aid programs, our own AID missions keep in very close touch with the United Nations development program directors and staffs in these countries. We coordinate projects with them. Although we do not have a special brief to go into their accounts, the cooperation is close. Dr. Adams might want to add something.

Mr. ADAMS. We also have the opportunity to review each of the project proposals they make, even in instances where we do not have a bilateral program within the country in which, say a UN agency proposes to carry out a particular activity. We have this opportunity——

Mr. SHRIVER. Review before and after?

Mr. ADAMS. Yes, we review in advance to make sure there is not overlapping between the activity that is being proposed and another activity of which other donors, or we may be sponsors, and we also, as a part of an evaluation process, have occasion annually to comment upon the effectiveness of the U.N. program in each country.

Mr. SHRIVER. When you say "we", you are referring to the executive branch?

Mr. NEWSOM. That is right.

Mr. SHRIVER. There would be no monitoring or overview from the standpoint of the legislative branch as we have it now with the bilateral programs?

Mr. NEWSOM. I might add, Mr. Shriver, that as a member of the board of the World Bank, we have a close review of all projects which come before them.

Mr. SHRIVER. But we have not had any review of the World Bank's operations. This is the first time that I have been on the committee that they have ever come up for any funding.

Mr. PASSMAN. This is the first time in 17 years.

Mr. SHRIVER. So we have not had any overview.

My time is up. I will get back to the balance of my questions later.

DEFICIT IN THE U.S. TREASURY

Mr. PASSMAN. Yes; we will work together on it.

Do the witnesses, that are before the committee this morning receive and review the daily statement of U.S. Treasury?

Mr. NEWSOM. We have seen that, Mr. Chairman, yes.

Mr. ADAMS. Yes; we have seen it.

Mr. PASSMAN. I hold one here dated June 16, 1971, showing the receipts into the Treasury, the withdrawals and the difference. What is the anticipated surplus of the U.S. Treasury on June 30; are you familiar with that?

Mr. ADAMS. I am familiar with the deficit that is anticipated.

Mr. PASSMAN. You are? How much is anticipated?

Mr. ADAMS. The deficit was in the neighborhood of $31.4 billion recently.

Mr. PASSMAN. Do you not think the best service we could render the American taxpayer would be just to converse across the table with each other and agree there should not be any foreign aid program for fiscal 1972 until we could get our house in order?

Mr. ADAMS. Sir, I feel that part of having our house in order relates to the extent to which there are healthy economies elsewhere.

Mr. PASSMAN. Let me ask you this: Do you have any idea where we are going to get this money you are going to spend in fiscal 1972? We are going to have to borrow it, are we not?

Mr. ADAMS. Yes, sir; I understand that we will have to borrow part of it to cover the Treasury deficit.

Mr. PASSMAN. We are going to pay about 6 percent interest, are we not?

Mr. ADAMS. Yes, sir.

Mr. PASSMAN. We are going to make it available on a concessionary basis to the recipient at about 1 to 2 percent for the first 10 years, are we not?

Mr. ADAMS. Yes, sir; 2 percent.

Mr. PASSMAN. Then in the last 30 years, even though we paid 6 percent, we are only going to collect 3 percent interest, is that correct?

Mr. ADAMS. As it relates to a development loan, sir.

Mr. PASSMAN. And on the grant part you get nothing back? That is a straight-out giveaway.

Mr. ADAMS. But I would hope, sir——

Mr. PASSMAN. I know you hope a lot of things, but I am asking that it is just an outright grant, is it not?

Mr. ADAMS. Yes, sir, that is correct.

TREND FROM BILATERAL TO MULTILATERAL AID

Mr. PASSMAN. Now, is it not true that under bilateral aid that we have a right of detailed examination?

Projects are submitted to this committee, as to the total cost estimate, the first slice, and then what subsequent slices will be to complete the project?

Mr. ADAMS. Yes, sir; that is correct.

Mr. PASSMAN. We know when the projects are obligated and we know when they are scheduled to be completed. Whereas on multilateral, we have no right of examination, we have no idea when the money is obligated or to what country; is that not true?

Mr. ADAMS. Directly, I would say yes, sir.

Mr. PASSMAN. That is all I want you to say, because that is true.

And is it not true that the trend in the past few years has been to move bilateral aid into multilateral organizations?

Mr. ADAMS. I think this has been in our interest, sir.

Mr. PASSMAN. I am just asking a question. Is that not true?

Mr. ADAMS. Yes, sir; that is true.

Mr. PASSMAN. It is simply because you have some Members of Congress who would like to get this monkey off their back about giving away the resources of America. If you get it into a multilateral organization, you give it some nice name like a bank and they think we are making loans and therefore it makes it easier for them to vote for it, does it not?

Mr. ADAMS. I can understand what you are saying.

Mr. PASSMAN. Do you agree with what I said? I know you understand but that is not what I asked you. It takes on a different flavor when you get it out of the bilateral program and put it in one of these international banking organizations, does it not?

Mr. ADAMS. But somehow, sir, I think this is in our interest.

Mr. PASSMAN. I think it is a beautiful day outside, a little warm, but it is a statement of fact, is it not?

Mr. ADAMS. Yes, sir; it is a statement of fact.

Mr. PASSMAN. Thank you.

Give us direct answers if you have them.

Now, you are with the AID agency. We were told many times by the witnesses that we are asking for aid of so much for a certain year, you have heard that in the press, have you not?

Mr. ADAMS. Yes.

AMOUNT OF TOTAL U.S. FOREIGN AID

Mr. PASSMAN. But AID as interpreted by you people means an abbreviation for the Agency for International Development, it has nothing to do with total aid, it is merely an abbreviation for the name of an organization; is that correct?

Mr. ADAMS. Yes, sir.

Mr. PASSMAN. You sure fooled a lot of people with that.

Do you know the total amount of budget requests for foreign assistance, all spigots, for fiscal 1972?

Mr. ADAMS. The amount is some $13 billion, sir.

Mr. PASSMAN. I believe that those figures that your assistant is handing you, are my own figures that I prepared and put out.

Now they got a hold of them and they are giving them back to you, is that not the way it works?

Mr. ADAMS. Yes, sir.

Mr. PASSMAN. Thank you very much, you answered the question. I give you one with my compliments. You only missed it by half a billion dollars.

Mr. Secretary, you may have one with my compliments, because your assistant had only one to give Mr. Adams the answer. I am glad to know that you have so much faith in my compilations that you testify to it and put it in the record. I am grateful.

NUMBER OF COUNTRIES IN AFRICA RECEIVING U.S. AID

Could you tell the committee how many countries are in your area?

Mr. ADAMS. I have some 35 countries, sir.

Mr. PASSMAN. Thirty-five countries?

Mr. ADAMS. Yes, sir.

Mr. PASSMAN. Out of how many in that total area?

Mr. ADAMS. There are 41.

Mr. PASSMAN. You are going to be disbursing our wealth in 35 of them?

Mr. ADAMS. We have bilateral programs——

Mr. PASSMAN. I do not care whether it is bilateral or multilateral. Out of the 41 you are going to be disbursing AID funds in 35 of them?

Mr. ADAMS. Yes, sir; that is correct.

TOTAL AMOUNT OF U.S. AID FOR AFRICA

Mr. PASSMAN. Could you tell us the total amount of all types of aid that will go into your 35 nations in fiscal 1972, all spigots?

Mr. ADAMS. From AID?

Mr. PASSMAN. No, no; all spigots. AID is just like a brand of whisky. That is just one more of many brands on the shelf. You do not disagree with that; do you?

Mr. ADAMS. No, sir; I do not. It will be $306 million, sir.

Mr. PASSMAN. And if we just read the previous testimony, we would assume there is $165.8 million, unless I asked that last question; is that not right?

Mr. ADAMS. I did not understand.

Mr. PASSMAN. If I did not ask that last question, then the record would show that you are only asking for $165 million; is that not right?

Mr. ADAMS. Yes; as the Agency for International Development.

Mr. PASSMAN. That is right.

I have to ask this other question to get the total; do I not?

Mr. ADAMS. Yes, sir; all spigots.

Mr. PASSMAN. How much is it?

Mr. ADAMS. $306 million.

Mr. PASSMAN. Which is almost double the amount you are testifying for?

Mr. ADAMS. Yes, sir; that is correct.

Mr. PASSMAN. And that does not include all of these banks from which nations in your area can receive funds? They are eligible for the so-called World Bank, are they not?

Mr. ADAMS. Yes, sir, they are.

Mr. PASSMAN. They are eligible for the International Development Association?

Mr. ADAMS. Yes, sir.

Mr. PASSMAN. They are eligible to receive some Public Law 480?

Mr. ADAMS. That is included.

Mr. PASSMAN. I know, but they are eligible?

Mr. ADAMS. Yes.

Mr. PASSMAN. They are likewise eligible for International Finance Corporation?

Mr. ADAMS. Yes, sir.

Mr. PASSMAN. They can receive assistance from the "Fleece" Corps? Some call it the Peace Corps.

Mr. ADAMS. Yes, sir; that is included.

Mr. PASSMAN. They are in, too. In fact, you just about cover the waterfront. Do you know of any of these spigots on your sheet there that they are not eligible for? Do any of them get military assistance?

Mr. ADAMS. Some do. They would not be eligible for the Asian Development Bank.

Mr. PASSMAN. Certainly I know that because that is for a particular area, but the ones that I just named, are they eligible for them?

Mr. ADAMS. Yes; that is true.

UNDISBURSED BALANCES IN AFRICA

Mr. PASSMAN. Now what do you have in the pipeline undisbursed for the 35 countries in your area?

Mr. ADAMS. $303,970,000.

Mr. PASSMAN. So if the Congress in its wisdom should fail to pass an authorizing bill for foreign aid, the countries in your area could continue at just about the same level of spending for 2 years, could they not?

Mr. ADAMS. Not really, sir, because, the $303,970,000 represents the unexpended balances of amounts that are committed.

Mr. PASSMAN. I did not say anything about committed. I said that you could continue about the same spending program. You would not start any new projects, but as far as the actual disbursements, it would be about a 2-year pipeline, is that right?

Mr. ADAMS. Yes, sir.

Mr. PASSMAN. That means that if we should in our wisdom not give you any money for 2 years, you could continue at the same annual rate of expenditure as past years.

Now, could you tell the committee the amount of unobligated funds you will have on hand on June 30 of this year?

Mr. ADAMS. We will not have 1 cent, sir.

Mr. PASSMAN. You must be a terrific operator to handle hundreds of millions of dollars and figure this program right down to the last penny.

Would you like to elaborate on how you managed to work that out?

Mr. ADAMS. Sir, we have attempted really quite seriously to obligate all the funds allocated to us. In fact we would have good uses for more funds if they were available.

Mr. PASSMAN. How did you work it down to where you allocated that last $3? Did you have a penny leftover and who did you give that to?

You said you had it down to the last penny. You answered that you have somehow or other obligated all the funds, that is what you mean?

I do not think you are quite that accurate unless you are one of the most terrific bankers I have ever met.

Mr. ADAMS. No, sir; you are correct. I meant we expect to have a zero balance.

Mr. PASSMAN. I see. What is the difference?

DEOBLIGATION OF FUNDS IN AFRICA

May I ask you this: What is the total amount of funds that you will deobligate for fiscal 1971?

Mr. ADAMS. We have $4 million under development loans that we will deobligate and $4 million under technical assistance.

Mr. PASSMAN. $8 million?

Mr. ADAMS. Yes, sir.

Mr. PASSMAN. What was the grand total you deobligated in fiscal 1970?

Mr. ADAMS. It would be $10 million for development loans and $4 million under technical assistance.

Mr. PASSMAN. So it would be $22 million that you deobligated in 1970 and 1971?

Mr. ADAMS. Yes, sir, that is correct.

Mr. PASSMAN. How many projects did you initiate in fiscal 1971 in which you did not request funds from the committee?

Mr. ADAMS. None, sir, except for two population projects.

Mr. PASSMAN. Now under the technical aid deobligation of $4 million, how many projects does that involve?

Mr. ADAMS. We will have to supply the information.

Mr. PASSMAN. Take your time now because it is a long time until Christmas. You are bound to have that information with you.

Mr. ADAMS. We do not have the information. We will have to supply it for the record if we may, please.

Mr. PASSMAN. But usually technical aid projects are normally in smaller amounts as compared to development loan projects, are they not?

Mr. ADAMS. Yes, sir, that is correct.

(The information follows:)

Some 224 projects had deobligations in fiscal 1971.

GRANT PORTION OF CONCESSIONARY LOANS

Mr. PASSMAN. What part of the so-called development loans are grant because of the concessionary interest rates and so on?

Let Dr. Adams and I deal with this subject just a minute or two because he is the one that initials for these hundreds of millions of dollars we are giving away.

Mr. ADAMS. If you mean by that, sir, that the standard terms apply—40 years, 10-year grace, 2 percent, 3 percent on the balance?

Mr. PASSMAN. Yes.

Mr. ADAMS. All of our development loans would perhaps fall in that category.

Mr. PASSMAN. Yes, but if we think of the grand total on a nominal interest on capital, what part of that would be a grant?

Mr. ADAMS. I think it has been estimated that at current rates some 40 to 45 percent would be equivalent to a grant, given the cost of money.

Mr. PASSMAN. So in reality, it is not a loan as we think of a loan? It is pretty much disguised and you have to be very charitable to fix a loan label to it, do you not?

Mr. ADAMS. The countries to whom we have provided loans have been very responsive in meeting their obligations.

Mr. PASSMAN. You know my hearing is like yours, a little off, too. You missed the question altogether.

I said you have to be rather charitable to put a loan label on this program with that kind of a built-in concession, do you not?

Mr. ADAMS. Yes, sir; one has to recognize.

Mr. PASSMAN. Thank you very much.

AFRICA PROPOSED PROJECTS FOR FISCAL YEAR 1972

Please furnish for the record a list of projects by country which you propose to initiate in fiscal 1972, showing the name of the project, the fiscal 1972 cost, the estimated cost to complete the project and the final year of obligation, as well as completion.

Mr. ADAMS. Yes, sir.

(The information follows:)

COUNTRY AND PROJECT	FISCAL 1972 COST ($000s)	ESTIMATED COST TO COMPLETION ($000s)	FINAL YEAR OF OBLIGATION
AFRICA REGIONAL			
International Livestock Development Institute	500	13,200	1981
Assistance to Intermediate Credit Institutions	200	800	1975
Export and Tourism Development	160	560	1974
CENTRAL AND WEST AFRICA			
Middle Level Management Training	200	1,000	1977
AREA OFFICE - DAKAR			
Regional Livestock Research Laboratory	320	1,650	1977
Support for Regional Organizations	150	750	1976
AREA OFFICE - NIAMEY			
Family Planning - Maternal Child Health, Welfare	100	100	1972
AREA OFFICE - YAOUNDE			
Grain Stabilization	300	2,700	1982
University Center for Health Sciences	600	2,800	1976
EAST AFRICA REGIONAL			
East African Food Crop Research	700	10,700	1982
SOUTHERN AFRICA REGIONAL			
Livestock Development - Botswana	105	700	1975
Improvement of Land Utilization - Lesotho	150	750	1975
Agricultural Development - Swaziland	245	900	1975
Improvements in Curriculum and Instructional Methods	390	1,600	1976
Zambia Key Advisory Personnel	70	670	1977
ETHIOPIA			
Grain Production and Marketing	428	1,937	1976
Rural Agricultural Development	440	1,350	1978
Training in Maternal Child Health Care	200	325	1975
GHANA			
Economic and Financial Management	116	460	1976

COUNTRY AND PROJECT	FISCAL 1972 COST ($000s)	ESTIMATED COST TO COMPLETION ($000s)	FINAL YEAR OF OBLIGATION
KENYA			
Rural Water Development	151	1,575	1978
Area Range and Ranch Development	381	2,477	1978
LIBERIA			
Agricultural Production and Marketing	265	2,120	1977
Institute of Public Administration	230	3,870	1981
MOROCCO			
Land Distribution and Utilization	100	1,470	1976
Assistance to Ministry of Industry and Commerce	200	1,230	1974
Urban Development	160	1,250	1976
NIGERIA			
Groundnut and Cereals Production	205	1,275	1975
Advanced Professional Studies, University of Lagos, College of Education	295	1,220	1975
TANZANIA			
Agriculture Planning	362	2,334	1979
Population/Family Planning Training	535	738	1977
TUNISIA			
Integrated Development of Irrigated Agriculture	113	632	1976
UGANDA			
Primary Teacher Training College Staff Development	60	743	1975

PROJECTS WHICH HAVE HAD DEOBLIGATED FUNDS

Mr. PASSMAN. 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 date.

Mr. ADAMS. Yes, sir.

(The information follows:)

NET TECHNICAL ASSISTANCE DEOBLIGATIONS BY PROJECT

(In thousands of dollars)

Country or Program and Project	Deobligations As of June 15, 1971
Congo	
Technical Support	17
Public Safety	14
Specialized Post-University Training	33
Special Self-Help	2
Supervised Agriculture Credit	3
Feasibility Surveys	34
Total	103
Ethiopia	
Technical Support	23
Agricultural Education and Research	17
Condar Public Health College	7
Public Health Advisory Service	7
Malaria Eradication	22
Public Safety	9
Agriculture Advisory Services	16
Regional Livestock Development	26
Economic and Financial Planning	15
University Business College	11
Plant Protection	5
Management and Engineering Training	1
Comprehensive Secondary School	5
University College of Education	11
Ministry Administration	15
University General Support	7
Education Advisory Service	3
Promotion of Private Investment	17
Customs Administration	1
Export Promotion and Investment	4
Total	222

NET TECHNICAL ASSISTANCE DEOBLIGATIONS BY PROJECT - Continued

(In thousands of dollars)

Country or Program and Project	Deobligations As of June 15, 1971
Ghana	
Technical Support	5
Agriculture Extension and Production	9
Vocational Agriculture Education	8
Rural Public Works Development	5
Volta Lake Technical Assistance	1
National Investment Bank	138
Human Resources Development	16
Special Self-Help	2
Agriculture Development Bank	16
Agriculture Investment Program	2
Family Planning and Demographic Data Development	14
Agriculture Advisory Service	3
Infrastructure Advisory Service	1
Total	220
Kenya	
Technical Support	6
Range Development	1
Range Water Development	23
Crop and Livestock Extension	59
Higher Agriculture Education	34
English Language Teacher Training	23
Training for Public Service	7
Community Development	10
Agriculture Support	22
Education Support	4
Public Safety	5
Radio Correspondence Education	15
Fisheries Development	6

NET TECHNICAL ASSISTANCE DEOBLIGATIONS BY PROJECT - Continued

(In thousands of dollars)

Country or Program and Project	Deobligations As of June 15, 1971
Kenya - Continued	
Agriculture Planning	13
Radio-TV Information	36
Agriculture Investments	9
Rinderpest Eradication	20
Upward adjustment	-26
Total	267
Liberia	
Forestry	2
Technical Training Institutional Development	1
Public Safety	13
Special Self-Help	1
Higher Education Institutional Development	4
Government Organization Training and Management	5
Geological Survey Appraisal	1
Monrovia School System Development	15
Public Works Administration and Training	61
Educational Materials Development	42
Agriculture Production Advisory Service	25
Customs Administration	13
Education Support	10
Public Administration Support	8
Public Works Support	8
Upward adjustment	-50
Total	159

NET TECHNICAL ASSISTANCE DEOBLIGATIONS BY PROJECT - Continued

(In thousands of dollars)

Country or Program and Project	Deobligations As of June 15, 1971
Morocco	
Agriculture Development Support	2
Industry Management and Engineering Training	2
Industrial Development	8
Assistance to Promotion Nationale	2
Cereals Production	1
General Training	10
Development Planning Assistance	157
Total	182
Nigeria	
Public Service Training and Staff Support	26
Telecom Engineering	75
North Nigeria Urban Water	1
Industrial Management	5
Indigenous Industrial Development	13
Agriculture Education Research and Extension	6
Educational Book Program	2
Aiyetoro Comprehensive Secondary School	99
Technical College Ibadan	23
School of Administration University of Lagos	126
Agriculture Education, West Nigeria	6
Education Planning and Advisory	41
Agriculture Education - Future Agri Leaders	37
West Ave and Agege Motor Road	1
Special Self-Help and Development	2
Port Harcourt Aba Road	7
Electricity Corporation of Nigeria	51
Agriculture Research and Extension, West Nigeria	1
Livestock Development, West Nigeria	2

NET TECHNICAL ASSISTANCE DEOBLIGATIONS BY PROJECT - Continued

(In thousands of dollars)

Country or Program and Project	Deobligations As of June 15, 1971
Nigeria - Continued	
Agriculture Economy and Marketing, West Nigeria	1
Agriculture Extension, North Nigeria	12
Land and Water Resources	38
Livestock Development, North Nigeria	41
Engineering Planning and Advisory	2
Total	618
Somali Republic	
Youth Training	2
Water System Development	143
Chisimaio Port	209
National Teachers Education Center	8
Agriculture Services	2
Civil Aviation	43
Scholarship Program	7
Technical Support	2
Public Safety	15
Upward adjustment	-12
Total	419
Tanzania	
Technical Support	21
Community Development	12
Strengthening Public Service	3
Agricultural College	11
Public Service Staff Support	1
Education Materials and Services	42
Secondary Vocational Agriculture	7
Zanzibar Technical College	32

NET TECHNICAL ASSISTANCE DEOBLIGATIONS BY PROJECT - Continued

(In thousands of dollars)

Country or Program and Project	Deobligations As of June 15, 1971
Tanzania - Continued	
Seed Multiplication and Distribution	6
Agriculture Investment Program	9
Management and Engineering Services	4
Agriculture Materials and Services	1
Total	149
Tunisia	
Technical Support	30
Consultative Specialists	2
Civil Aviation Improvement	5
Chott Maria School	39
Police Training	6
Agriculture Production Research and Mktg	23
General Training	35
Food Fortification and Nutrition	11
Institute of Food Fortification and Nutrition	9
Total	160
Uganda	
Technical Support	3
Agriculture Cooperatives	10
Secondary Girls' School	5
Agriculture Extension	16
Livestock Development	5
Agriculture Education	2
Education Development	3
Self-Help Community Center	6
Agriculture Administration	2
Total	52

NET TECHNICAL ASSISTANCE DEOBLIGATIONS BY PROJECT - Continued

(In thousands of dollars)

Country or Program and Project	Deobligations As of June 15, 1971
East Africa Regional	
Public Services Training	3
Wildlife Conservation	1
University of East Africa Support	107
Institute of Mass Media	11
Common Market Consultants	9
Diploma/Certificate Level Agri Education	8
Teacher Education in East Africa	4
Makerere Agriculture Faculty	3
Stevedoring Skills Development	8
East Africa Community Support	19
Technical Support	12
Total	185
Southern Africa Regional	
Technical Support	15
Botswana-Zambia Transportation Survey	9
	24
Malawi	
Community Development	7
Agricultural Development	21
Malawi Polytechnic School	5
Statistical Development	17
Rural Development	5
Operation Manpower Development	3
	58
Zambia	
Teacher Training	1
Mass Education Media	1
Special Self-Help	10
	12
Total	94

NET TECHNICAL ASSISTANCE DEOBLIGATIONS BY PROJECT - Continued

(In thousands of dollars)

Country or Program and Project	Deobligations As of June 15, 1971
Central and West Africa Regional	
West Africa Rice Production	3
Entente Agriculture Survey	2
Regional Industry Development Survey	5
Measles-Smallpox	2
Upward adjustment	-1
	11
Cameroon	
Secondary and Technical Education	3
Vocational Education	1
Highway Development and Training	39
Agriculture Extension	14
	57
Central Africa Republic	
Participant Training	1
Agricultural Services	20
	21
Chad	
School Health Education	37
Public Safety	2
Assistance to Rural Youth	5
	44
Dahomey	
Public Health	2
Agriculture Education and Extension	1
Establishment of Pilot Villages	8
Improvement of Grain Storage	7
	18

NET TECHNICAL ASSISTANCE DEOBLIGATIONS BY PROJECT - Continued

(In thousands of dollars)

Country or Program and Project	Deobligations As of June 15, 1971
Central and West Africa Regional - Continued	
Gabon	
Vocational Education Improvement	50
Assistance to Agriculture Production	1
	51
Gambia	
Assistance to Agriculture Services	4
Guinea	
Technical Support	5
Participant Support	8
Development Training	101
Upward adjustment	-3
	111
Mali	
Higher Teacher Training	97
Animal Res and Marketing	19
Vocational Training	65
	181
Niger	
Road Maintenance and Improvement	18
Public Safety	6
Participant Training	7
Village Well Construction	8
Upward adjustment	-2
	37

(In thousands of dollars)

Country or Program and Project	Deobligations As of June 15, 1971
Central and West Africa Regional - Continued	
Regional USAID for Africa	
Technical Support	37
Participant Training	17
Technical and Engineering Service	1
Human Resource Development	27
	82
Senegal	
Water Resources Survey and Development	59
Agriculture Development Casamance	50
	109
Sierra Leone	
Rural Training Institutes	158
Economic Research	7
Special Self-Help	1
Rural Education Improvement	22
Technical Support	14
	202
Togo	
Rural Development	30
Participant Training	4
	34
Upper Volta	
Animal Husbandry	24
Rural Water Resource Development	15
Health Improvement	1
Equipment and Vehicle Maintenance	9
	49
CWR Total	1,011

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NET TECHNICAL ASSISTANCE DEOBLIGATIONS BY PROJECT - Continued

(In thousands of dollars)

Country or Program and Project	Deobligations As of June 15, 1971
Africa Regional	
Regional Activities Technical Support	9
London Liaison Support	2
Large Unit Agriculture	6
Regional Organizations Development	12
Mediterranean Fruit Fly Control	1
African Development Bank	1
National Acadamy of Sciences Program Support	15
Tan-Zam Highway Link	3
Regional Population Planning and Support	5
Regional Education Grants	4
Agriculture Mechanization Study	2
Regional Education Grant - Cuttington	1
Lome-Accra Telecom Link	10
Special Self-Help (Various Countries)	100
Total	171
AFRICA BUREAU GRAND TOTAL	$4,012

Mr. PASSMAN. You gave us the amounts earlier, but we want to know the projects, also.

My banking experience is pretty much limited to borrowing money from the bank. Is yours any different?

Mr. ADAMS. No, sir.

Mr. PASSMAN. Thank you, but you do have the right in your capacity to approve these loans, whether they are $5 million, $10 million, or $25 million for an area when they come to your desk, is it not?

Mr. ADAMS. Below $10 million, sir. Loans of $10 million and above are approved by the Administration.

Mr. PASSMAN. I see.

Thank you.

Off the record.

(Discussion off the record.)

TOTAL NUMBER OF EMPLOYEES IN THE AFRICA REGION

Mr. PASSMAN. Now, in your area I guess you have the regular type of employees, direct hire, contract hire, and participants?

Mr. ADAMS. Yes, sir.

Mr. PASSMAN. What is the total number on the payroll in your area, regardless of what category?

Mr. ADAMS. 3,767.

Mr. PASSMAN. Does that include the participants?

Mr. ADAMS. Yes, sir, that does. The participants are 2,367.

Mr. PASSMAN. They get a monthly check?

Mr. ADAMS. Yes, sir, they do.

Mr. PASSMAN. All right. How many consultants do you have in your area?

Mr. ADAMS. This past year we had seven, sir.

Mr. PASSMAN. These are direct hire consultants?

Mr. ADAMS. These were persons who were specifically engaged to come in to serve as consultants by definition, to us, on specific problems.

Mr. PASSMAN. Do you mean that you only have seven consultants in this very large, technical aid program?

Mr. ADAMS. We have quite a number of employees as contract personnel, sir.

Mr. PASSMAN. How many direct hire consultants, and by that I mean employed and paid by AID?

Mr. ADAMS. The number of persons employed by AID as U.S. personnel——

Mr. PASSMAN. I am talking about consultants. You know what I mean by a consultant, do you not?

Mr. ADAMS. As technicians, advisers?

Mr. PASSMAN. No.

All right, give us how many you have on direct hire whether they are in the category of consultants or whatever. How many do you have in the field, direct hire?

Mr. ADAMS. We have 298 overseas U.S. direct hire personnel.

Mr. PASSMAN. In AID?

Mr. ADAMS. Yes, sir.

Mr. PASSMAN. What is their average annual salary?

Mr. ADAMS. The average for professionals would be around $19,000.

Mr. PASSMAN. $19,000?

Mr. ADAMS. Yes, sir.

Mr. PASSMAN. Does that include all the benefits such as travel?

Mr. ADAMS. No; just the salary.

Mr. PASSMAN. All right.

You have in your area, also, contract personnel?

Mr. ADAMS. Yes, sir.

Mr. PASSMAN. Where you enter into a contract with a university or college?

Mr. ADAMS. We have 495.

Mr. PASSMAN. 495?

Mr. ADAMS. Yes, sir.

Mr. PASSMAN. All right. What did that 495 cost in fiscal 1971? What is the total cost?

Mr. ADAMS. We will have to get that.

Mr. PASSMAN. Take your time. No hurry.

Mr. ADAMS. $31,742,000 for total contract funding including technicians.

Mr. PASSMAN. Let's do a little arithmetic.

Now you take the $31 million, and the 495 technicians, what does that figure out per technician?

Mr. ADAMS. For technicians the funding is some $18 million. We have the average, around about $40,000.

Mr. PASSMAN. About $40,000?

Mr. ADAMS. Yes, sir.

Mr. PASSMAN. All right.

COMPARATIVE COSTS OF DIRECT HIRE AND CONTRACT PERSONNEL

Now I would assume that the direct hire and contract hire work in the general area, as far the work they do, it is the same?

Mr. ADAMS. Yes, sir.

Mr. PASSMAN. This has grown up until it is frustrating, frightening, disgusting, disappointing, and disillusioning, to think that we have permitted ourselves, I am not blaming you, Dr. Adams, to get in a mess where we give such a tremendous windfall to universities and colleges. We give them an opportunity to build up a lobbying group in every little hamlet all over the United States. Here you are hiring direct technicians and consultants at an average of $19,000 a year, whereas the same consultant, if you go through contract, costs $40,000 a year.

Now I would assume in your area, like all others, the difference is paid to the colleges and universities for hiring expense, overhead, everything related to getting that fellow in and working.

Mr. ADAMS. Sir, the $40,000 figure that we cited for the cost of contract personnel does include the cost of travel, the cost of storage of effects, the whole round of things.

Mr. PASSMAN. What does the university get? You pay this direct to the colleges and universities, do you not?

Mr. ADAMS. Yes, sir.

Mr. PASSMAN. Of course, it was testified to yesterday that the cost to them was 30 to 100 percent more to get the same individual through a contract hire process than it does on a direct hire; is that about correct?

Mr. ADAMS. Yes, sir; that I can answer.

Mr. PASSMAN. Now, do you think that these people are any better judges of personnel than you are?

Mr. ADAMS. Well, the reason why we have used so many contract——

Mr. PASSMAN. I know there is always a reason. It would take a book to put them all in, but that is not the question.

You are setting yourself up and we have set you up as an international banker disbursing over a period of years billions of dollars.

I would assume that in this capacity we would also like to assume that you know something about how to examine personnel, as to their capabilities.

Mr. ADAMS. Yes.

Mr. PASSMAN. Do you think some other person can do that job better than you can?

NEED FOR CONTRACT PERSONNEL IN AFRICA

Mr. ADAMS. No, sir; we did not have a choice, sir, if I may suggest.

Mr. PASSMAN. You did not have a choice?

Mr. ADAMS. No, sir.

Mr. PASSMAN. Certainly you had a choice. You mean the policy is so rigid that when you took over you did not have a choice as to whether you would have direct hire or contract hire?

Mr. ADAMS. No, sir.

What I am trying to suggest is, given the need for personnel in the Africa area, that we were not able to have sufficient numbers of direct hire personnel.

Mr. PASSMAN. What kind of personnel?

Mr. ADAMS. Of direct hire personnel on the AID staff. So to carry out the kinds of technical assistance programs and development programs that we were working on, that we had to have recourse to universities and other contract groups.

Mr. PASSMAN. But you know that is a new scheme, do you not? It came into being many years after AID had gotten in business. This is not peculiar to your particular area. It is worldwide, whether it is down in Latin America or any other place.

This situation of having contract hire and direct hire is worldwide, do you know that?

Mr. ADAMS. Yes, sir.

Mr. PASSMAN. So it is just a good way to give the colleges and universities a windfall.

I know, of course, and you know that it is not quite a fair shake for the American taxpayer to have to pay such fantastic commissions for personnel of this type. I am thoroughly convinced, if I had the time to go well into it, which would take maybe 2 weeks on one contract, that it may be costing you three times as much to hire your personnel through colleges and universities as it would on direct hire.

You know and I know some of these technicians here only get $12,000 to $15,000 a year; is that not correct?

Mr. ADAMS. Yes, sir; that is correct.

Mr. PASSMAN. So I am not smart, but I am not foolish, either.

I do not mean to be offensive, but there is no use to try to gloss over what it is all about. It is just a windfall.

Some of these educators want to work out contracts to take care of their people back home.

Off the record.

(Discussion off the record.)

PARTICIPANTS IN FISCAL YEAR 1972

Mr. PASSMAN. How many participants are programed in your area for fiscal 1972?

Mr. ADAMS. 2,246.

Mr. PASSMAN. What is the average cost per participant?

Mr. ADAMS. Around $3,000, sir.

Mr. PASSMAN. Do all of the countries in your area have a national airline?

Mr. ADAMS. No, sir; they do not.

Mr. PASSMAN. How many in your area have a national airline?

Mr. ADAMS. We think there are about nine or 10, sir.

Mr. PASSMAN. All right.

Does this $3,000 mean transportation and everything?

Mr. ADAMS. It does.

Mr. PASSMAN. Who pays the transportation, the country where he came from?

Mr. ADAMS. Ethiopia pays 100 percent; Ghana, 100 percent; Nigeria, 100 percent; Tunisia, 100 percent; Kenya, approximately 50 percent; Tanzania, approximately 50 percent; Uganda, 50 percent; and for the participants who come to the United States under the university training programs, the home countries pay 100 percent of the transportation, and for those who come for graduate training, the international travel is paid by the countries 100 percent, sir.

Mr. PASSMAN. Could we not afford to have a firm policy, if we are going to bring these participants here to train them at our expense, that the country from which they came would have to pay the transportation?

Mr. ADAMS. We have been moving in that direction, sir.

Mr. PASSMAN. That is not the question.

Do you agree with me that that would be a good policy?

Mr. ADAMS. Yes, sir, it would be a good policy.

Mr. PASSMAN. Then why do you not recommend it? You have certain prerogatives. Why do you not put it into effect?

Mr. ADAMS. Yes, sir.

Mr. PASSMAN. You have that power, do you not?

Mr. ADAMS. For an agencywide policy I can recommend, sir.

Mr. PASSMAN. For a man that can initial the disbursing of billions of dollars, it looks to me like you could do more than just recommend, since you concur with me that it should be a policy.

Who do you have to recommend it to?

Mr. ADAMS. I have to recommend it to Dr. Hannah, sir.

Mr. PASSMAN. Well, since you concur that it would be a good policy, whey do you not make the recommendation?

Mr. ADAMS. Yes, sir, I shall.

Mr. PASSMAN. Would it be asking too much to ask you to send me a copy of the letter so we can think together on this thing?

Mr. ADAMS. I will do so, sir.

Mr. PASSMAN. Thank you.

DEVELOPMENT LOANS IN FISCAL YEAR 1971

I believe you are proposing a development, concessionary loan program for your area of $95 million for fiscal year 1972?

Mr. ADAMS. Yes, sir, that is correct.

Mr. PASSMAN. Would you furnish for the record a list of loans authorized, by country so far in 1971?

Mr. ADAMS. Yes, sir, we will be glad to.

(The information follows:)

AFRICA

Development Loans Authorized by Country
in Fiscal Year 1971
($ millions)

	Amount
Botswana	
Shashi River Development	6.5
Congo	
Transportation Sector (Water)	2.0
Transportation Sector (Highway)	10.0
Ethiopia	
Malaria Eradication (Amdt.)	4.9
Haile Selassie I University	3.7
Agriculture Sector II	5.0
Ghana	
Program Loan	15.0
Morocco	
Kenitra-Rabat-Casablanca Water (Engineering)	0.8
Program Loan	10.0
Nigeria	
Ibadan Water (Amdt.)	2.5
Western Avenue-Agege Road (Amdt.)	2.5
Swaziland	
Agricultural Development	2.2
Tanzania	
Port Access Road	3.8
Tsetse Fly Eradication	0.8
Tunisia	
Program Loan	10.0
Regional	
Entente Livestock Sector[1/]	6.0
Tanzania-Zambia Highway (Amdt.)	3.8
TOTAL	89.5

1/ Dahomey, Ivory Coast, Niger, Togo, Upper Volta

Mr. PASSMAN. Have you rolled any loans over in your area during the current fiscal year?

Mr. ADAMS. No, sir, we have not.

Mr. PASSMAN. In how many countries of your area have we capitalized this concessionary interest rate into the capital account?

Mr. ADAMS. We have done none, sir, for the last few years.

Mr. PASSMAN. Have you had any application for it?

Mr. ADAMS. No, sir.

Mr. PASSMAN. Yours is one of the poor areas of the world, is it not?

Mr. ADAMS. It is truly a very poor area, sir.

The countries have a very good record, though, as regards the payment in honoring all of their obligations under the loan program, sir.

Mr. PASSMAN. Well, you know, many times you can pay back $1 and get $9, do you not?

Some countries who are members of the International Development Association pay in $1 and get $40 back. I would not mind being a member of that club, would you?

Mr. ADAMS. No, sir.

Mr. PASSMAN. So the test will come when we stop disbursing these funds, because as long as you can pay in $1 and get back $9, your repayment record ought to be good.

OBLIGATION OF LOANS IN JUNE

Now how many loans did you obligate during the last 10 days of fiscal year 1971?

Mr. ADAMS. Three.

Mr. PASSMAN. What was the total amount?

Mr. ADAMS. $7.5 million, sir.

Mr. PASSMAN. That is still around 7 percent.

Mr. ADAMS. We are improving, sir, when you consider that is a pro rata share for 1 month in the year.

Mr. PASSMAN. How many did you obligate during the last month, the month of June 1971?

Mr. ADAMS. We will have obligated four, sir, by the end of the month.

Mr. PASSMAN. Total month of June, what is the amount?

Mr. ADAMS. $9.8 million, sir.

FAMILY PLANNING PROGRAMS IN AFRICA

Mr. PASSMAN. How many countries in your area presently have a family planning program?

Mr. ADAMS. There are 21 countries, sir, six of which have one or more bilateral projects and 15 of which are being assisted through regional projects.

Mr. PASSMAN. This family planning is getting to be a big business. I guess in your area the UNDP program is working on family planning and you are working on it bilaterally, are you not?

Mr. ADAMS. Yes, sir, that is correct.

Mr. PASSMAN. And the World Health Organization, do they work in your area?

Mr. ADAMS. Yes, sir, they do.

Mr. PASSMAN. I just wonder how many different agencies or organizations carry on family planning in your area?

Mr. ADAMS. Do you mean Government agencies?

Mr. PASSMAN. I guess all of them are Government agencies.

Mr. ADAMS. A number of them are private voluntary groups, sir, very active in the family planning agencies.

Mr. PASSMAN. You are in under the UNDP program, are you not?

Mr. ADAMS. Yes, sir.

Mr. PASSMAN. You have one under the International Development Association, do you not?

Mr. ADAMS. Yes, sir; just one loan that they have done just recently.

Mr. PASSMAN. It does not make any difference. All of them are trying to get in on this game, you know. I think it is necessary. You have it in your bilateral program.

I wonder how many different Government agencies, internationally-financed Government agencies are carrying on a family planning program?

Mr. ADAMS. About four, I would think, sir.

Mr. PASSMAN. They have not had any physical conflict as to who is going to cover a particular area, have they?

Mr. ADAMS. No, sir; there is consultation between the various groups.

Mr. PASSMAN. Then they spread out and do the same thing?

Mr. ADAMS. No, sir.

Mr. PASSMAN. If it is family planning, I say the purposes and the objectives are the same?

Mr. ADAMS. Yes, sir.

Mr. PASSMAN. You have had a lot of experience, you have had an opportunity to observe this overlapping and starting all these programs.

Would not our program be better off if we would take a few good programs, allocate more money to them, do them well and make an impression on the people rather than to try to cover the waterfront with too many programs?

Mr. ADAMS. Sir, we think we have done just that, following your admonition last year.

We have on our side——

Mr. PASSMAN. If you followed it, I can tell you the others did not, because you have more projects this year than you had last year.

Mr. ADAMS. We do, sir? We have fewer.

Mr. PASSMAN. I am talking about the AID program.

Mr. ADAMS. Sorry, sir.

Mr. PASSMAN. I am not just talking about family planning. I am talking about the technical aid program, we have to cover the whole area, you are teaching just a little bit about a lot of things and many times it is not effective.

Mr. ADAMS. I see.

Mr. PASSMAN. I have contended for years it would be better to have 10 good projects going, do them well and make a good impression than to have 300 projects and do a bad job.

TERMINATION OF PROJECTS IN THE AFRICA REGION

Mr. ADAMS. I agree with you, sir, and we have been trying to move in just this direction.

Mr. PASSMAN. What projects have you cut out since you started in that direction? In what area have you cut them out?

Mr. ADAMS. We have 26 projects we plan to complete in fiscal 1972.

Mr. PASSMAN. What are they? Start with one.

Mr. ADAMS. The measles control-smallpox eradication which is to be terminated in 1972.

Mr. PASSMAN. Is it because you felt we had too many projects or did you complete the job and terminate it?

Mr. ADAMS. Because of the way the project had been arranged and the goals that had been set we felt that task had been completed.

Mr PASSMAN. How many others?

Mr. ADAMS. There is the project for the West African Examination Council.

Mr. PASSMAN. What did they examine?

Mr. ADAMS. This was a program which was attempted to help the west African countries develop a program on a series of examinations which were better adapted to their own situation than had been the examinations which had been used in the past.

Mr. PASSMAN. We don't know what they were examining. I guess it is not important.

Mr. ADAMS. This is for primary and secondary schools.

The next one was a program for family planning, maternal and child health.

Mr. PASSMAN. There we go. You haven't ceased family planning. You have enlarged on the program.

Mr. ADAMS. This is one instance of a specific project we saw the possibility of terminating.

Mr. PASSMAN. But you have a stronger family planning program going than you have ever had. Is that correct?

Mr. ADAMS. That is true.

Mr. PASSMAN. You haven't eliminated any. You may have terminated some you have brought to completion. Let's go ahead and read them in.

Mr. ADAMS. There is a program for supervised agriculture credit in the Congo. Also specialized postuniversity training.

A program for malaria eradication in Ethiopia. There is a program in Ghana for agriculture extension and production.

Mr. PASSMAN. All of these projects are ongoing projects under different contracts. You are merely talking about the ones that have been brought to completion. You haven't discontinued any of these. You are working in these areas aren't you?

Mr. ADAMS. Yes.

Mr. PASSMAN. There is no use to read them in the record. We have asked you to put in the record projects that had been brought to completion. That doesn't mean you had moved out of the field. I had reference to possibly picking a few projects, possibly raising corn, and put 10 times as much effort to teach the people how to do this one thing well rather than to try to teach them how to raise everything.

TOTAL NUMBER OF ONGOING PROJECTS IN AFRICA

Mr. ADAMS. I agree with you. May I mention we have 182 ongoing projects.

Mr. PASSMAN. Each one of those projects may have subprojects.

Mr. ADAMS. No, sir; this is in contrast with 200 projects we had in fiscal year 1971 and 235 projects we had in fiscal year 1970.

Mr. PASSMAN. Let's take your first project. What is it?

Mr. ADAMS. The measles control-smallpox eradication.

Mr. PASSMAN. Give us some others.

Mr. ADAMS. In Liberia the demographic household survey. And then the project for rural education development.

Mr. PASSMAN. You work in a lot of areas on that. You have this one major project that we call a program. You are not just working in one area on that. You are working in many areas and have different teams, do you not, working in different spots?

Mr. ADAMS. That is true.

Mr. PASSMAN. That is what I am trying to establish. You have one major project but from that you have subprojects working out from under that; is that correct?

Mr. ADAMS. Yes.

Mr. PASSMAN. Thank you.

VOLUNTARY AGENCIES IN FAMILY PLANNING

What voluntary agencies are working in your area in the field of family planning?

Mr. ADAMS. I think there are three—the International Planned Parenthood Association, the Population Council, and the Pathfinder Fund.

Mr. PASSMAN. Do we have U.S. funding going into those agencies also?

Mr. ADAMS. Yes, sir; we do.

Mr. PASSMAN. This AID program has just spread and spread until I guess it will take us 5 years to really examine in detail on 1 year's request. All of these agencies are getting Federal funds. We mentioned earlier three programs going under family planning. When we get into these so-called voluntary agencies, they, too, are operating a good part on appropriated funds aren't they?

Mr. ADAMS. Yes, sir; they are.

AFRICAN COUNTRIES RECEIVING ASSISTANCE FROM COMMUNIST COUNTRIES

Mr. PASSMAN. The 35 countries out of 41 in the African area, how many of them are receiving either commitments or some type of aid from Communist countries?

Mr. ADAMS. May we supply that for the record?

Mr. PASSMAN. Let's discuss it briefly now. Would it be all of them? them?

Mr. ADAMS. No, sir.

Mr. PASSMAN. Mr. Secretary, could you shed any light on that?

Mr. NEWSOM. Yes, sir. There were 11 countries in calendar year 1970.

Mr. PASSMAN. What countries were those?

Mr. NEWSOM. I am sorry, Mr. Chairman. There were nine in 1970—Algeria, Congo Brazzaville, Guinea, Mauritius, Morocco, Nigeria, Sudan, Tanzania and Zambia. Of these nine we have some AID involvement is six.

Mr. PASSMAN. You mean Agency for International Development?

Mr. NEWSOM. That is right.

Mr. PASSMAN. I am talking about the aid programs. You have some type of aid program in more than that. You said 11 countries.

Mr. NEWSOM. There are nine in 1970.

These are new commitments made in 1970. There are other countries where commitments have been made over the past 10 years in which presumably some of the funds are still unexpended.

Mr. PASSMAN. The Russians are pretty strong on promises and pretty short on delivery aren't they?

Mr. NEWSOM. They follow a system of extending a line of credit against which countries will draw. The countries themselves sometimes don't draw it down for many, many years.

Mr. PASSMAN. As a usual thing, they provide aid on high profit commodities, with short terms and high interest rates on loans don't they?

Mr. NEWSOM. Not universally, Mr. Chairman.

Mr. PASSMAN. I am going to the biggest recipient of Russian aid, Indonesia, and I do know that was the policy.

Mr. NEWSOM. I am not familiar with the full details of that, Mr. Chairman, as you are.

Mr. PASSMAN. I am not against it. If they have some way of drawing off the resources of Communist countries, the more they can draw off the better I would like it. You have people who say if we don't do it, the Communists will. Let them do it. It seems to me time is running out, that we can't continue feeding and clothing half of the population of the world.

THE REGIONAL PROGRAM FOR AFRICA

You have also in your area what is known as regional programs; is that right?

Mr. ADAMS. Yes, sir; we do.

Mr. PASSMAN. What is the total amount of the regional program?

Mr. ADAMS. For fiscal year 1972 there are $20.7 million set aside for Africa-wide regional programs, and another $11 million for three subregional programs.

Mr. PASSMAN. How many million?

Mr. ADAMS. About $32 million altogether.

Mr. PASSMAN. That was in fiscal 1971.

Mr. ADAMS. These are scheduled for 1972.

Mr. PASSMAN. Out of the regional fund for fiscal 1971 what is the unobligated balance?

Mr. ADAMS. None, sir.

Mr. PASSMAN. You are right down to the last penny again.

Mr. ADAMS. Yes, sir, that is correct. Zero.

Mr. PASSMAN. It is the same thing. You ought to see Secretary Connally if you are that good an operator. You could work right down to the last penny. What is the unexpended balance in the regional area?

Mr. ADAMS. It is $44,902,000 for Africa-wide programs.

Mr. PASSMAN. That is about a 2-year supply of funds at the rate of request and expenditure is it not?

Mr. ADAMS. Yes, sir.

Mr. PASSMAN. When did you make your last allocation to the regional projects out of your 1971 appropriation?

Mr. ADAMS. Just this past week, sir.

Mr. PASSMAN. How much was it? And on what date did you make the last allocation?

Mr. ADAMS. We will have to supply it.

Mr. PASSMAN. Take your time. You have all the books there.

Mr. ADAMS. About $130,000, sir.

Mr. PASSMAN. About $130,000?

Mr. ADAMS. It was $130,000.

Mr. PASSMAN. No odd pennies or odd dollars is that correct?

Mr. ADAMS. Yes.

Mr. PASSMAN. Prior to that, what was the last project?

Mr. ADAMS. Mr. Chairman, would it be all right if I suggest that we had obligated 88⅔ percent of the moneys by May 31.

Mr. PASSMAN. You had to because there is a limitation on what you can obligate in the last 30 days isn't there?

Mr. ADAMS. 20 percent, sir.

Mr. PASSMAN. What project did you obligate the $130,000 to?

INVESTMENT PROMOTION IN WEST AFRICA

Mr. ADAMS. It is a project for investment promotion in west Africa.

Mr. PASSMAN. Investment promotion?

Mr. ADAMS. Yes; encouraging private investment and the development of the country.

Mr. PASSMAN. Who are you encouraging?

Mr. ADAMS. Both America and African investments, sir.

Mr. PASSMAN. Did you make a request specifically to the committee last year for $130,000 for this project?

Mr. ADAMS. Yes, sir; we did, for $220,000.

Mr. PASSMAN. Where will we find that in the hearings and in the justifications?

Mr. ADAMS. This project is for the Mid-America International Development Association.

Mr. PASSMAN. That isn't the name of the organization you just gave me.

Mr. ADAMS. We call it MIDA.

Mr. PASSMAN. You said $130,000 was for investment promotion.

Mr. Adams. To encourage private investment. The organization is the Mid-America International Development Association.

Mr. PASSMAN. It was my understanding that this area had been taken over by OPIC. That was supposed to be their purpose, to do the very thing you say you are doing. You are familiar with them aren't you?

Mr. ADAMS. Yes; this is our final year.

Mr. PASSMAN. OPIC has been in business now for sometime. So you are actually doing the same thing here that OPIC was created independently to do, aren't you?

Mr. ADAMS. Only in part, sir, because this project's mission concerns itself with African investment as well.

Mr. PASSMAN. Isn't that what OPIC does?

Mr. ADAMS. OPIC principally encourages American investment.

Mr. PASSMAN. On page 83, last year's justifications says, "To identify

and promote American investment opportunities * * *." I am reading from your own justifications in Africa. "* * * U.S. bank and two investment firms continue to identify opportunities that offer competitive potential for U.S. private investment."

Mr. ADAMS. That is true, sir.

Mr. PASSMAN. That is exactly what OPIC was formed for wasn't it?

Mr. ADAMS. But it has also the additional part.

Mr. PASSMAN. What additional part?

Mr. ADAMS. To give encouragement to the Africans.

Mr. PASSMAN. If you read OPIC's justifications and read your justifications, they are doing identically the same thing. Isn't that correct, Mr. Controller?

Mr. FLINNER. You are right they do encourage private investment.

Mr. PASSMAN. I am ready to give up. There is no more chance to stay on top of this thing than for me to jump up to the moon. There is duplication in all of these little workshops you people cook up to get rid of U.S. money.

You ought to deobligate that $130,000 or recommend abolishing OPIC. There is not any need, overall, to have so many different spigots doing identically the same thing. You just can't find it all.

Mr. ADAMS. You will be pleased to know we are not requesting any money for 1972.

Mr. PASSMAN. I am not worried about what you are requesting for 1972. You haven't even spent this have you?

Mr. ADAMS. No, sir.

Mr. PASSMAN. You made darn sure it was obligated. You got it behind that status where we can't put our finger on it. That is what is worrying me. You haven't spent a nickel of this money have you?

Mr. ADAMS. No, sir.

Mr. PASSMAN. But OPIC is in business and on account of OPIC being in business, you are not requesting anything for 1972?

Mr. ADAMS. Yes, sir, that is right.

Mr. PASSMAN. You folks shouldn't do that. If we had more time to go over this budget, the chances are we could knock half of the requests out and have a better program. I am not blaming you personally. You have thousands of people cooking up these kind of deals.

This is just a lump sum allocation to this outfit you mentioned, is that correct?

Mr. ADAMS. Yes, sir.

Mr. PASSMAN. No detail, just obligated.

Mr. ADAMS. There is a detailed contract, sir.

Mr. PASSMAN. A contract?

Mr. ADAMS. Yes, sir.

Mr. PASSMAN. With whom?

Mr. ADAMS. The organization.

Mr. PASSMAN. What organization?

MID-AMERICAN INTERNATIONAL DEVELOPMENT ASSOCIATION

Mr. ADAMS. Mid-America International Development Association.

Mr. PASSMAN. Who?

Mr. ADAMS. The Mid-American International Development Association.

Mr. PASSMAN. Who are they?

Mr. ADAMS. It is a group of Midwest financial and banking organizations who have come together to assist in the encouragement of private investment.

Mr. PASSMAN. So you put them in business and now before you spend a nickel you take them out of business because you are requesting no additional funds. Is that the way it is working?

Mr. ADAMS. The project has several years activity.

Mr. PASSMAN. The same outfit?

Mr. ADAMS. Yes.

Mr. PASSMAN. This is another one of those situations where AID negotiates support up to 75 percent of the institution's operating cost during fiscal 1971. Is that correct?

Mr. ADAMS. That is right, sir. Now it is 50 percent.

Mr. PASSMAN. Our target, however, on page 83 of last year's justification, the following is stated, will be to avoid financing more than 50 percent of these costs.

Mr. ADAMS. We have achieved that target.

Mr. PASSMAN. But you put them in business and then take them right out of business. Not one dime of the obligated money has been spent and you are already out of that field and letting OPIC take over in the same area. Do you have a copy of the contract you can make available to the subcommittee?

Mr. ADAMS. Yes, sir, we can.

Mr. PASSMAN. I want to see who they are because I am looking for some partners. If they can hoodwink you people into getting that much money, I would like to be with them. It is legal isn't it?

Mr. ADAMS. Yes, it is.

ASSISTANCE TO REGIONAL BANKS IN AFRICA

Mr. PASSMAN. I think I could make more money out of these AID contracts than I could being a Member of Congress.

How many of these regional banks do you have in your area?

Mr. ADAMS. Intermediate banks?

Mr. PASSMAN. Whatever they are. Regional banks. You have named several on your statement.

Mr. ADAMS. There is the East African Development Bank, African Development Bank, the Bank of National Development in Morocco, and also one in Ethiopia, one in East Africa.

Mr. PASSMAN. What are they capitalized for?

Mr. ADAMS. We will have to provide that.

Mr. PASSMAN. Pick out one of them. You are bound to have some information.

Mr. ADAMS. For the African Development Bank, the paid-in capital is $68 million.

Mr. PASSMAN. How much are we providing?

Mr. ADAMS. We provide technical assistance only.

Mr. PASSMAN. Does the bank need technical assistance?

Mr. ADAMS. Yes, it does definitely.

Mr. PASSMAN. What does a bank need technical assistance for?

Mr. ADAMS. One, to help it get additional capacity and project identification.

Mr. PASSMAN. Do they need technical assistance to show them how to get additional banks?

Mr. ADAMS. No, sir. As to how to identify bankable projects and projects which can have meaning for African development. The bank is very new.

Mr. PASSMAN. $68 million and we gave them how much?

Mr. ADAMS. Not anything as far as capitalization is concerned. The capitalization comes only from the African members.

Mr. PASSMAN. How much do we give them?

Mr. ADAMS. In technical assistance?

Mr. PASSMAN. I am talking about money.

Mr. ADAMS. We haven't given any yet.

Mr. PASSMAN. How much have you committed yourself to give them?

Mr. ADAMS. None, sir.

Mr. PASSMAN. I asked the question how many of these banks we had committed ourselves to, and we notice you list the African Development Bank on page 111 of the justifications. You say you haven't committed any, and it would appear to me you have obligated $935,000.

Mr. ADAMS. Yes, sir; the $935,000 is for technical assistance, sir.

Mr. PASSMAN. That is the question I asked, what was the amount of funds you had allocated to the African Bank? I want to know how much.

Mr. ADAMS. $935,000, sir.

A SOFT LOAN WINDOW AT THE AFRICAN DEVELOPMENT BANK

Mr. PASSMAN. I believe that presently the AID agency is negotiating some kind of a soft loan window at this bank, is that correct?

Mr. ADAMS. The DAC is conducting——

Mr. PASSMAN. Spell it out. We have over 2,000 abbreviations in Government.

Mr. ADAMS. The Development Assistance Committee of the Organization for Economic Cooperation and Development.

Mr. PASSMAN. The question is, is it not true the AID agency——

Mr. ADAMS. No, sir.

Mr. PASSMAN. In other words, have they made any request to us for any consideration for the soft currency window?

Mr. NEWSOM. Mr. Chairman, the Canadians have taken the initiative in staging an international effort to create a soft loan window for the African Development Bank. We have participated in the discussions which have included the Canadians, the Scandinavian countries, West Germany, the Netherlands, Switzerland, Italy, and the United Kingdom.

We have made no commitments to the idea which is currently being negotiated among these various countries.

Mr. PASSMAN. Why did we sit in on it if we don't expect to get in on it?

Mr. NEWSOM. We do expect to be able to present to the Congress, once the negotiations are completed, a proposal for our participation.

Mr. PASSMAN. So the plans are that we are going to get into it. In what amount?

Mr. ADAMS. $15 million over 5 years.

Mr. NEWSOM. $15 million over 3 to 5 years.

Mr. PASSMAN. I don't care if you put it in in 30 hours. What do you propose to put in?

Mr. ADAMS. $15 million.

Mr. PASSMAN. The one bank?

Mr. ADAMS. Yes.

Mr. PASSMAN. You say "presenting to the Congress." Will this take a special act by the Congress?

Mr. NEWSOM. Yes, Mr. Chairman.

PROPOSALS FOR ASSISTANCE TO OTHER REGIONAL BANKS

Mr. PASSMAN. We are starting in with $15 million.. Let's just hope the Congress is not foolish enough to give it to you. There is no law that says we have got to get in on every kind of a giveaway scheme that is created by the mind of man. I don't know why you people don't read the daily Treasury statement and stay home and stay out of some of these meetings. That is one out of several. How about the other banks? Are we in those?

Mr. ADAMS. We have current loans to other banks, sir, among them the Ivory Coast Development Bank and the Agricultural and Industrial Development Bank of Ethiopia.

Mr. PASSMAN. How about proposals?

Mr. ADAMS. For the East African Development Bank we have a proposal.

Mr. PASSMAN. In addition to the one we just discussed?

Mr. ADAMS. Yes.

Mr. PASSMAN. How much is that one?

Mr. ADAMS. It can be up to $5 million, sir.

Mr. PASSMAN. Where are you going to get the funds to put the $5 million in, out of what accounts?

Mr. ADAMS. Out of development loans, sir.

Mr. PASSMAN. Is that listed in the justifications?

Mr. ADAMS. I think it is mentioned, sir.

Mr. PASSMAN. Mentioned or listed as among the ones you are considering?

Mr. ADAMS. We mentioned the loan on page 123, but we now actually expect this to be a fiscal year 1973 loan rather than one for fiscal year 1972.

Mr. PASSMAN. We might get you out of some of this mess. You know you are getting us involved in all of these entanglements. We may write legislation to keep you from getting us involved.

It is in the negotiation and conversation stage now?

Mr. ADAMS. We know they would like for us to assist them.

Mr. PASSMAN. You are discussing it with them and you have already mentioned the figure?

Mr. ADAMS. No, sir, we have not mentioned the figure.

Mr. PASSMAN. You said up to $5 million.

Mr. ADAMS. We are using that amount as a planning figure.

Mr. PASSMAN. A planning figure?

Mr. ADAMS. Yes, sir.

Mr. PASSMAN. Your planning figure is up to $5 million?

Mr. ADAMS. Yes, sir, that is correct.

Mr. PASSMAN. That is two. How many banks do you have?

Mr. ADAMS. There are two others, sir.

Mr. PASSMAN. What are the two others; take them now.

Mr. ADAMS. BNDE.

Mr. PASSMAN. Who in the world is BNDE?

Mr. ADAMS. The Moroccan Development Bank, sir.

Mr. PASSMAN. How much is that in for?

Mr. ADAMS. $1 million, sir.

Mr. PASSMAN. To do what?

Mr. ADAMS. Principally to encourage them to develop private investment in the agro-industrial sector.

Mr. PASSMAN. Encourage them in private investment?

Mr. ADAMS. Yes, sir, in agro-industry.

Mr. PASSMAN. Moroccan investment or American investment?

Mr. ADAMS. Both.

Mr. PASSMAN. OPIC again?

Mr. ADAMS. But the principal emphasis here, sir, is to give encouragement to Moroccan entrepreneurs, sir.

Mr. PASSMAN. How much encouragement are you going to give Americans?

Mr. ADAMS. Goods and services would be from the United States.

Mr. PASSMAN. How much is that?

Mr. ADAMS. $1 million we are proposing, sir.

Mr. PASSMAN. That still again is in OPIC's territory. They formed a separate agency and you ought to see what they are asking for to do just what you propose to do there.

Mr. ADAMS. But, Mr. Chairman, OPIC does not make direct loans or supply credits for export/import business. The provision of goods and services comes only incidentally and as an integral part of long-term private investment in developmental facilities.

Mr. PASSMAN. What do you mean by goods and services? What kind of each?

Mr. ADAMS. If one wants to open up a small transformation industry.

Mr. PASSMAN. What?

Mr. ADAMS. If one wants to open a small transformation industry, for example, the processing of tomatoes, the financing of the equipment that would be needed for this kind of plant could be provided through this loan.

Mr. PASSMAN. What is the name of the bank again?

Mr. ADAMS. This is for the National Development Bank of Morocco.

Mr. PASSMAN. And its purpose?

Mr. ADAMS. The loan is to the national bank.

Mr. PASSMAN. The purpose is to encourage investments I believe you said previously. Is that correct?

Mr. ADAMS. Yes, sir; that is correct.

Mr. PASSMAN. Then you are in OPIC's area.

How about the fourth bank?

Mr. ADAMS. The other one is a loan to the development bank in Ethiopia.

Mr. PASSMAN. What is that going to be capitalized for? Is it in being now?

Mr. ADAMS. The bank exists, yes, but we haven't made a loan.

Mr. PASSMAN. How much do you propose?

Mr. ADAMS. $3 million for fertilizer.

Mr. PASSMAN. You don't have to go through a bank to furnish fertilizer, do you?

Mr. ADAMS. There are a whole series of agricultural investment projects, sir, which the Ethiopian Government is developing, what they refer to as a package of agricultural growth. One of the very large ingredients in the success of these programs is adequate amount of fertilizer. What this loan would do would enable the Ethiopian Development Bank to provide the loans which the individual farmers would require to secure fertilizer.

Mr. PASSMAN. In the development loan fund you could certainly make a loan. Why do you have to go through an Ethiopian Development Bank to make a loan to Ethiopia to buy fertilizer? Couldn't you negotiate with some firm that handles fertilizer? The bank is not in the fertilizer distributing business.

Mr. ADAMS. One of the major functions of the Ethiopian Development Bank is to promote agriculture development. Rather than our attempting to manage this loan directly, it is more appropriate to make a loan to the bank.

Mr. PASSMAN. If you want to go to New Orleans and you buy a ticket via Detroit, Mich., it is going to cost you more money, isn't it? Would you assume that is correct?

Mr. ADAMS. Yes; that is correct.

Mr. PASSMAN. If you are going to provide fertilizer, and you have to move this through the agency, and then through the Bank out to the farms, it is going to be much more expensive than doing business directly with the man who is going to distribute the commodity.

Mr. ADAMS. It would really be almost impossible to deal directly with the number of individual distributors who will be working with the farmers in the Ethiopian setting. That would be more costly.

Mr. PASSMAN. The banks don't do this distributing. They have to do it through a local distributor, a man who may be an exporter and importer. This is the only one that is going through a bank, isn't it? Isn't that right? You are not making any other loans through a bank to get to the third party are you?

Mr. ADAMS. Mr. Chairman, we can't have and I am sure you feel we can't have direct loans, attempting to actually be making the loans to the farmers for the project which we have been discussing, and the Ethiopian Government is providing budgetary support to the development bank.

Mr. PASSMAN. That I understand, but your development loans are made directly country to country and country to some individual in the country, such as a corporation.

Mr. ADAMS. That is what we are doing in this instance.

Mr. PASSMAN. But you are going through a bank. We are dealing with a request for money for a bank. I never heard of a bank being in the fertilizer distributing business.

Mr. ADAMS. Mr. Chairman, the loan is requested by the Ethiopian Government and the loan is made to the Ethiopian Government and it is a two-step loan with the Ethiopian Government in turn providing the loan to the development bank.

Mr. PASSMAN. The bank is going to move in, set up bookkeeping, a place of business, and they are going to approve who is going to do the fertilizer distributing, is that right?

Mr. ADAMS. Yes, sir.

Mr. PASSMAN. That is what they call a middleman.

How many other banks do you have out there?

Mr. ADAMS. They are the only ones we are proposing for fiscal 1972.

THE LACK OF DETAILED INFORMATION ON DEVELOPMENT ASSISTANCE

Mr. PASSMAN. I believe Ethiopia has had a kingdom out there for some 4,000 years haven't they?

Mr. ADAMS. Yes, sir.

Mr. PASSMAN. 3,819 years before the United States adopted a Constitution for 3-million people. Is that right?

Mr. ADAMS. Yes, sir.

Mr. PASSMAN. That is true for most all of the other countries out there, like Thailand. They had a prosperous civilization for 2,700 years. You know what this is all about don't you?

Mr. ADAMS. Yes, sir; I do.

Mr. PASSMAN. When we adopted a Constitution 181 years ago, we were a primitive, undeveloped country of 3 million.

Mr. ADAMS. That is correct.

Mr. PASSMAN. Some of these countries were old civilizations before we came into being.

Mr. ADAMS. Yes.

Mr. PASSMAN. So they were developed and we were underdeveloped. While we were developing they were becoming undeveloped. We are now insisting on undeveloping our own country by developing them. I wonder what they are going to do when they become economically prosperous and we are underdeveloped here. Will they help us then?

Mr. ADAMS. I think so, sir.

Mr. PASSMAN. You are positive.

I want the record to show what kind of a mess we are getting into all over the world. Your area is no worse than any other place so don't let it worry you. Nobody comes before the committee that knows what is going on. This foreign aid is about the strangest thing that ever happened in America. It is a great test of our tolerance and patience. Don't you feel badly because you don't have information on this stuff. None of the rest of them have it. As a general policy but not in detail. I still believe you ought to take hold of this program and knock out about 75 percent of the projects. Stop getting us involved in the little piecemeal banks because from little acorns big trees grow. Isn't that right?

Mr. ADAMS. Yes; they do.

Mr. PASSMAN. You can't make as good an impression when you do a lot of things halfway as you can by doing a few things all of the way. I don't think you can ever bring it under control. I think we have too many people in there who don't know any more about banking than I do surgery. I don't mean any disrespect to you. We are just getting ourselves into one terrible mess, Mr. Adams.

Are you an M.D.?

Mr. ADAMS. I am not.

Mr. PASSMAN. You are a doctor of philosophy?
Mr. ADAMS. That is correct.

PUBLIC LAW 480 COMMODITIES

Mr. PASSMAN. Would you furnish for the record a table, by country showing the amount of Public Law 480 commodities that will be supplied to Africa in fiscal year 1972?
Mr. ADAMS. Yes sir; we will.
(The information follows:)

FISCAL YEAR 1972, PUBLIC LAW 480 ESTIMATED SHIPMENTS, EXPORT MARKET VALUE OF COMMODITIES

[In thousands of dollars]

Country	Title I	Title II
Botswana		950
Burundi		440
Cameroon		250
Central Africa Republic		80
Chad		150
Congo	2,500	400
Dahomey		135
Ethiopia		250
Gagon		40
Gambia		470
Ghana	10,000	1,535
Guinea	4,700	250
Ivory Coast		300
Kenya		900
Lesotho		1,840
Liberia	900	430
Malagasy Republic		370
Malawi		120
Mali		,1420
Mauritius		460
Morocco	24,500	15,900
Niger		J,050
Nigeria		2,000
Rwanda		200
Senegal		1,050
Seychelles		90
Sierra Leone	300	1,600
Somalia		270
Sudan		45
St Helena		50
Tanzania		1,600
Togo		520
Tunisia	15,700	11,500
Uganda		120
Upper Volta		2,000
Zambia		100
Total	58,600	48,885
Public Law 480 total	107,485	

SUSPENDED AID TO SOMALI REPUBLIC

Mr. PASSMAN. In a Washington Post article of last June, I note the United States suspended economic and other assistance to the Somali Republic because ships flying the Somali flag called on North Vietnamese ports. Is all U.S. aid still suspended for the Somali Republic?

Mr. ADAMS. Because of the failure of the Somali Republic to take appropriate steps to stop its flag shipping to North Vietnam, the United States on June 1, 1970, invoked section 620(n) of the FAA which directs the cessation of all further assistance in such cases. The Somali program was phased out on June 30, 1971 under another provision of the FAA (section 617) which allows up to 1 year for phasing out the on-going program. Thus, as of July 1, 1971, U.S. bilateral aid to the Somali Republic has been terminated.

SELF-HELP FUNDS

Mr. PASSMAN. Again this year I notice that about 26 countries are programed to receive self-help funds in fiscal year 1972. What is the average amount programed for each country and why does the United States bother to supply such small funds to all these countries?

Mr. NEWSOM. The average amount being programed per country in fiscal year 1972 is $51,400. The self-help and development fund is used in Africa to stimulate and assist small self-help endeavors in communities where the people have a need and a desire for a specific facility or service and are prepared to devote their local resources to meet this need. The self-help fund enables embassies and AID missions to support such activities by partially financing small-scale local projects. Contributions are small and are made quickly and with a minimum of red tape, usually on a one-time basis. In addition to rendering effective help to community development, such assistance has generally had a pronounced local impact because of the high visibility of the projects aided.

The self-help fund has proved to be a particularly useful type of assistance in Africa where many countries have not received U.S. bilateral assistance in recent years. These small self-help activities have been a most effective type of assistance. In addition to assisting small community activities and demonstrating the rewards of self-help, this fund permits the senior AID officer and principal U.S. diplomatic officer to demonstrate U.S. interest in the welfare of economically disadvantaged people at the community and village level. Thus, we feel that the effort involved in handling these small amounts is more than compensated for in the impact of the program.

TECHNICAL ASSISTANCE PROGRAM

Mr. PASSMAN. The first functional area that we will examine on is technical assistance for which the fiscal year 1972 estimate is $64,915,000, an increase of $2,201,000 above the fiscal year 1971 program. Would you provide for the record a breakdown by country of your fiscal year 1972 technical assistance program?

Mr. ADAMS. I would be glad to.

(The information follows:)

Fiscal 1972 technical assistanse program

Africa regional	$20,739,000
Central/West Africa regional	7,537,000
East Africa regional	1,745,000
Southern Africa regional	2,400,000
Congo	543,000
Ethiopia	4,899,000
Ghana	2,310,000
Kenya	2,174,000
Liberia	4,331,000
Morocco	2,350,000
Nigeria	8,430,000
Tanzania	2,819,000
Tunisia	2,358,000
Uganda	2,280,000
Total	64,915,000

SOUND PROJECTS FOR AFRICA

Mr. PASSMAN. On page 1, you state that in the seventies, donors will need to respond increasingly to those needs and priorities identified by Africans. Do you feel the small African countries have the ability to identify good sound projects?

Mr. ADAMS. We believe the leadership in countries, large and small, throughout Africa, have recognized economic development as their highest priority and generally have the ability to identify sound development projects. We will continue to assist them to increase this capability by offering advisers to planning ministries, training for governmental officials, and consultant services.

CHANGES TO INSURE BENEFICIAL ASSISTANCE

Mr. PASSMAN. Also on page 1, I note that you make several statements that indicate the African countries have not progressed well at all during past years. It appears that in the past U.S. assistance to these countries in Africa has not paid very good dividends. Could you please tell the committee what changes have been made which would insure that U.S. assistance would be more beneficial to these countries?

Mr. ADAMS. We believe much progress in development has taken place in Africa, especially in the past decade, the decade of independence—in expansion of food crops, provisions of basic health care, training for skills at many levels, and improving government planning and fiscal operations. Much of this progress has been due to the assistance provided to African countries by the United States in concert with that of other donors. Africa is, however, the world's poorest area in social and economic terms, and the gap between its developing countries and the developed parts of the world is still widening. Our assistance is now directed toward the most fundamental development tasks facing the Africans—increases in crop and livestock production, generation of rural incomes, training for useful occupations, and improvement in maternal and child health care and family planning.

MULTIDONOR PROJECTS

Mr. PASSMAN. How much of the $65 million in the fiscal year 1972 budget will be channeled through multidonor projects?

Mr. ADAMS. $15,473,000.

GREATER RELIANCE ON CONTRACTOR TECHNICIANS

Mr. PASSMAN. On page 6, I note that AID-employed technicians will decrease from 298 in fiscal year 1971 to 244 in fiscal year 1972 and contractor technicians will increase from 495 in fiscal year 1971 to 610 in fiscal year 1972. Could you tell the committee why a greater reliance is being placed on contractor technicians?

Mr. ADAMS. The President has accepted the recommendation in the Peterson Task Force Report that the United States should seek to carry out an increasing proportion of our technical assistance activities through private channels. In our proposals for fiscal 1972, therefore, we have anticipated that new project activities will be handled primarily by advisers hired under contract.

Agricultural and Rural Development

Mr. Passman. The first subfunction under the technical assistance title is agricultural and rural development for which the fiscal year 1972 estimate is $18,398,000, an increase of $1,178,000 above the current fiscal year 1971 program. Would you provide for the record a breakdown by country of your fiscal year 1972 program?

Mr. Adams. Yes, sir.

(The information follows:)

Fiscal 1972 program for agricultural and rural development

Africa regional	$1,997,000
Central/West Africa regional	2,351,000
East Africa regional	700,000
Southern Africa regional	500,000
Congo (Kinshasa)	5,000
Ethiopia	1,892,000
Ghana	684,000
Kenya	1,259,000
Liberia	265,000
Morocco	930,000
Nigeria	4,180,000
Tanzania	1,705,000
Tunisia	659,000
Uganda	1,291,000
Total	18,398,000

Elimination of Bottlenecks

Mr. Passman. On page 7, you indicate that the fiscal year 1972 program will be directed toward the elimination of bottlenecks so that production can be increased to provide higher individual and governmental incomes. Would you please explain what bottlenecks you are talking about?

Mr. Adams. One of the major problems in agricultural development is the bringing together at the right time and place of the necessary inputs of technology, credit, fertilizer and seed, and storage and marketing. When any of these elements are missing or delayed, production, and consequently the generation of incomes is affected. In Ethiopia and Kenya, for example, we are offering comprehensive assistance in aspects of agricultural production in specific regions of the country. In West Africa we will assist regional groupings of countries to achieve stability in grain prices and effective marketing systems.

Increase U.S. Technicians

Mr. Passman. On page 9, you indicate that the total number of U.S. technicians will increase from 237 in fiscal year 1971 to 328 in fiscal year 1972 and the numbers of participants will increase from 294 in fiscal year 1971 to 359 in fiscal year 1972. Would you please explain the need for this large increase in the number of personnel for this function?

Mr. Adams. The major thrust of our program in Africa is in agriculture and rural development. This is in keeping with the high priority given to agriculture by the African countries. We plan to

increase the funds and the personnel devoted to promotion of crop production and livestock development activities because we feel that increases in production will result in better incomes for the vast rural majority of Africa's peoples and greater revenues for government services and development. We have steadily increased the number of participants in agriculture and rural development because we believe it is very important for Africans to be trained to carry out the important development tasks before them.

TERMINATED PROJECTS

Mr. PASSMAN. From the projects listed on pages 9 through 13, I notice that about seven or eight projects which last year had projected termination dates in 1973 or 1974 have now been terminated in fiscal year 1971. Would you please explain why these projects were terminated earlier? Was it felt these projects were no longer beneficial to the countries involved?

Mr. ADAMS. Four projects scheduled for completion after 1972 were in fact completed in fiscal 1971. In East Africa, the activities we supported under the animal and crop production and major cereals projects were indeed beneficial to the countries of the region. They will now be coordinated directly with the work of the East African Agriculture and Forestry Research Organization through the East Africa food crop research project. In Liberia the agricultural advisors provided under the agricultural production services project, a general agricultural advisory and support project, have been transferred to the agricultural production and marketing project where their work will be directly related to the goals of the project. The experimental farming project in Liberia has been successfully completed. Field research on the large-scale production of food crops and meat has shown that large-scale mechanized farming of food crops is not economically feasible at this stage and that it would be economical for Liberia to depend upon neighboring countries for its meat requirements.

MEDITERRANEAN FRUIT FLY PROJECT

Mr. PASSMAN. On page 9, under the Africa region concerning the Mediterranean Fruit Fly project, I notice this project has been extended by 1 year to 1973 and the estimated total cost has been increased by $136,000 over last year. Would you please comment on these changes?

Mr. Adams. The services of a resident technician for this activity under this project will be completed in Tunisia in mid-1972. In Morocco we feel that successful completion cannot be achieved until June 1973.

The increased costs will cover an additional entomologist for Morocco and the installation of a radiation unit.

ETHIOPIA—AGRICULTURAL ADVISORY SERVICES

Mr. PASSMAN. On page 10, under Ethiopia concerning the argicultural advisory services project, I note you have increased the total cost of this project by $476,000 over last year. Would you please comment on this increase?

Mr. ADAMS. This increase, which spans a 3-year period, is largely due to an addition of three technicians under contract for 3 years and of five participants for training in the United States. The cost of training for the 15 new and continuing participants has also increased, with the rise in tuition and other fees.

UNIVERSITY OF GHANA

Mr. PASSMAN. On page 11, under Ghana in connection with the faculty of agriculture—University of Ghana project, I note you have increased the total cost of this project by $287,000 over what was estimated last year. Again, would you comment on this increase?

Mr. ADAMS. The increased total reflects the rising cost of U.S. university training for Ghanaian participants and the fact that the number of participants trained during the life of this project has been changed from 6 to 20, in order to strengthen the agricultural faculty at the University of Ghana. The estimated cost per participant in fiscal 1970 was $5,300; in fiscal year 1971 it was $6,700; and in 1972 it is $7,200. The increased participant cost accounts for about $200,000 of the increased total. The remaining increase is due to rising salaries for the four U.S. professors. The average salary is now $19,200. In addition to the actual salary, allowances and benefits, travel, and contract administration bring the average cost per professor to $33,200.

MOROCCO—CEREALS PRODUCTION

Mr. PASSMAN. I note on page 12, under Morocco concerning the increase in cereals production project, that you have increased the total cost of this project by $356,000 over what was estimated last year. I also notice that you have increased the fiscal year 1971 program by $74,000 over what was justified to this committee last year. Would you please comment on these changes?

Mr. ADAMS. The difference in total estimated cost of the project is due mainly to the addition of one Near East foundation contract technician, a seed specialist whose skills will contribute to the success of the project. There is also an overall rise in U.S. technician costs and costs of participant degree training. Fiscal year 1971 cost increases are related to these same factors.

NIGERIA—FACULTY OF AGRICULTURE

Mr. PASSMAN. Again on page 12 under Nigeria, concerning the faculty of agriculture and nondegree schools, Ahmadu Bello University, I notice you have again increased the estimated total cost of the project by $301,000 over last year. Would you please comment on this increase?

Mr. ADAMS. $121,000 more was requested for fiscal 1972 in order to cover the contract costs for three employees at the extension research liaison section whose positions had previously been funded under direct hire. An additional $24,000 was obligated in fiscal 1971 to cover added logistical support costs for the team. The remaining $156,000 is accounted for by an underreporting of cumulative obligations in last year's congressional presentation.

IITA PROJECT

Mr. PASSMAN. On page 14, in connection with the soil and crop management—IITA project I note AID will finance one quarter of the institute's operating budget in fiscal year 1972. Why do we get in the position of providing budget support to these various institutes?

Mr. ADAMS. AID is participating with other donors in financing the operating expenses of IITA, and a limited number of other international agricultural research institutes. These organizations are not governmental institutions and therefore must depend upon multidonor support for financing their operations. Such participation in operational budgets also provides an effective leverage for exercising a continuing influence over budget planning and expenditures. AID is making use of this authority by including in its grant assistance to IITA provisions for annual reviews which will contribute toward improving operational efficiency; keeping research activities oriented to priority problem areas; and insuring that facilities financed with capital assistance are used for the purposes intended.

RINDERPEST ERADICATION

Mr. PASSMAN. On page 16, in connection with the Rinderpest eradication project, I notice you are requesting $45,000 for fiscal year 1972 for a U.S. regional livestock advisor. Isn't this a rather high cost for one individual?

Mr. ADAMS. The figure of $45,000 is our estimate of the costs to support the regional livestock adviser stationed in Addis Ababa, Ethiopia, in fiscal year 1972. He is a senior research scientist/veterinarian with skills that are required at this stage of the project. The costs for the adviser are broken down as follows: salary $32,000; 15-percent differential $4,800; housing, utilities, and maintenance $4,500; rest and recuperation and storage of household effects $1,050; travel and per diem within Africa $2,650.

WEST AFRICA RICE PRODUCTION MARKETING

Mr. PASSMAN. In connection with the West Africa rice production marketing project on page 17, I note that you are requesting $200,000 to finance the continuing cost of three U.S. contract scientists for fiscal year 1972. This again seems like a rather high cost for each individual?

Mr. ADAMS. The average annual cost per U.S. contract technician, in West Africa on the basis of past experience, is $57,000 per year, including language training, round trip transportation of dependents, and so forth. On this basis contract costs for 3½ man-years of contract services are $200,000.

WEST AFRICA REGIONAL POULTRY PROJECT

Mr. PASSMAN. On page 18, in connection with the West Africa regional poultry project, I note you have extended the life of this project by 5 years to fiscal year 1977 and have increased the total estimated cost by $1,838,000 over what was projected last year. You also have increased the fiscal year 1971 program by $147,000 over what was justified before this committee last year. Would you please comment on these changes?

Mr. ADAMS. The project described in the fiscal year 1971 congressional presentation was for a 2-year experimental activity centering on Mali and Senegal. On the basis of progress made during the past year, the sponsoring organization (OERS) requested that the activities be extended to include its other two member states—Mauritania and Guinea. Consequently plans were made to convert the experimental activity into a pilot project covering the entire region. The gradual expansion of the project to accomplish this requires an additional 5 years beyond the original experimental stage.

As a result of the additional requests from the OERS, the planned funding for fiscal year 1971 was increased by $147,000 over the estimate in the fiscal year 1971 CP as follows: $40,000 for an additional technician for part of the year; $82,000 for additional equipment and comodities and $25,000 to include the services of the direct hire AID project manager within the project total.

GRAIN PRODUCTION MARKETING AND STABILIZATION

Mr. PASSMAN. In connection with the grain production marketing and stabilization project on page 20, I note you have increased the life of this project by 3 years to fiscal year 1978 and have increased the estimated total cost by $255,000 over last year's estimate. Would you please comment on these changes?

Mr. ADAMS. The project as presented in the fiscal year 1972 congressional presentation is based on a new, more intensive study made for AID by Kansas State University. As a result, the requirements in time and money required have been more precisely outlined. Active operations are to begin in fiscal year 1972. A period of 7 years of assistance to such operations, in view of the magnitude of the project, is considered the minimum time required to meet the project objectives.

WEST AFRICA—MAJOR CEREALS RESEARCH

Mr. PASSMAN. On page 21, in connection with the major cereals research—West Africa project, I note you are requesting $240,000 for fiscal year 1972 for five U.S. Department of Agriculture technicians. Doesn't this seem to be a rather high cost per technician?

Mr. ADAMS. The average technician cost for the Department of Agriculture technicians is about $45,000 or approximately $225,000 for five technicians. The additional $15,000 will fund short-term specialized consultants. Tours of some of the technicians end within the year. The PASA budget, therefore, provides for the return transportation of those technicians and their families, as well as for transportation costs of their replacements and their families.

LIVESTOCK MARKETING

Mr. PASSMAN. On page 22, in connection with the livestock marketing and production project, you indicate that fiscal year 1972 funds for an additional contract technician will be $90,000. Is this the request for only 1 year?

Mr. ADAMS. No; it is for 18 months funding.

GRAIN STABILIZATION PROJECT

Mr. PASSMAN. In connection with the grain stabilization project on page 23, you make the following statement: "Fiscal year 1972 funding will provide initial funding for the contractual services of four U.S. technicians who will investigate the production, distribution, marketing, and storage of grain in the central Africa region * * *" at a cost of $258,000. Could you tell the committee what accounts for this large cost for four U.S. technicians?

Mr. ADAMS. The average cost per year per contract technician in this region is about $57,000. The amount of $258,000 cover 4½ man-years of funding.

CENTRAL AFRICA LIVESTOCK PRODUCTION

Mr. PASSMAN. In connection with the central African livestock production and meat marketing project on page 24, you indicate that 5 man-months of consultant services are under contract, will cost $30,000. This seems like an excessive cost for 5 man-months.

Mr. ADAMS. A tabulation of the estimated cost follows:

150 man-days at $100 per day	$15,000
Support costs:	
Per diem	4,000
Interpreter	2,500
Travel expenses	5,000
Secretarial costs	1,500
Printing	2,000
Total	30,000

SHASHEMENE AGRICULTURE DEVELOPMENT

Mr. PASSMAN. On page 29, in connection with the Shashemene agricultural development project, you indicate that $440,000 was received prior to June 30, 1970, but no expenditures have been made nor has a contractor been selected. Is this a case where the project was started too early?

Mr. ADAMS. Interministerial differences in priorities between the ministeries of agriculture and community development had delayed the Imperial Ethiopian Government's signature of the $2.1 million loan agreement which, in turn, delayed moving the technical assistance phase of the project forward. These differences were resolved, the Imperial Ethiopian Government signed the loan agreement in April 1971, and it is now being ratified. Five firms have been prequalified and it is expected that the contract will be finalized in August 1971 with the onsite operations commencing before the end of 1971.

GRAIN PRODUCTION MARKETING

Mr. PASSMAN. On page 31 in connection with the grain production marketing project, you indicate that $375,000 will be needed to finance the first 18 months of services of a five-man contract team. Even taking into consideration this is for 18 months, it still is an excessive cost for each member of the contract team. Would you please comment?

Mr. ADAMS. This is an average cost for contract technicians and the yearly breakdown of an average contract is computed as follows: (*a*) Salary—$20,000; (*b*) allowances (10 percent post differential, temporary lodging, quarters allowance, education allowance, and per diem for in-country travel)—$8,500; (*c*) travel and transportation (family of four—international air transportation (one way)—$1,860, excess baggage—$300, air freight—$650, storage of household effects—$1,250, transportation of automobile—$1,000, travel per diem—$110, rest and recuperation—$810, surface freight and unaccompanied baggage—$2,520; (*d*) other direct costs (insurance and benefits, physical exams, visas, inoculations, and so forth)—$2,000; (*e*) overhead (55 percent)—$11,000; (*f*) total—$50,000.

MASAI LIVESTOCK AND RANGE MANAGEMENT

Mr. PASSMAN. On page 47, in connection with the Masai livestock and range management project, I note you have increased the estimated total cost by $800,000 over what was reflected last year. Would you please comment on this increase?

Mr. ADAMS. The increased funds are due to the addition of a new element—water development—to the project. It has been planned to submit this element as a new project this year, however, since this activity is an integral part of the development of range planning and livestock development in the semiarid Masai Steppes of north central Tanzania, it was felt that it would be more appropriate to combine this activity with the ongoing project. The additional funds will provide for a preliminary reconnaissance survey to design the water development effort and for the manpower and equipment required to carry out this element of the project. Our experience in other projects in this field would indicate that for planning purposes our estimate should include provision for some 6 man-months of survey ($30,000), up to 16 man-years of full time and consultant services ($656,000), commodities including specialized equipment for developing ground and surface water ($90,000) and other costs connected with the project ($24,000).

AGRICULTURE RESEARCH

Mr. PASSMAN. In connection with the Agriculture Research project on page 50, I notice you have increased the fiscal year 1971 program by $197,000 over what was justified to this committee last year. Would you please comment on this increase?

Mr. ADAMS. Last year we submitted our preliminary estimate for initiation of the project. At that time we were considering the use of PASA personnel and the estimate covered 1 year of funding for six PASA technicians. In early fiscal year 1971 a five-man team carried out a survey of Tanzania's agriculture research effort and identified priority areas in cereal and legume research. As a result of this survey it has been decided to seek the services of a U.S. contract institution, to fund the technicians for the first 18 months of the initial contract, and to add funds to initiate training of replacements for the U.S. technicians at the earliest practical date. I submit the following comparison.

(The information follows:)

Fiscal year 1972 CP

Technicians (PASA), six at $33,500	$201,000
Short-term survey	24,000
Participants	0
Commodities	20,000
Other support costs	5,000
Total	250,000

Fiscal year 1971 CP

Six contract technicians for 1½ years at $40,000	$360,000
Short-term survey	52,000
Participants, two at $7,000	14,000
Commodities	16,000
Other support costs	5,000
Total	447,000

TUNISIA—ACCELERATED LIVESTOCK PRODUCTION

Mr. PASSMAN. On page 52, in connection with the accelerated livestock production project, I note you indicate that this project was initiated in fiscal year 1971 based on work started under another project. What you have done then, is to create a brand new project, isn't that true? Would this be a case of creating a new project without justifying it before this committee?

Mr. ADAMS. Our activity in livestock production has been justified to the committee as part of our broad involvement in agricultural production and research, described in the fiscal 1971 project data book for Africa on page 233. We plan to implement the farm irrigation activity as a separate project from now on. A team of four U.S. technicians will work directly with the newly established National Office of Irrigation in this high priority activity to increase agricultural production on irrigable lands.

POPULATION AND HEALTH

Mr. PASSMAN. The next subfunction under the technical assistance title is population and health for which the fiscal year 1972 estimate is $9,997,000, an increase of $1,270,000 above the current fiscal year 1971 program. Please provide a country breakdown of the fiscal year 1972 program for this function.

Mr. ADAMS. We will.

(The information follows.)

Fiscal 1972 program for population and health

Africa regional	$3,239,000
Central/West Africa regional	1,500,000
Ethiopia	252,000
Ghana	886,000
Kenya	500,000
Liberia	1,419,000
Morocco	600,000
Tanzania	535,000
Tunisia	730,000
Uganda	336,000
Total	9,997,000

FAMILY PLANNING

Mr. PASSMAN. Has the family planning program been accepted in all the countries of Africa?

Mr. ADAMS. Not as yet, although the number is growing. At the present time five countries, Kenya, Tunisia, Morocco, Ghana, and Mauritius have official, national policies and programs for family planning. Bilateral assistance is provided to the first four of these programs and also to Government programs in Uganda and Liberia. Fifteen additional countries have private family planning services which are being provided AID assistance on a regional basis.

FAMILY PLANNING THROUGH PRIVATE ORGANIZATIONS

Mr. PASSMAN. On page 58, I note you indicate that grants are made to organizations such as the Pathfinder Fund, the Population Council, and the International Planned Parenthood Federation. Could you tell us how much of the fiscal year 1972 request will be channeled through private organizations for family planning?

Mr. ADAMS. In fiscal year 1972 the Africa Bureau plans to channel $300,000 in population funds through one private organization, the Population Council.

GHANA—FAMILY PLANNING

Mr. PASSMAN. On page 60, under Ghana in connection with the Danfa rural health-family planning project, I note you plan to extend this project by 1 year to fiscal year 1975 and increase the total cost of the project by $704,000 above what was estimated last year. Would you please comment on these changes?

Mr. ADAMS. Delays in recruitment of U.S. personnel and the Ghanaian assistants resulted in a decision to extend the project by 1 year in order to complete the originally planned research.

In budgeting for the project, the U.S. personnel were originally to be financed on a salary supplement or "topping-off" arrangement. The emphasis of the project however is more on research than on operational activities and therefore AID is financing the full cost for each contract technician. This resulted in an increase in the estimated salary per man-year from $17,000 to $25,000. The initial budget also underestimated the logistic backstopping cost since the contractor is required to be self-sufficient. The cost per participant was also underestimated.

MATERNAL AND CHILD HEALTH PROJECT

Mr. PASSMAN. On page 64 in connection with the maternal and child health extension project, I note you plan to increase the fiscal year 1971 program by $724,000 above what was justified last year for the same period. Would you please comment on this increase?

Mr. ADAMS. The fiscal year 1971 congressional presentation figure presumed the use of a participating agency service agreement for work in three countries. This year's presentation reflects decisions to expand the project to pilot activities in six countries and to implement with contractors.

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UNIVERSITY TEACHING OF DYNAMICS

Mr. PASSMAN. On page 66 in connection with the university teaching of dynamics project, I note you plan to also increase the fiscal year 1971 program by $425,000 above that which was justified last year. Would you please comment on this increase?

Mr. ADAMS. The $75,000 planned last year represented costs of project operational planning. This has proceeded more rapidly than expected and the revised program reflects anticipation that contracting for implementation will be consummated in fiscal year 1971.

UNIVERSITY CENTER FOR HEALTH SCIENCES

Mr. PASSMAN. On page 68 in connection with the University Center for Health Sciences project, I note this project was scheduled to begin in fiscal year 1971 but I notice that the initial obligation date has now been changed to fiscal year 1972. I assume you tried to start this project too early. Would you please comment?

Mr. ADAMS. This project involves a new departure (for Africa) in preventive health care as well as family planning. As a result of extensive efforts on the part of AID, the French, UNDP and other donors the Cameroonian authorities have decided to try this approach. The commencement of this project was delayed until fiscal year 1972 for the above reasons.

Mr. PASSMAN. In connection with this same project, I also note that 1 year services of a four-man faculty will cost $250,000. Would you please comment on why these four men are so expensive?

Mr. ADAMS. The following is a description of illustrative costs per U.S. technician in Yaounde. Actual cost will depend on negotiations with each technician.

(The information follows:)

Salary and benefits	$38,000
Differential	7,500
Housing	5,000
Post and education allowance	6,000
Travel and transportation	6,000
Total	62,500

NATIONAL FAMILY PLANNING SUPPLIES

Mr. PASSMAN. In connection with the national family planning supplies project on page 70, I note the initial obligation for this project was made in fiscal year 1971, however I notice there is no reference to this project being justified last year before the committee. Would you please comment on this fact?

Mr. ADAMS. As you know, the Congress has enjoined the Agency for International Development to promote family planning and population control activities. We proceed directly with family planning activities as soon as we have worked out plans with recipient countries in accordance with the congressional directive.

NATIONAL MEDICAL CENTER

Mr. PASSMAN. On page 72, in connection with the national medical center project, I note you plan to extend this project by 2 years to

fiscal year 1977 and increase the estimated total cost by $760,000 over what was estimated last year. Would you please comment on these changes?

Mr. ADAMS. Completion of the national medical center facilities, including the John F. Kennedy Memorial Hospital, has been repeatedly delayed for various reasons. This has resulted in slippages of our technical assistance objectives under this project. Also, it has become apparent that the technical, logistical, and administrative problems associated with the transition from antiquated facilities to the new Center considerably exceed earlier expectations. Greater costs are involved because existing equipment and supplies have been found inadequate to place the new facilities into full operation. The Government of Liberia has substantially increased its budgetary allocations for the new center, but without additional AID resources the center cannot gear up for initial operation at reasonable medical standards. AID support for the project is expected gradually to diminish after fiscal year 1972.

FAMILY PLANNING

Mr. PASSMAN. On page 74, in connection with the family planning project, I note you plan to extend this project by 5 years to fiscal year 1977 and increase the estimated total cost by $2,058,000 over what was estimated last year. Would you please comment on these changes?

Dr. ADAMS. The project objectives and strategy remain the same. The project has been extended an additional 5 years as Tunisia is now moving into a major expansion phase where a significant increase in family planning acceptors is anticipated. During this phase Tunisia will need foreign assistance in order to meet the increasing demand for services.

The cost of the initial 5 years of assistance (fiscal year 1968–72) will be $1,938,000 instead of the $1,480,000 shown in the fiscal year 1971 congressional presentation. The major reason for the increase was the purchase late in fiscal year 1970 from the U.S. Treasury of the equivalent of $380,000 of excess U.S.-owned dinars for a grant to Tunisia to meet expanded local budget costs of the project.

Because of the expansion of the program and increased operating costs it is estimated that $1.6 million in dollar funds will be needed to continue the project for an additional 5 years.

EDUCATION AND MANPOWER TRAINING

Mr. PASSMAN. The next subfunction under the technical assistance title is education and manpower training for which the fiscal year 1972 estimate is $15,619,000, a decrease of $2,180,000 below the current fiscal year 1971 program. Would you please provide for the record a country breakdown of the fiscal year 1972 program for this function?

Mr. ADAMS. I will be happy to provide this information.

(The information follows:)

Fiscal 1972 program for education and manpower training

Africa regional	$6,290,000
Central/West Africa regional	1,597,000
East Africa regional	175,000
Southern Africa regional	1,550,000
Congo (Kinshasa)	100,000
Ethiopia	1,967,000
Ghana	281,000
Liberia	738,000
Nigeria	1,955,000
Tanzania	290,000
Tunisia	306,000
Uganda	370,000
Total	15,619,000

AFRICAN TRADE UNIONS

Mr. PASSMAN. On page 76, I notice you indicate that you plan to improve the organization of African trade unions activities. Is there any chance that the trade unions in Africa will become as strong as the ones that are presently here in the United States and therefore be confronted with the same problems we have here?

Mr. ADAMS. While several African countries, (that is, Ghana, Ethiopia, and Congo(K)) have developed substantial trade union movements with our assistance, through the African American Labor Center under section 207(e) of the FAA, these movements are a long way from acquiring the strength of U.S. unions. In other countries, the move to form trade unions is just beginning. The potential development of a trade union movement is substantially delimited by the economic growth and industrial development of the particular country. Therefore, the chance that the trade unions in Africa will become as strong as the ones we presently have in the United States is a distant possibility.

TERMINATED PROJECTS DUE TO LIMITED RESOURCES

Mr. PASSMAN. Again I note several projects have been terminated a few years in advance of the date that was presented in last year's justification. Have these projects been terminated because they were not any good?

Mr. ADAMS. Mr. Chairman, in the education sector, as in the agriculture sector, we have made some changes in the way we manage our programs in order to concentrate on basic development activities. Several projects through which we have carried out sound activities have been completed earlier than we had previously planned so that we might focus our limited resources on particular goals within the field of education and training. Among these projects were some that offered training in the United States in a broad variety of fields and others that offered general educational advisory services to the recipient governments.

PAN-AFRICAN INSTITUTE FOR DEVELOPMENT

Mr. PASSMAN. On page 78, under the Central West African region in connection with the Pan-African Institute for Development projects I note that you plan to increase the estimated total cost of this

project by $219,000 above what was estimated last year. Would you please comment on this increase?

Mr. ADAMS. The increased costs of this project result from increased operating expenses of the center which have raised the estimated cost of scholarships being provided by AID to Africans who cannot afford to finance their own studies.

ETHIOPIA—CUSTOMS ADMINISTRATION

Mr. PASSMAN. On page 79, under Ethiopia in connection with the customs administration project I note that you plan to increase the estimated total cost of this project by $257,000 over last year's estimate. Would you also comment on this increase?

Mr. ADAMS. This increase which spans a 4-year period is largely due to an increase in PASA costs through additional short-term advisory services not previously envisaged and the introduction of the participant training element (10–15 participants yearly) as a result of a recently conducted project evaluation which recommended such a course of action.

TUNISIA—MANAGEMENT EDUCATION

Mr. PASSMAN. On page 81, under Tunisia in connection with the management education and executive development project, I note you plan to extend this project by 1 year and increase the estimated total cost by $428,000. Would you please comment on these changes?

Mr. ADAMS. The change in completion date was made to enable the contract team to meet more successfully the project objectives, develop management capability and research techniques as requested by the Government of Tunisia. Several factors contribute to the increase in total project cost. A fourth U.S. professor will be recruited to enable the institute to fill its expanding national and regional role until a sufficient number of participants return from the United States. Ten additional participants will be funded. Specialized consultant services will be utilized to provide expertise in accreditation procedures. Limited commodity support will be required for the library of the Institute of Business Management being developed under this project.

AFRICAN GRADUATE FELLOWSHIP PROGRAM

Mr. PASSMAN. In connection with the African graduate fellowship program project on page 83, I note you plan to extend this project by 5 years to fiscal year 1978 and increase the estimated total cost by $1,279,000. Would you please comment on these changes?

Mr. ADAMS. This is a successful project. We decided to continue it for the 5-year period to provide the time necessary to permit more African universities to develop their postgraduate degree programs. The additional cost factor of $1,279,000 represents the costs of training for 50 new entrants per year.

AFRICAN LABOR DEVELOPMENT

Mr. PASSMAN. On page 87 in connection with the African labor development project, I note you refer to several projects in the fiscal year 1971 justification as being the prior reference for this project. Does that mean this project has replaced all the other projects?

Mr. ADAMS. This project for 1972 supplants a number of individual projects with an overall program for the work of AALC which AID supports.

SUPPORT FOR REGIONAL ORGANIZATION

Mr. PASSMAN. On page 90, in connection with the support for regional organizations project, you indicate that one long-term technical expert will cost $60,000. Would you please tell the committee what period of time the $60,000 will cover?

Mr. ADAMS. On the average, a contract technician for this region costs $57,000 a year, including contract fees, overhead, and language training. The period of time covered is 13 man-months.

EAST AFRICAN EXAMINATION COUNCIL

Mr. PASSMAN. In connection with the East African examinations council project on page 92, I notice that the initial obligation had occurred in fiscal year 1968 but as of June 30, 1970, only $21,000 has been obligated. I assume this is one of those projects that you have started before adequate plans had been made?

Mr. ADAMS. The initial project funding covered a short term survey, requested by the East African Community, to design a project plan for assistance to the East African Examinations Council in further developing its own examinations system to replace examinations now printed and graded in Britain. This has been done; however, the Research and Social Council of the Community, which is responsible for approving the project, has not been able to take appropriate action due to a number of changes in personnel and the press of other business on the agenda at council meetings. We have kept the project under active consideration at the urgent request of the East African educators, since the project will have, potentially, a great influence on the process of changing the educational system to serve the needs of present day Africa.

UNIVERSITY OF BOTSWANA, LESOTHO, AND SWAZILAND

Mr. PASSMAN. On page 93, in connection with the University of Botswana, Lesotho, and Swaziland project I note you plan to increase the estimated total cost of this project by $1 million over what was estimated last year and you have also increased the fiscal year 1971 program by $430,000 above what was justified to this committee last year. Would you please comment on these increases?

Mr. ADAMS. In last year's presentation we indicated that a long-range development plan for the university was in preparation and that our future assistance would depend on its general acceptance by the three African countries involved as well as the donor countries. Therefore, the estimated total cost of this project at that time could only be tentative. While the present estimated total cost is based on current information and takes into account the anticipated expansion of assistance to the university, it is not as firm as we would like since revised project plans are still to be completed.

The $430,000 increase in the fiscal year 1971 program reflects our increasing participation with the United Kingdom and Canada in supporting the development of this important regional institution. The increase covers the cost of providing six additional teaching staff and a

part of their science equipment needs to help meet their immediate requirements in starting first-year courses in temporary existing facilities while construction of permanent facilities is underway.

Mr. PASSMAN. You also indicate that funds for 12 contract teachers will cost $335,000. It seems that these teachers get quite a good salary. Would you please comment?

Mr. ADAMS. With respect to the $335,000 budgeted for 12 teachers, an average cost of $28,000 per man can be regarded as relatively modest, considering that this includes travel costs, overhead, and the usual benefits and allowances for service abroad.

DELAYED STARTS

Mr. PASSMAN. I note several projects in the justifications were originally estimated to begin last year, that is, fiscal year 1971, but this year you indicate that no obligations had been made last year and the projects are now scheduled to start in fiscal year 1972. What is the reason for this 1-year delay?

Mr. ADAMS. There are five projects in this category. Four of these were in the design stage throughout fiscal 1971 and are now ready for implementation. The fifth, the primary teacher training college staff development project for Uganda, was not implemented because the signing of the agreement for an AID construction loan of $3.2 million was delayed until late in this fiscal year.

INDUSTRIAL AND URBAN DEVELOPMENT

Mr. PASSMAN. The next subfunction under the technical assistance title is industrial and urban development for which the fiscal year 1972 estimate is $5,123,000, an increase of $658,000 above the current fiscal year 1971 program. Would you provide for the record a country breakdown of this function for fiscal year 1972?

Mr. ADAMS. Yes, we will.

(The information follows:)

Fiscal 1972 program for industrial and urban development

	Amount
Africa regional	$2,960,000
Central/West Africa regional	500,000
Ghana	39,000
Liberia	1,109,000
Morocco	360,000
Nigeria	155,000
Total	5,123,000

TELECOMMUNICATIONS MANAGEMENT

Mr. PASSMAN. On page 109, under Liberia, in connection with the telecommunications management project, I note you plan to extend the project by 1 year to fiscal year 1973 and increase the estimated total cost of the project by $405,000 above what was estimated last year. Would you please comment on these changes?

Mr. ADAMS. Implementation of the project, which had been anticipated for early fiscal year 1971, was delayed unitl late fiscal year 1971

pending the appointment by the Government of Liberia of the chairman and other officials of the Liberian Telecommunications Authority. We now anticipate that contract operations will actually commence in mid-fiscal year 1972. Because of the delayed initiation of the project, AID will be able to postpone provision of some contract funding until fiscal year 1973. The estimated overall cost of the project to completion has increased because of rising costs for professional services and the development of more precise cost estimates as proposals from potential American contractors were received.

AFRICAN DEVELOPMENT BANK

Mr. PASSMAN. On page 111, in connection with the African development bank project, I note you plan to increase the fiscal year 1971 program by $245,000 above what was justified to this committee last year for the same period. Would you please comment?

Mr. ADAMS. We have increased the fiscal year 1971 funds to permit the bank to be responsive to the increased volume of requests it is receiving to sponsor economic surveys and engineering design for capital projects in Africa. The Bank's capacity to undertake these projects has also increased materially during fiscal year 1971. This is consistent with our goal of assisting the bank to increase its effectiveness and to develop a portfolio of bankable projects for its financing.

PROGRAM DEVELOPMENT AND SUPPORT

Mr. PASSMAN. The last subfunction under the technical assistance title is program development and support for which the fiscal year 1972 estimate is $15,778,000, an increase of $1,275,000 above the current fiscal year 1971 program. Would you please provide for the record a country breakdown of the fiscal year 1972 amounts for this function.

Mr. ADAMS. We will provide the information for the record.

(The information follows:)

Fiscal 1972 program for program development and support

Africa regional	$6,273,000
Central/West Africa regional	1,589,000
East Africa regional	870,000
Southern Africa regional	350,000
Congo (Kinshasa)	438,000
Ethiopia	788,000
Ghana	420,000
Kenya	415,000
Liberia	800,000
Morocco	460,000
Nigeria	2,140,000
Tanzania	289,000
Tunisia	663,000
Uganda	283,000
Total	15,778,000

INCREASED SUPPORT WITH REDUCED PERSONNEL

Mr. PASSMAN. Why is a $1.3 million increase necessary when it appears that the total number of technicians will decrease from fiscal year 1971?

Mr. ADAMS. The funds for fiscal 1972 will cover additional activities in the area of program support. We have established two centralized regional capital development offices in East and West Africa to implement our development loan activities. We also propose to increase our support of African regional organizations and we plan a greater number of feasibility studies. Consultants and advisers provided for these activities will not, in general, be on duty at the close of the year.

DEVELOPMENT LENDING PROGRAM

Mr. PASSMAN. The next major title we are to consider is the development lending program for which the fiscal year 1972 estimate is $95 million, which is an increase of $12 million above the fiscal year 1971 program. Would you please provide a list for the record breaking down the fiscal year 1972 development lending program by country for your area?

Dr. ADAMS. We will provide the list.

(The information follows:)

Fiscal 1972 development leading program

Program	*Amount*
Africa regional/multidonor	$2,500,000
Central/West Africa regional	7,000,000
Southern Africa regional	7,000,000
Congo (Kinshasa)	5,000,000
Ethiopa	12,000,000
Ghana	15,000,000
Liberia	4,000,000
Morocco	11,000,000
Nigeria	16,000,000
Tanzania	3,000,000
Tunisia	10,000,000
Uganda	2,500,000
Total	95,000,000

WHY INCREASE IN AFRICA DEVELOPMENT LENDING PROGRAM

Mr. PASSMAN. Please explain briefly the need for this $12 million increase.

Mr. ADAMS. Each year we identify potential loan projects, but we do not move forward on them until feasibility and cost/benefit studies have been completed. In fiscal year 1971 a number of studies were undertaken to determine the feasibility of possible loans which were requested by African Governments. Many of these studies now completed have indicated the feasibility and potential benefits of these loan prospects. Based upon the results of these studies we have formulated our loan program for fiscal year 1972.

OTHER NATIONS PROVIDING LOANS TO AFRICA

Mr. PASSMAN. What other countries are providing loans to the African nations and would you also indicate what the terms of these loans are?

Mr. ADAMS. The following free world countries are providing development loans to Africa: Austria, Canada, Denmark, France, Germany, Italy, Norway, Sweden, and the United Kingdom. The terms of their loans vary depending upon the financial situation of the re-

cipient country and the nature of the activity (nonrevenue or revenue producing). However, the overall trend in Africa during the last 5 years has been a softening of terms, which remain more lenient than the worldwide average.

Among the major donors, British loans are generally interest-free, with maturity from about 22 to 25 years. French loans usually hover around an interest rate of 3.5 percent with maturity of about 15 years and grace periods of 2 years. German loans are frequently about 3 percent with maturity of about 25 years and a wide range of grace periods.

Among the smaller donors, Canada usually provides IDA-type interest-free loans with 10-year grace and 50-year maturity. Denmark's loans have also been interest-free with grace of about 7 years and maturity of 25 years. Italy frequently subsidizes its interest rates to Africa bringing down the commercial rate to about 4.5 percent. Sweden also ranks high among donors providing generous concessional terms.

REPAYMENT OF LOANS BY AFRICAN NATIONS

Mr. PASSMAN. Do you feel that the small African nations will be able to pay back these development loans?

Mr. ADAMS. Yes; we do. We have found that the nations of Africa take their obligations to the United States very seriously. The record of loan repayments is excellent.

EFFECTS OF AID TO ETHIOPIA

Mr. PASSMAN. We have provided a great deal of assistance to Ethiopia, yet I see by the statistics that there is one doctor for every 74,600 people, the life expectancy is age 35, and the literary rate is 5 percent. It certainly doesn't appear that our aid has done much good in this country. Would you please comment?

Mr. ADAMS. Ethiopia is one of Africa's least developed nations economically. Per capita GNP is estimated at $65, which is half the African average. Per capita government revenues of $6.50 are 30 percent of the African average, and per capita export earnings are 15 percent of the continental average. Ethiopia also probably ranks with the bottom 15 percent among all the less developed countries in the amount of per capita domestic resources available for development. The economy is preponderantly agricultural, with some 90 percent of the population engaged in farming or the raising of livestock. While the country is largely self-sufficient in agricultural produce, most of its agriculture still remains virtually at the subsistence level. However, largely as a result of U.S. assistance, Ethiopia has a full-fledged university with an enrollment of 5,000; comprehensive secondary schools; two agricultural high schools; a nursing school; a malaria eradication service; some all-weather highways; two modern airports; and an aerial crop protection service. In addition, AID provided Ethiopia with a detailed agro-industrial sector survey, a survey of the Blue Nile Basin, and various water investigations. In summary, key human resources and physical infrastructure has been developed. We are hopeful that the growth rate will improve now that the basic foundations necessary for development have been built.

INCREASE OF DEVELOPMENT LOANS TO NIGERIA

Mr. PASSMAN. Would you please explain why we are increasing the development loans by $11 million for Nigeria in fiscal year 1972?

Mr. ADAMS. The increase in development loans does not reflect an increase in total loan assistance. In addition to the $5 million in development loans, a $15 million program loan was provided in fiscal 1971 from supporting assistance funds for postwar economic stabilization purposes. For fiscal 1972 an additional program or sector loan of $10 million is proposed to further Nigeria's recovery from the economic dislocations of the war. A $6 million development loan is planned for the construction of faculty of agriculture and veterinary medicine facilities at Ahmadu Bello University in Zaria. This loan is in fulfillment of a proposal which has been under discussion with the Nigerians for some time, and is in conjunction with technical assistance provided by Kansas State University to both faculties.

HOTEL CONSTRUCTION LOAN IN CONGO

Mr. PASSMAN. On page 130, under the Congo, in connection with the hotel construction development loan, I notice the loan agreement was signed in November of 1968 at an authorized level of $2,500,000, but as of this date, no funds have been disbursed from this loan. Would you please comment on this long delay in disbursements?

Mr. ADAMS. As of June 25, 1971, AID has disbursed $1,416,767 of this $2,500,000 loan. Disbursements under this loan were held up until May 1971, because certain conditions precedent to disbursement had not been met. Now that all the conditions precedent have been met, disbursements will be completed shortly as we expect the hotel to be finished by August 1971.

RURAL ACCESS ROADS LOAN IN LIBERIA

Mr. PASSMAN. Again on page 134, under Liberia, in connection with the rural access roads development loan, I notice again the loan agreement was signed in November of 1969 at an authorized level of $975,000, but as of this date no disbursements have been made. Why do we enter into these loan agreements so far in advance of the disbursements?

Mr. ADAMS. The Kolahun-Kamatahun link of the access road system is scheduled to be completed this August; the Zwedru-Ziatown link, which is somewhat behind schedule will be completed in about a year. As of May 31, $199,033 has been disbursed. Though there is normally a considerable time lapse between signing of the loan agreement and first disbursement due to time required for project design, contractor selection, and contractor mobilization, the Liberian Government was in this instance somewhat slow in requesting reimbursement of funds paid by them for A. & E. and construction services.

TEACHERS TRAINING COLLEGE LOAN IN MALI

Mr. PASSMAN. On page 135, under Mali, in connection with the teachers training college development loan, the loan agreement was signed in December of 1963 at an authorized level of $1,245,000 and as

of this date only $134,000 has been disbursed. Would you please comment on this delay?

Mr. ADAMS. A 3-year delay from loan authorization to first bid occurred. It was caused primarily by the requirement to execute preliminary and final design for the school. Bids received in May 1967, were far in excess of original cost estimates and available funds. The project was redesigned on a stringent basis allowing basic essentials only. After protracted discussions with both the Mali Government and then the architect, redesign was completed in December 1968. Subsequently, the newly installed Government in Mali reexamined the proposals and concluded that the sharply reduced scope of the project was inadequate to its needs. AID and Mali agreed that the HTTC would be better off educationally by a further revision in design incorporating an existing classroom/dormitory building which had just become available. The Architects Collaborative, Cambridge Mass. completed this all-new preliminary design in February 1971 and actual construction is expected to get underway in late 1971. Final completion would follow in late 1972.

NIGER RIVER BRIDGE LOAN

Mr. PASSMAN. On page 136, under Niger in connection with the Niger River Bridge development loan, I notice that the loan agreement was signed in October of 1967 at an authorized level of $900,000 and as of this date no disbursements have been made. Would you please comment?

Mr. ADAMS. The original cost estimates for this bridge project, which was completed and opened for traffic in December 1970, were underestimated. We felt that prudent project management required that sufficient additional funds be made available in advance of construction contract signing, even though it was realized at the time that actual disbursement of the amendment would not occur until the latter stages of construction. The project was completed in December 1970 and the balance of the loan, including the construction firm's retention should be disbursed by the end of this year.

GAO STAFF DENIED NIGERIAN VISAS

Mr. PASSMAN. In a Washington Post article of October 19, 1970, it was reported that the Nigerian Government had refused to grant entry visas to General Accounting Office staff members who were to look into the country's use of millions of dollars of U.S. aid. Now under the development lending program we are providing $16 million in development loan funds. Why do we provide any aid to this country if they won't allow GAO staff members in to investigate the use of these funds?

Mr. ADAMS. The experience of General Accounting Office staff who applied for Nigerian visas was not unique. Following the war, the Nigerian Government was attempting to keep the number of foreign visitors, official and otherwise, to Nigeria at a minimum, particularly when such visits related to the war torn eastern region which was then fully controlled by the military. Visas were granted only when the Nigerians were themselves convinced that entry was essential. Such measures were understandable in the difficult aftermath of the civil war and in view of Nigeria's efforts to get its federal and state government

operations functioning smoothly again. This in no way connotes a lack of need or appreciation for U.S. assistance or a conscious unwillingness to cooperate with U.S. officials concerned with that assistance.

PORT HARCOURT COMPREHENSIVE SCHOOL LOAN

Mr. PASSMAN. On page 137 under Nigeria, in connection with the Port Harcourt comprehensive school development loan I notice that the loan agreement was signed December 1964, at an authorized level of $1,800,000 and as of this date only $90,000 has been disbursed. Why don't we terminate these loans after so many years if disbursements are not made?

Mr. ADAMS. This project was delayed due to the Nigerian civil war. While several of the loans in the former eastern region of Nigeria were terminated, it was determined that this project was of great importance to the area and should be retained. The project has recently been evaluated by AID and the Government of Nigeria and it has been agreed that, with minor modification, the project will now go forward. The American architectural firm that prepared the original design is negotiating with the Government of Nigeria to complete the plans so that the project can be put out to bid for construction.

LOANS IN ETHIOPIA

Mr. PASSMAN. On page 140, under Ethiopia I notice several development loans have been agreed upon but no disbursements have been made. Would you please explain this situation?

Mr. ADAMS. The rate of disbursement for the Ethiopian loans has materially improved:

1. *Malaria Eradication*, 663–H–013A.—Approximately 93 percent or $2.8 million of this loan had been disbursed as of May 31, 1971.

2. *Haile Selassie I University*, 663–H–014.—Approximately $70,000 of the $1 million authorized has been disbursed. The remainder of the loan is committed and will be used for procurement of books and equipment for the University. While delays have been encountered in preparing the lists of commodities, it is expected that the major part of the loan will be disbursed by December 31, 1971.

3. *Agriculture Sector Loan I*, 663–H–016.—$4.9 million of this $5 million loan has been disbursed as of June 15, 1971.

4. *Imperial Highway Authority*, 663–H–017.—The Imperial Highway Authority was only able to satisfy the conditions precedent to financing under the loan in June of this year. Procurement has now commenced with letters of commitment opened for $1.5 million. The loan should now be disbursed in an orderly manner.

5. *Shashemene Agriculture Development*, 663–H–018.—This loan remains to be ratified by the IEG Parliament which is currently in session. Disbursements cannot commence until the loan is ratified and the conditions precedent to disbursement met.

UGANDA TEACHER TRAINING COLLEGES CONSTRUCTION LOAN

Mr. PASSMAN. On page 144, under Uganda in connection with the primary teacher training colleges construction development loan, I note that the loan was authorized in June of 1969 at an authorized level

of $3,200,000 but as of this date, no loan agreement has been entered into. Would you please comment on this situation?

Mr. ADAMS. The signing of the loan agreement for the Primary Teacher Training College was contingent upon the execution of the bilateral AID agreement between the Government of Uganda and the United States. The bilateral agreement was recently signed (May 6, 1971) and execution of the loan agreement is imminent.

DEVELOPMENT LOANS TO AFRICA

Mr. PASSMAN. Could you provide for the record a table showing the total amount of development loans authorized in your area, and then a figure showing the total amount disbursed?

Mr. ADAMS. Yes, sir.

(The information follows:)

The total amount of development loans authorized as of December 31, 1970, is $716,712,000. The total amount disbursed is $518,848,000.

SUPPORTING ASSISTANCE PROGRAM IN AFRICA

Mr. PASSMAN. The next major title we are to consider is the supporting assistance program for which the fiscal year 1972 estimate is $5,950,000, which is a decrease of $12,828,000 below the current fiscal year 1971 program. Would you please provide a list for the record breaking down the fiscal year 1972 supporting assistance program by country for your area?

Mr. ADAMS. Yes; I will do so.

(The information follows:)

Fiscal 1972 economic supporting assistance program of $5,950,000

Africa regional	[1] $100,000
Southern Africa regional	300,000
Congo (Kinshasa)	[1] 1,016,000
Ghana	[1] 106,000
Liberia	[1] 203,000
Nigeria	[2] 4,100,000
Tunisia	[1] 125,000

[1] Public safety programs.
[2] $700,000 is for public safety programs.

NIGERIAN SUPPORTING ASSISTANCE PROGRAM

Mr. PASSMAN. The only economic supporting assistance program of any magnitude in your area is for Nigeria for which the fiscal year 1972 estimate is $4,100,000 which is a decrease of $13,100,000 below the current fiscal year 1971 program. Would you briefly explain the need for this $4,100,000 for Nigeria?

Mr. ADAMS. Supporting assistance funds of $700,000 are required to complete those projects begun as a part of our emergency postwar assistance program. Nearly all of the more than 40 projects still underway are expected to be completed in fiscal year 1972. A loan of $3.4 million is to be made for the establishment of a police training college at Jos in order to meet a long felt need and a previous U.S. commitment.

Mr. PASSMAN. Has Nigeria fully recovered from the internal strife experienced in the last several years?

Mr. ADAMS. No; Nigeria has not fully recovered, although the progress made in reassimilating the defeated Ibos has been remarkable. Special efforts are being made to speed this process both on the state and federal levels.

Mr. PASSMAN. When do you estimate we can end our economic supporting assistance to Nigeria?

Mr. ADAMS. We should be able to complete our supporting assistance to Nigeria by the end of fiscal year 1972.

CONGO PUBLIC SAFETY PROJECT

Mr. PASSMAN. On page H–26 under the Congo in connection with public safety projects, I note you plan to extend this project by 3 years to fiscal year 1976 and increase the total estimated cost by $2,475,000 above what was estimated last year. Would you please comment on these changes?

Mr. ADAMS. The extension of the program and the increase in costs are due to (1) the previous reduction in the recommended number of public safety advisers which deferred and lengthened the time required for accomplishment of objectives; (2) the extension of program services to areas outside of Kinshasa, the national capital, commencing in fiscal year 1971 in order to properly address deferred objectives; and (3) the initiation of the new element of the project, the Coast River and Lake Guard (CRLG) on Lake Tanganyika. The extension, coupled with support for the CRLG, therefore requires a moderate increase in personnel, participant training, vehicles, communications, and related costs.

LIBERIA PUBLIC SAFETY PROJECT

Mr. PASSMAN. On page H–29 under Liberia, in connection with the public safety project, I note last year this project was estimated to be terminated in fiscal year 1971 and the estimated total cost was $3,566,000. However, this year the final scheduled obligation date has the entry of being reviewed annually and the estimated cost is "undetermined." Why was this project revived and why can't you estimate a date for final obligation of funds and the estimated total cost?

Mr. ADAMS. The objectives set forth for the program were not achieved during fiscal year 1971 as had been expected in our last presentation to the Congress. A thorough evaluation has been conducted recently in the field to make a determination as to what further assistance the United States needs to provide in order to achieve objectives which are formulated in the light of contemporary requirements of the Liberian civil security forces. The amount requested for this program for fiscal year 1972 represents a conservative estimate of needs. A new project termination date and more specific information as to resources requirement will be determined after the evaluation team's recommendations have been thoroughly reviewed.

Mr. PASSMAN. Mr. Shriver?

Mr. SHRIVER. Thank you, Mr. Chairman.

NEED FOR AN AMERICAN INTEREST IN AFRICA

On page 7, Mr. Newsom, you say, "If we don't help the African countries develop, it will be difficult to have our voice heard there." Then what would happen?

Mr. NEWSOM. We have in Africa today, Mr. Congressman, modest but definite interests of the United States which include the way these nations vote in the United Nations, the way they vote in conferences such as the very significant one on the law of the sea which is coming up in 1973. We need to have access to these governments for those Americans who are seeking to invest in the resources of Africa. More and more Africa becomes a continent where the minerals on which our industrial society depends are going to be found. We need to have rights of transportation, of communication with these countries.

The preoccupation of the leadership of these countries is with their internal economic development more so than with political problems because their own future depends upon it.

Time and again it is made clear to us in Africa that our response to their economic needs has a direct relationship to the degree to which they are willing to listen to us on some of the things that are of concern to us.

Mr. SHRIVER. Do you mean that to accomplish the interests that individuals of this country have, business and otherwise, it is necessary for us to have an aid program?

Mr. NEWSOM. Not necessarily to have a large aid program, but to be responsive in some way to show our interest in the economic development of these countries. This doesn't necessarily mean large sums. It does mean response through technical assistance and in some cases in loans. We play a supplemental role in Africa but that role needs to be sufficient to achieve these other objectives.

Mr. PASSMAN. I just must get this in the record if the gentleman will yield.

Mr. SHRIVER. Yes.

Mr. PASSMAN. You are going to leave what you said in the record of course because that is the way you feel about it.

Mr. NEWSOM. That is right.

Mr. PASSMAN. This is not a thing in the world but blackmail and bribery according to my interpretation. If they are not going to pay any attention to what we have to offer in the way of competitive merchandise and the way the people would like to live around the world, if that doesn't mean anything, then blackmail and bribery and payoff at this point will only get us more heavily involved down the road. I am going to leave what I said in the record and I thank the gentleman for yielding.

Mr. SHRIVER. You mentioned the importance of countries that receive our aid, the importance of their voting with us in the United Nations. Has this happened in the past?

Mr. NEWSOM. Yes, on some issues. On African issues the Africans have tended to vote in a bloc but on issues such as the Chinese representation issue, for example, there are a number of African states that have been the backbone of our support in the United Nations on this issue. Part of it has been due to our own efforts, part to the efforts of the Chinese Nationalists themselves in economic assistance in Africa.

ASSISTANCE TO FORMER FRENCH COLONIES

Mr. SHRIVER. What is the total amount in this request for African countries that were formerly colonies of France? You call it Francophone. Do you have the total by countries?

Mr. ADAMS. Some $40 million from AID.

Mr. SHRIVER. Will you for the record break that down by country?

Mr. ADAMS. We will be glad to.

(The information follows:)

FISCAL 1972 REQUEST FOR AFRICAN COUNTRIES THAT WERE FORMERLY[2] COLONIES OF FRANCE

The total request for former colonies of France is $41,115,000. Bilateral programs are proposed for two former colonies: Morocco, $13,350,000, and Tunisia, $12,358,000. The central West Africa program of $14,537,000 includes Cameroon, Central African Republic, Chad, Dahomey, Gabon, Guinea, Ivory Coast, Malagasy Republic, Mali, Mauritania, Niger, Senegal, Togo, Upper Volta. Self-help funds totaling $870,000 are planned for these same countries.

Mr. SHRIVER. How much is France contributing in all forms of assistance to these countries?

Mr. ADAMS. Some $400 million annually.

Mr. NEWSOM. In direct bilateral assistance, development assistance only.

Mr. SHRIVER. Which of these countries have French troops in them?

Mr. NEWSOM. I would like to check that for the record, but I believe it is three at the moment.

SOUTHEASTERN AFRICAN REFUGEE EDUCATION

Mr. SHRIVER. On page G–4 of the supporting assistance justification book is a project called Southeastern African refugee education. In the writeup of the project it says:

By providing this acceptable alternative to individuals who might otherwise be denied the educational opportunity to pursue the fulfillment of their potential, the project supports the U.S. stand for peaceful and revolutionary solutions to the problems of achieving racial equality and self-determination in South Africa.

It says this project succeeds the regional educational training project which is being phased out in fiscal year 1971. There was a project similar to this, or at least the writeup, in prior years only it was to the United Nations. Is this the same project only directed to an AID program instead of to the United Nations?

Mr. ADAMS. No, sir, there are really two projects with each having its own identity.

Mr. SHRIVER. Is that the one the committee rejected several times?

Mr. ADAMS. That was the U.N. Educational and Training program which began in fiscal year 1965, and emphasizes higher education. The AID project being phased out in fiscal 1971 is a specifically U.S. program begun in fiscal year 1962 and concentrating chiefly on secondary education. It refers specifically to two schools offering education to refugees, one in Tanzania, and the Nkumbi school in Zambia. The school in Tanzania was transferred to the Government of Tanzania at the end of 1969. The Nkumbi school is being taken over by Zambia

this year. We propose to provide over 100 scholarships for secondary school students in the Nkumbi school. The other, U.N. project, to which you refer has been mainly for higher education. That is another element which distinguishes it from the AID project.

Mr. SHRIVER. Nothing ever happened to the other project of the United Nations?

Mr. SHEAR. Not in the way of AID support.

Mr. ADAMS. The United Nations has a project but we have not contributed to it.

Mr. SHRIVER. This is not the same one?

Mr. ADAMS. No, sir.

Mr. SHRIVER. The language is very similar if not identical to that which the committee had before it regarding the U.N. project.

MINING DEVELOPMENT IN BOTSWANA

On page 10 you mention that we loaned the Shashe mining development in Botswana $6.5 million of the $150 million project. Where did they get the rest of the money? Who owns that mine?

Mr. ADAMS. The breakdown is $25 million to come from the World Bank, $24 million from Canada, $63 million from the West Germans, $22 million from the Industrial Development Corp., of South Africa, and $15 million from American Metals Climax.

Mr. SHRIVER. Who owns the mine?

Mr. ADAMS. A consortium.

Mr. NEWSOM. Mr. Chairman, it includes the American Metals Climax.

Mr. SHRIVER. Is this owned by the governments of these countries that contributed?

Mr. COURTNEY. The Botswana Government has close to a 15-percent interest in the mine.

Mr. SHRIVER. What do they mine?

Mr. NEWSOM. Nickel and copper.

Mr. SHRIVER. Why are we participating in the amount of $6.5 million when the other participants that you mention have rather large chunks of this business? Why are we putting this small amount in?

Mr. NEWSOM. This is loan, Mr. Shriver, for a water pipeline, the procurement of which comes from the United States.

Mr. SHRIVER. Why couldn't they receive it from the World Bank? You said they had a large chunk of it?

Mr. NEWSOM. Frequently in projects of this kind there are opportunities both for use to encourage lending from other sources and for us to insure a measure of procurement for a major project of this kind from the United States by our participation in it. I think this was the case here.

Mr. SHRIVER. You think then the equipment will be obtained in this country?

Mr. NEWSOME. It is being obtained, yes.

Mr. SHRIVER. And that is the principal reason for this loan?

Mr. NEWSOM. That is right.

Mr. PASSMAN. Will the gentleman yield?

Mr. SHRIVER. Yes.

Mr. PASSMAN. You mean only to the extent of $6.5 million? What is the capitalization of the whole outfit?

Mr. ADAMS. Over $150 million.

Mr. PASSMAN. This is just a little tidbit they are procuring in the United States. The other procurement comes from West Germany and the nations who put up the big piece of money?

Mr. ADAMS. The World Bank financed procurement does not exclude the United States. The U.S. firms will have an opportunity to submit tenders for the procurement that will be called for.

Mr. PASSMAN. West Germany is in for about $50 million you say?

Mr. ADAMS. Yes, over 50, through a consortium of private concerns and banks.

Mr. PASSMAN. It is a sure thing if they have large procurement to be made out of that, they will be made from West Germany.

Mr. ADAMS. That is true.

Mr. PASSMAN. You are limiting our $6½ million so you people can get in on the deal, and the very fact they are going to spend it in America. It could easily be limited to the $6½ million. Is that correct?

Mr. ADAMS. It could be.

Mr. PASSMAN. Let's make the record for what it is. You know and I know West Germany isn't going to put up that money and let them buy equipment over here.

Mr. NEWSOM. The primary purpose of West Germany's involvement is that they are the market for the minerals, they want the minerals. The American procurement will include certainly a substantial part of the private American investment that is going into it also.

AID PARTICIPATION IN COFFEE AGREEMENT IN FISCAL YEAR 1972

Mr. SHRIVER. Can you estimate in dollars the amount of our aid to each recipient country involved in our participation in the International Coffee Agreement in fiscal 1972?

Mr. ADAMS. We can supply that for the record.

(The information follows:)

PROPOSED FISCAL YEAR 1972 AID FOR AFRICAN MEMBERS OF THE INTERNATIONAL COFFEE AGREEMENT

A table showing the proposed fiscal year 1972 development assistance programs for African members of the International Coffee Agreement follows:

Fiscal year 1972 proposed development assistance program

Country:	*Thousands*
Burundi	(1)
Congo (Kinshasa)	$5,543
Ethiopia	16,899
Ghana	17,310
Guinea	(2)
Kenya	2,174
Liberia	8,331
Nigeria	24,430
Rwanda	(1)
Sierra Leone	(2)
Tanzania	5,819
Uganda	4,780

[1] Self-help only.
[2] Included in self-help only on a bilateral basis, but also participates in Central West African regional programs.

Mr. SHRIVER. On page 11 you mention the UNCTAD-sponsored generalized trade preference program which would open new markets for goods manufactured in Africa. Will you tell us about that, including what goods are included?

Mr. NEWSOM. One of the trade problems in Africa, Mr. Shriver, has been that a number of the former colonial territories have been tied by specialized and reverse preferences to the former colonial power. We have been promoting a system of generalized preferences in which manufactured goods of these countries could come into the American market at a preferred tariff as a means of offering them an alternative to the special arrangements they now have with the former metropole arrangements which in many cases make it discriminatory against our own traders.

The executive branch is preparing to submit to Congress specific proposals for a generalized tariff scheme for the developing countries.

Mr. SHRIVER. What goods would be included?

Mr. NEWSOM. It would be all manufactures except textiles, shoes, and petroleum.

Mr. SHRIVER. You talk about the U.S. trade and investment in Africa on page 12 of your statement. Last year at my request a table was inserted into the hearings giving the level of our trade and the percentage per country which it represented. As you look at that table it is obvious while we buy a considerable amount from these countries, we don't sell them much. I suppose what you just discussed is to correct that situation.

Mr. NEWSOM. That is right.

Mr. SHRIVER. That is the intent?

Mr. NEWSOM. Yes, because we do have as a primary objective opening up those areas of Africa where our traders have encountered these specialized preference schemes so that we can increase our volume of trade.

Mr. SHRIVER. Will you update that table on page 1037 in last year's hearings?

Mr. PASSMAN. Will the gentleman yield?

Mr. SHRIVER. Yes.

Mr. PASSMAN. As we look at the exports to the African area, small they may be, most of that covers AID exports does it not? In AID exports, even though it is a grant, we do include those exports as an export notwithstanding that it is a concessionary loan, we list it as an export, do we not?

Mr. ADAMS. We——

Mr. PASSMAN. You haven't answered my question. Isn't that correct? I want to be fair. Do we not list everything we ship into Africa against these AID funds as exports from the United States to Africa?

Mr. ADAMS. Yes, that is correct. May I mention that in the last year for which we have data, the exports to Africa were $1.3 billion, that was higher than——

Mr. PASSMAN. Congressman Shriver has requested a table to be put in the record to cover it.

Mr. ADAMS. Yes, sir.

Mr. PASSMAN. If you take off all of the exports that go into Africa that are either financed by this AID program or related agencies including our percentage contribution to the World Bank, International Development Association, and the International Finance Corporation, the chances are you could just about pay for the net difference because you are funneling funds out of every organization to which we contribute funds. You know what I am talking about?

Mr. COURTNEY. Yes, I do.

Mr. PASSMAN. Anyway, put the chart in.

(The chart follows:)

Trade of Selected African Countries with the United States and Former Metropole, 1969[1]
($ Millions)

Country	EXPORTS					IMPORTS				
	Total	To United States		To Former Metropole		Total	From United States		From Former Metropole		Former Metropole
		Amount	% of Total	Amount	% of Total		Amount	% of Total	Amount	% of Total	
Burundi	12	8.2	68	1.4	12	22	1.1	5	4.6	21	Belgium
Cameroon	226	13.6	6	74.6	33	205	12.3	6	100.5	49	France
Central African Rep.	36	3.2	9	18.4	51	38	1.9	5	20.9	55	France
Chad	31	*	*	24.8	80	54	2.7	5	18.4	34	France
Congo (Kinshasa)	695	32.2	5	375.3	54	410	49.2	12	98.4	24	Belgium
Dahomey	26	4.7	18	11.2	43	49	1.9	4	22.5	46	France
Ethiopia	119	49.9	42	-	-	155	15.5	10	-	-	--
Gabon	142	15.6	11	49.7	35	78	8.6	11	45.2	58	France
Gambia[2,3]	16	0.2	1	9.8	61	21	1.0	5	10.1	48	United Kingdom
Ghana	390	46.8	12	105.3	27	347	62.5	18	93.7	27	United Kingdom
Guinea[2,3]	57[E]	5.3	10	2.1	4	36	8.3	23	12.2	34	France
Ivory Coast	456	63.8	14	141.4	31	333	26.6	8	153.2	46	France
Kenya[4]	272	13.6	5	43.5	16	360	25.2	7	100.8	28	United Kingdom
Liberia	196	54.9	28	-	-	115	39.1	34	-	-	--
Malagasy Republic	113	27.1	24	40.7	36	178	10.7	6	92.6	52	France
Malawi	53	3.2	6	24.4	46	84	3.4	4	25.2	30	United Kingdom
Mali	17	*	*	2.9	17	39	1.2	3	15.2	39	France
Mauritania[2,3]	77	0.8	1	13.1	17	38	6.1	16	19.4	51	France
Mauritius	66	3.3	5	46.9	71	68	1.4	2	14.3	21	United Kingdom
Morocco	485	9.7	2	169.8	35	562	44.9	8	168.6	30	France

Continued

Trade of Selected African Countries with the United States and Former Metropole, 1969[1]
($ Millions)

Country	EXPORTS					IMPORTS					Former Metropole
	Total	To United States		To Former Metropole		Total	From United States		From Former Metropole		
		Amount	% of Total	Amount	% of Total		Amount	% of Total	Amount	% of Total	
Niger	24	0.2	1	15.1	63	49	2.5	5	24.0	49	France
Nigeria	905	108.6	12	244.4	27	696	83.5	12	243.6	35	United Kingdom
Rwanda	14	0.1	1	4.2	30	24	1.7	7	3.8	16	Beligum
Senegal	123	*	*	73.8	60	198	11.9	6	79.2	40	France
Sierra Leone	106	2.1	2	74.2	70	112	5.6	5	47.0	42	United Kingdom
Tanzania[4]	251	17.6	7	60.2	24	240	12.0	5	52.8	22	United Kingdom
Togo	44	*	*	14.9	34	56	2.8	5	17.9	32	France
Tunisia	166	1.7	1	44.8	27	256	48.6	19	84.5	33	France
Uganda[4]	225	47.3	21	45.0	20	175	5.3	3	45.5	26	United Kingdom
Upper Volta	21	*	*	2.7	13	50	2.0	4	22.0	44	France
Zambia	1,073	10.7	1	278.9	26	493	49.3	10	113.4	23	United Kingdom

* - Less than one-half the unit shown. E - Estimate.

1/ - Data not available for Botswana, Equatorial Guinea, Lesotho and Swaziland.
2/ - 1968 data.
3/ - Data based on reports of trading partners.
4/ - Data for Kenya, Tanzania, and Uganda include trade with the other two countries.

NATIONALIZATION OF INDUSTRY IN AFRICA

Mr. SHRIVER. On page 14 you mention the nationalization of industries by these countries. Have any U.S. firms been affected this year?

Mr. NEWSOM. There have been in calendar year 1970, which is the period since we met with the committee. American firms were involved in nationalization proceedings in Uganda. These have, to the best of my knowledge, been settled with the firms. The firms are continuing in business on a participation basis in Uganda.

We have had the nationalization of some individual properties owned by American companies in Tanzania within the last 2 months under a law nationalizing certain kinds of real property in Tanzania. This is under negotiation at the moment.

Mr. SHRIVER. Would you put in the record more detail as to these that you have mentioned, or any others that there may have been?

(The information follows:)

RECENT NATIONALIZATIONS IN AFRICA AFFECTING U.S. INTERESTS

In 1970 and to date in 1971 six African countries nationalized properties in which there were U.S. interests. There follows a brief description of the U.S. interest in each of these countries.

LIBYA

There are several unresolved compensation cases pertaining to U.S. ownership of petroleum exploration and distribution facilities under nationalization moves by Libya in 1970 and 1971. Compensation is yet to be made to two nationalized foreign-owned banks in which U.S. banks had a minority interest. Also, a U.S. company had minority ownership in a nationalized construction company; the status of compensation to this company is not known.

SOMALIA

A U.S. petroleum company whose properties in Somalia were nationalized in 1970 is attempting to enfranchise its small investment in stations and equipment rather than claim compensation; however, it is requesting cash payment for its inventory. Overseas Private Investment Corporation (OPIC) is investigating an expropriation claim filed by a subsidiary of a U.S. company. The stated basis of this claim is "creeping expropriation." Also pending is compensation for the minority interest a U.S. bank has in a nationalized bank in Somalia.

SUDAN

In 1970, nationalization measures in Sudan affected two banks in which U.S. banks had a minority interest and a U.S. insurance company's sales and service agency. Evaluation of these properties is underway. Sudanese Government committees are to determine the amount of compensation which is to be paid in 15-year Sudanese Government bonds redeemable in 10 years from the date of issue. The U.S. Government has not been approached for assistance in any of these cases.

TANZANIA

A Tanzanian Government act in late April 1971 in effect nationalizes all rental property valued at over $14,000 which is not wholly owner occupied. No payment is to be made for buildings over 10 years of age; payment for other buildings is to be scaled in accordance with their age. Four buildings owned by U.S. interests are involved and negotiations regarding these properties are underway.

UGANDA

In 1970 Uganda's Government announced its decision to acquire 60 percent ownership of all commercial banks and many of the most important private companies. However, on May 1, 1971, the new president announced that his government was now interested in obtaining only minority share participation

(49 percent) in those firms with which agreements had not been reached and would, on request, be willing to renegotiate the 60/40 and any other arrangements which had been concluded. Affected in Uganda's nationalization are interests of three U.S. petroleum companies, a U.S. insurance company, a U.S. engineering firm's minority equity in a Ugandan firm and three U.S. banks which had indirect minority interest in branches of foreign banks in Uganda. The insurance company, the first foreign-owned firm to reach an agreement with the Ugandan Government on the 60/40 basis, has indicated it intends to renegotiate to acquire 51 percent equity in the joint company which had been established. The banks most likely will also opt for 51 percent equity. One of the petroleum companies which had signed on a 50/50 basis has indicated it wishes to continue on that basis; another continues to negotiate on a 50/50 basis while the third company has not agreed to accept the principle of Government of Uganda participation. With respect to the engineering company, a slight adjustment in its minority equity stemming from the government's acquisition of 60 percent (instead of 55 percent) equity does not seem to present a problem.

ZAMBIA

Four U.S. banks have indirect minority interest in banks which the Zambian Government in 1970 announced its plans to acquire 51 percent interest. The government is presently negotiating a settlement with the banks and is expected to provide compensation for any assets eventually taken over.

PROGRAM DESIGN FOR OTHER ASSISTANCE DONORS

Mr. SHRIVER. Mr. Adams, on page 6 of your statement, you say, "Our technicians will be making engineering studies for capital activities to be financed by us or other donors." Do we have studies for other countries' foreign aid programs?

Mr. ADAMS. No, sir. What we are attempting to do is to somewhat counter one of the major handicaps that African development has faced, and that is it has a shortage of suitably designed projects and programs for financing.

What we have attempted to do through our program is, on the one hand, to increase the number of what I call shelf item projects which can be a part of the portfolio of a country situation as it seeks to get help from other donors.

Mr. SHRIVER. Then the answer is yes, we do the engineering work for foreign aid programs of other countries? That was my question.

Mr. ADAMS. Yes, sir; that is correct. What I was trying to suggest was that the emphasis was on the benefit and the special service that accrues to the developing country.

Mr. SHRIVER. To what extent is that practiced?

Mr. ADAMS. Quite a bit, sir, when we feel we can be a catalyst for other donor aid. To cite one instance, AID has financed a $120,000 feasibility study of a 200-mile all-weather road to link the major cities of Fada N'Gourma and Niamey, in Upper Volta and Niger. Multidonor financing for the construction is expected and might include the African Development Bank, the World Bank, and also the Common Market's European Development Fund.

Mr. SHRIVER. Does the Common Market participate in foreign aid?

Mr. ADAMS. Yes, sir; mainly through its own European Development Fund and also through the European Investment Bank.

Mr. SHRIVER. How big is that?

Mr. NEWSOM. The European communities have an agreement primarily with the former francophone countries of tropical Africa to provide some $900 million over the next 4 years, an agreement which

is tied into the kind of reverse trade preferences that we were previously talking about.

Mr. ADAMS. That is the second instance.

Mr. SHRIVER. Is it primarily for the trade benefit of those countries that formerly had these accounts?

Mr. NEWSOM. That is right.

POLICE COLLEGE IN NIGERIA

Mr. SHRIVER. You are requesting funds in this budget for the construction of a new police college?

Mr. ADAMS. Yes; in Nigeria.

Mr. SHRIVER. The justification states that $3.4 million was promised in fiscal 1971 for this purpose. I see you only mention this in last year's justifications on page 193, where you said "Funds may be provided to help improve incountry facilities for training of Nigerian police officers."

We have already paid $200,000 in fiscal year 1970 for architecture and engineering work on this project.

Mr. ADAMS. Yes; that is correct.

Mr. SHRIVER. For a total of $3.6 million. I would think that would build quite a large building in Nigeria. The only mention you made last year was on page 193, I believe.

Mr. ADAMS. Yes, sir. Could I try to explain what occurred in that instance?

Mr. SHRIVER. Yes. Is it an increase in crime?

Mr. ADAMS. No, sir.

Mr. SHRIVER. We have had that here.

Mr. ADAMS. Yes. I can appreciate that. The project arose out of the concern that the Nigerians have had to try to erase some of the scars of their civil war. They felt that such a training institution would permit a melding of the various tribal groups into a disciplined police force. A requirement for the maintenance of security throughout the country is to have an adequate police training academy which includes representation from all of the various tribal groups.

We felt that this was an appropriate instance of a project which would make a major contribution to the development of the country, including the contribution it might make to national unity. It would at the same time insure the kind of internal security which development rests upon.

Mr. SHRIVER. Is this the extent you think it will be? Or is this the beginning?

Mr. ADAMS. This should be the full extent of it, sir.

Mr. SHRIVER. Thank you.

That is all, Mr. Chairman.

Mr. PASSMAN. Mrs. Reid?

NON-UNITED STATES AID TO AFRICA

Mrs. REID. Thank you, Mr. Chairman. In your statement on page 5 you say the AID request for fiscal year 1972 represents less than 8 percent of the external aid going to Africa. Could you furnish for the record a list of other countries giving assistance to Africa and the percent for each?

Mr. ADAMS. Tentative projections of the aid level for Africa in fiscal year 1972 are shown in the attached table.

(The table follows:)

FREE WORLD EXTERNAL AID TO AFRICA, FISCAL YEAR 1972[1]

[Estimated minimum commitments in millions of U.S. dollars]

	Value	Percent of total
Total external aid	2,040	100
A. Communist	100	5
B. Free world	1,940	95
1. "Other" free world	1,618	79.3
Bilateral and regional	1,030	(50.5)
France	380	18.6
European communities[2]	280	13.7
United Kingdom	125	6.1
Germany	80	4.0
Other (14 donors)[3]	165	8.1
International	588	(28.8)
IBRD	312	15.3
IDA	175	8.6
IFC	20	1.0
United Nations	81	3.9
2. United States	322	15.7
AID	160	7.8
Public Law 480	107	5.2
Export-Import Bank	40	2.0
Peace Corps	15	.7

[1] Comprises grants and concessional loans except for IBRD and U.S. Export-Import Bank loans.
[2] European Development Fund and European Investment Bank.
[3] Includes Austria, Australia, Belgium, Canada, China (Taipei), Denmark, Finland, Israel, Italy, Japan, Netherlands, Norway, Sweden, and Switzerland.

Source: AID Africa Bureau.

PATHFINDER FUND

Mrs. REID. In the hearings last year you mentioned a proposal to make a grant to an American volunteer agency, the pathfinder fund, for population control funds. Is this organization still receiving funds—and are there any other American voluntary agencies receiving funds for work in this area?

Mr. ADAMS. The pathfinder fund continues to receive AID funds through a centrally funded grant. The Population Council is the only American voluntary agency receiving funds for work in population/family planning from the Africa bureau.

BILATERAL-MULTILATERAL AID

Mrs. REID. 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. According to the latest data available, the United States provided $371 million in economic assistance to Africa during fiscal year 1970. About 79 percent of this amount ($294 million) was provided on a bilateral basis and 21 percent ($77 million) on a multilateral basis.

PRIVATE INVESTMENT

Mrs. Reid. What is the U.S. private investment in Africa? Would you also give the location and the type of investment?

Mr. Adams. U.S. private direct investment in Africa now exceeds $3 billion in value. I have a table which was prepared on the basis of the latest data published by the U.S. Department of Commerce which I would like to have placed in the record.

(The table follows:)

U.S. PRIVATE DIRECT INVESTMENT IN AFRICA

VALUE BY COUNTRY

[Millions of U.S. dollars as of end of year—Book Value]

Country	1963	1964	1965	1966	1967	1968	1969
Liberia	197	189	201	207	174	174	172
Libya	304	402	424	389	451	662	775
South Africa	411	467	529	600	666	696	755
Other countries (including United Arab Republic)	513	628	751	878	982	1,142	1,268
Total	1,426	1,685	1,905	2,074	2,273	2,674	2,970
Total excluding South Africa	1,015	1,218	1,376	1,474	1,607	1,978	2,215

INVESTMENT BY ACTIVITY [1]

	1968			1969		
	South Africa	Other	Total	South Africa	Other	Total
Mining and smelting	81	314	395	84	343	427
Petroleum	148	1,407	1,555	158	1,598	1,756
Manufacturing	333	70	403	374	80	454
Transportation and utilities	(2)	4	4	(2)	5	5
Trade	96	67	163	112	71	183
Other	39	117	156	28	118	146
Total	697	1,979	2,676	756	2,215	2,971

[1] Published official Department of Commerce data. Totals may not add due to rounding.
[2] Negligible.

STUDENTS

Mrs. Reid. Do you have any record showing the number of students from Africa now studying in the United States and upon graduation, do the majority of these students return to their native countries or go somewhere else?

Mr. Adams. We have a record published by the Institute for International Education. Their publication called Open Doors 1970 shows that for the academic year 1969–70 there were 6,592 Africans studying in the United States. The majority of African students have been returning to their home countries after completing their studies here. We know, for example, from statistics published by the Immigration and Naturalization Service that only 189 Africans in the student visa category had their status adjusted in fiscal 1969 so as to remain in the United States. Regarding students returning home or settling elsewhere no comprehensive data are available.

HEALTH PERSONNEL

Mrs. REID. How much real progress is being made in training and increasing the number of doctors, nurses, and other health personnel needed in Africa?

Mr. ADAMS. Althought substantial progress is being made, the need far outpaces the increasing supply of health manpower. Twenty-four new African medical schools have opened in the past 10 years, making a total of 30. Several of these schools have yet to graduate their first class, but the number augurs well for the future. The number of students in the estimated 300 nursing and paramedical training programs is limited by the number of new positions which governments are able to establish.

DIPLOMATIC EFFECT

Mrs. REID. On page 5 you state that focusing the AID program on a limited number of key development areas has permitted better coordination between our programs and those of other donors. In this connection, what has been the diplomatic effect in the countries that are not included in these key development areas?

Mr. ADAMS. The key development areas we are referring to are the fields of agriculture production, livestock development, population and health and education. As you know, we have 10 bilateral country programs and four regional programs in Africa. Thus, the countries that do not receive bilateral aid in these key development fields are being assisted through our regional programs. For example, the Central/West Africa regional projects in grain stabilization and livestock production will benefit some 17 countries. The countries of Southern Africa similarly benefit from our assistance to agriculture production, curriculum development, and university education.

AGRICULTURAL DEVELOPMENT

Mrs. REID. You mention on page 7 that in agriculture American technical assistance has made possible considerable progress in attacking many development problems. What are we teaching them in regard to new developments in agriculture—for instance, in our own country there has been some concern about the use of pesticides and DDT—what use is being made of these items in Africa?

Mr. ADAMS. Our technical cooperation relationships with African countries emphasize adjustment to the conditions prevailing in each country, or ecological area. For example, in countries having primarily subsistence level farm units, emphasis is placed upon improved seeds, cultivation techniques using hand or suitable animal-drawn tools, and practices suited to the situation. We follow the approach of basing the process of change upon the introduction to the farmer of those new practices and techniques which have been tested and their merits established. The use of pesticides is a good illustration. We have not encouraged a rapid introduction of DDT in Africa. Rather, it has been made available in recent years in only three countries—Tunisia, Nigeria, and Uganda—and in each instance only in limited quantities for

use on experimental plots. No DDT was made available during the 1971–72 fiscal year for crop purposes.

RHODESIA

Mrs. REID. What results would you say have been brought about by our policy toward Rhodesia?

Mr. NEWSOM. We think that positive results have been achieved. 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, where the sense of frustration and outrage over the Rhodesian situation runs deep.

Our identification 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.

U.S. IMPACT

Mrs. REID. How widespread is the knowledge of U.S. assistance among the average Africans—have any surveys been made to determine their understanding of what we are trying to accomplish?

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 press 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 illerate are aware of U.S. assistance to Africa. No opinion surveys have been conducted in recent years, although the results of earlier surveys support this view.

U.S. IDENTIFICATION IN MULTIDONOR PROJECTS

Mrs. REID. In your statement on page 8 you say the cooperative approach through the multidonor mechanism is often the most effective way to support a project without undue expense and still retain a clear U.S. identification with our contribution. Could you list some of these projects and state how we have been able to retain a U.S. identification with our contribution?

Mr. NEWSOM. In multidonor projects, as in bilateral projects, the U.S. contribution is directly identifiable. A project agreement executed with the recipient country or regional organization specifies all U.S. inputs of technicians, participant training, physical equipment or facilities, and other support costs. Physical facilities constructed with U.S. financing are identified by the AID handclasp symbol.

In the West Africa rice production and marketing project, for example, the U.S. contribution in fiscal year 1972 will consist of three U.S. research scientists, eight participants for U.S. training, and a variety of U.S. manufactured laboratory equipment. The African members of the West Africa Rice Development Association will provide financial support and other donors—the French, British, UNDP and FAO, Ford and Rockefeller Foundations and the World Bank—have agreed to make contributions to the program of the association.

Other multidonor projects in Africa in which the United States has a clearly identifiable share include the following: Construction and technical assistance at the University of Botswana, Lesotho, and Swaziland, training facilities for the University Center for Health Sciences in Cameroon, construction of the Botswana-Zambia Road, rinderpest eradication, and development of telecommunications links connecting the various countries of West Africa.

TRADE WITH AID COUNTRIES

Mrs. Reid. If it has not been requested, would you provide a table showing the U.S. dollar totals and foreign trade with each of the recipient countries in Africa?

Mr. Adams. I have a table that shows the following data on U.S. trade in 1970 with AID program countries.

(The table follows:)

U.S. TRADE WITH AID PROGRAM COUNTRIES IN AFRICA, 1970[1]

[In millions of dollars]

	U.S. exports	U.S. imports
Cameroon	18.9	25.3
Central African Republic	.5	6.4
Congo (Kinshasa)	62.0	40.6
Ethiopia	25.7	67.3
Gabon	6.6	8.9
Gambia	.4	(2)
Ghana	58.9	90.7
Guinea	6.6	6.8
Ivory Coast	36.3	92.2
Kenya	34.3	22.8
Liberia	46.3	50.9
Malagasy Republic	7.0	31.7
Malawi	5.0	1.9
Mauritania	4.2	.7
Mauritius	4.9	2.2
Morocco	89.1	9.6
Nigeria	128.7	71.3
Senegal	8.2	.8
Sierra Leone	8.3	8.0
Tanzania	11.7	23.8
Togo	3.6	1.3
Tunisia	49.3	3.0
Uganda	4.2	47.5
Zambia	30.8	1.9
Botswana/Lesotho/Swaziland	5.3	.4
Burundi/Rwanda	2.7	21.2
West Africa (not elsewhere classified)[3]	12.2	5.6

[1] Preliminary. Data are U.S. exports, f.o.b., including reexports and "special category" (military type) commodities; and U.S. general imports, f.o.b. Data include silver.

[2] Negligible.

[3] West Africa (not elsewhere classified) includes Chad, Congo (Brazzaville), Dahomey, Mali, Niger, and Upper Volta.

Source: U.S. customs data, Department of Commerce.

Mr. PASSMAN. I think you are familiar with most public works projects in this country. We must first get authorization and establish beyond any doubt whatsoever that the benefits derived from the investment will exceed the cost. We refer to it as a benefit-cost ratio.

Mr. ADAMS. Yes, sir.

Mr. PASSMAN. If it's not favorable, you cannot get a dime for it. There is no such thing as funding any type of public works project in this country until you get authorization and until you subsequently get an appropriation for it. You are familiar with that, aren't you?

Mr. ADAMS. Yes, sir; I am.

Mr. PASSMAN. As a usual thing, if it's a project that is going to cost $1 million, you are very fortunate maybe to get $100,000 as the first slice. There is no assurance that you will get any more. But usually, if it has a favorable benefit-cost ratio, you will, and you finally get your money to complete the project.

If you take the time required to get authorization—starting at the State level, and with the Government's Corps of Engineers, the Army, that is in that State—it takes about 7 years to move up to getting the authorization. After that you get the funding in slices. Therefore, we can show a very substantial return on these investments.

Since we have waited from time immemorial to get started doing these things, don't you think we could live with a system whereby we would come in with the projects, establish a benefit-cost ratio, prove it beyond a doubt, and then let the committee fund it on that basis? Couldn't you live with that kind of appropriation?

Mr. SHEAR. We do.

Mr. PASSMAN. No, you do not. You didn't know as much about a lot of these projects I asked you about this morning than I do about surgery. Just like this $130,000 contract where you are invading the OPIC field. You didn't do a thing in the world but get involved and you had to fund that contract. OPIC is in business now and you are over in their territory and they say they are not going to ask for anything in the future.

This is one that was not thought through. You didn't know what was pending in the Congress in the way of OPIC legislation or you would never have gotten involved in this outfit where you have to give $130,000 to do what OPIC was given money to do.

I have never known of you or any other person with the Agency ever submitting to this committee one iota of proof or any worksheets

showing that a drainage project or flood control project would cost so much and the benefits would be so much.

You bring me one of those cost-benefit worksheets.

Mr. ADAMS. May we do so, sir?

Mr. PASSMAN. I want you to bring me one of them.

Mr. ADAMS. Yes, sir; we would be glad to.

Mr. PASSMAN. I have been begging for one for 17 years and I have never seen a worksheet on how it was established. How are you going to establish that when you are channeling fertilizer through a bank with three or four people getting an override? How are you going to come up with a favorable benefit-cost ratio on that one?

Now I want to extend to you the same proposition I have to all other AID witnesses for 17 years. If you can think of one project that we have ever had in America—anywhere, large or small, by real name or nickname—that you haven't started one or more somewhere else in the world, then you get the prize. Do you want to start working on it?

Mr. ADAMS. Yes, sir. We will try.

Mr. PASSMAN. You try it. That is all you can do, isn't it?

Mr. ADAMS. We will try.

Mr. PASSMAN. Unless you live with this you don't really realize how involved we are. I think you know, don't you, Mr. Secretary?

Mr. NEWSOM. We get a glimpse when we come up here, Mr. Chairman.

Mr. PASSMAN. Yes, but you have 4,416 projects in 99 nations of the world. The facts are that nations do whatever they please after you give them the money. If they want to expropriate property, they do it. They don't pay any attention to our policy back here. And you know that, Dr. Adams. They do whatever they want to. Isn't that about right?

Mr. ADAMS. Yes, I understand.

Mr. PASSMAN. Certainly that is right. You understand, but isn't that about right?

Mr. ADAMS. Yes, sir.

Mr. PASSMAN. Good. That is what I wanted you to say. You know it is. It's time for us to stop this type of operation.

Mr. ADAMS. Thank you, Mr. Chairman.

Mr. PASSMAN. The committee will adjourn at this time.

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TUESDAY, JUNE 29, 1971.

NEAR EAST AND SOUTH ASIA

WITNESSES

DONALD G. MacDONALD, 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
ALFRED D. WHITE, DIRECTOR, OFFICE OF DEVELOPMENT PLANNING, BUREAU FOR NEAR EAST AND SOUTH ASIA, AGENCY FOR INTERNATIONAL DEVELOPMENT
RICHARD G. BIRNBERG, PROGRAM DIVISION CHIEF, OFFICE OF DEVELOPMENT PLANNING, BUREAU FOR NEAR EAST AND SOUTH ASIA, AGENCY FOR INTERNATIONAL DEVELOPMENT
JAMES H. BOUGHTON, SENIOR REGIONAL ADVISER, REGIONAL AFFAIRS, BUREAU OF NEAR EASTERN AND SOUTH ASIAN AFFAIRS, DEPARTMENT OF STATE
ALEXANDER S. C. FULLER, SENIOR ECONOMIC OFFICER FOR PAKISTAN AFFAIRS, BUREAU OF NEAR EASTERN AND SOUTH ASIAN AFFAIRS, DEPARTMENT OF STATE
ALLAN R. FURMAN, DEPUTY DIRECTOR, OFFICE OF LEGISLATIVE AFFAIRS, AGENCY FOR INTERNATIONAL DEVELOPMENT
CHARLES F. FLINNER, CONTROLLER, AGENCY FOR INTERNATIONAL DEVELOPMENT
COL. FRANK BURDELL, OFFICE OF THE SPECIAL ASSISTANT FOR CONGRESSIONAL RELATIONS, OSD/ISA, DEPARTMENT OF DEFENSE

Mr. PASSMAN. The committee will come to order.

We shall continue this afternoon our examination of the budget request for foreign aid and assistance for fiscal year 1972. We have as witnesses Hon. Donald G. MacDonald, Assistant Administrator, Bureau for Near East and South Asia; Hon. Rodger P. Davies, Deputy Assistant Secretary, Bureau of Near Eastern and South Asian Affairs, and several supporting witnesses.

Gentlemen, we are very pleased to have you appear before the committee in support of your budget request. I would assume that you, Mr. Secretary, would have a statement for the committee.

Mr. DAVIES. Yes, sir.

Mr. PASSMAN. And you also, Mr. MacDonald?

Mr. MACDONALD. Yes, sir.

Mr. PASSMAN. Mr. MacDonald, you may proceed.

STATEMENT OF THE ASSISTANT ADMINISTRATOR, BUREAU FOR NEAR EAST AND SOUTH ASIA

Mr. MACDONALD. Mr. Chairman and members of the committee, in recent months we have seen dramatic demands for change in countries of the Near East and South Asia. They have sprung from the stress of growth and modernization and they have varied with the political

mix of national circumstances. Most gratifying has been the striking reaffirmation of the strength of Indian democracy in the national election of March 1971, which centered largely on the issues of poverty and unemployment and the need to overcome them. With that election, India emerged from a period of political uncertainty with renewed strength and the Indira Gandhi government emerged with a clear mandate to achieve more rapid, more tangible, economic and social progress. In Turkey, the new nonparty government has declared its intention to modify the nation's political, social, and economic systems to improve the well-being of its citizens. Turkey is undergoing a very difficult period of internal political stress; nonetheless, the economic and financial reforms undertaken at the time of the previous government's currency devaluation last August have been sustained by the new government. The climate and prospects for economic development remain promising.

On the other hand, recent events in Pakistan and Ceylon have set back immediate prospects for development. These events arose in large part from impatience with the pace of economic improvement and the lack of resources to reduce the burden of poverty, raise employment, and improve the quality of life. Ceylon is beset with growing unemployment. The people of Ceylon have invested extensively in the development of education and health services, but the economy has not grown fast enough to create new jobs for graduates or revenues to pay for government services. In Pakistan, the failure of the economy of East Pakistan to grow rapidly enough was an important factor in the challenge to national integration.

As I have already noted, the recent election in India improves prospects for India to realize faster economic progress with special emphasis on the problems of the unemployed, the small farmer and businessman, and the well-being of India's children. Having achieved much greater sufficiency in cereal production and having built an impressive industrial base, India has been turning its attention to the next generation of development problems. However, India has now been forced to divert its concern to the influx of refugees from East Pakistan, which is beginning to take a large toll on its economy. Scarce health services, transport and financial resources have been diverted to avert the spread of cholera and other diseases and shelter and feed refugees. We have already made available emergency assistance and stand ready to provide additional emergency help, but foreign relief is covering only part of the cost to the economy.

India's ability to deal successfully with the problems of unemployment and the disadvantaged and the wholly unexpected problem of millions of refugees in addition to continuing investment in agriculture, housing, family planning, and other areas, will depend to a considerable extent on the level of external assistance. Adequate development assistance from the outside will help insure that exploration of the opportunities opened for the 1970's, is not forestalled by the refugee problem. Insufficient help at this critical time will cost time—time which cannot be made up in the struggle for development, stability, and the capacity to effect change through peaceful means.

Pakistan's previous record in economic development had also been favorable. Internal political disorder, however, has disrupted continuation of that progress, and the economic situation is at present deeply

depressed. The first and most immediate need is for humanitarian relief to the people of East Pakistan, where the civil strife has occurred. An international relief effort coordinated by the United Nations has been mounted and we are giving it full support, drawing as necessary on Public Law 480 emergency relief and AID worldwide contingency funds. We are hopeful that an effective relief program will contribute to the restoration of peaceful conditions and rehabilitation of the people in East Pakistan and will promote the resolution of the tragic refugee problem and the achievement of a political settlement satisfactory to all the people concerned. At the point economic development can again be resumed, we would wish to participate in it with new economic assistance for the benefit of all the people in Pakistan.

In Turkey, the new government's first priority is to end violence by extremist elements but, in the tradition of Ataturk, it is also committed to a long list of reforms in Turkish political, social, and economic life. Educational and agricultural reform are prominently featured. The economy is already benefiting from last August's devaluation. Foreign exchange reserves down to $220 million the month before devaluation appear to have stabilized at a more appropriate level of just over $400 million. The Erim Government is committed to maintaining a high priority on export promotion in future development policy. Traditional exports have risen in response to the devaluation and new exports should begin to make their contribution to export earnings soon. Successful implementation of these reform programs should help Turkey reduce its need for U.S. concessional lending.

Afghanistan and Nepal are at a relatively earlier stage of economic development than that of some of their neighbors. They will need help for some time to come in their efforts to modernize their agriculture, education, and public administration. We are assisting both countries to modernize curriculums and improve instruction in their primary schools. We are also assisting in their establishment of agricultural research institutions that can adapt new seed varieties and other technological breakthroughs to local conditions.

Development has been a priority objective of public policy in the countries we assist in the Near East and South Asia region. In recent years, each has achieved a measure of success in agricultural breakthroughs in wheat production, in meeting the need to reduce birth rates, in strengthening national education systems, and in expanding industry. Despite very low incomes, these countries are making heavy sacrifices to finance development. External aid from the United States and other donors and from international agencies provides a critical margin of economic and technical resources. Without it the pace of development in these countries would be so very much slower that their ability to achieve development goals through peaceful and orderly processes would be endangered.

The burden of external assistance to the countries of this region is widely shared. Other bilateral donors and the World Bank provide well over half of the total concessional aid. Representatives of the World Bank meet regularly with Canada, Japan, the United Kingdom, Germany, France, Italy, and others to coordinate aid for India, Pakistan, Turkey, and Ceylon. Together these donors review past per-

formance of the recipient country and the extent to which it is taking self-help measures, they focus on important issues—such as population—they examine assistance requirements, and they consider the terms and relative shares of donor contributions. The volume of assistance by other donors and the quality of their aid have improved significantly over the past decade.

FISCAL YEAR 1972 REQUEST

[In millions of dollars]

	Fiscal year—		
	1970	1971	1972
Development assistance	404.7	358.2	407.3
Development loans	350.8	320.0	370.0
Technical assistance	30.8	31.1	30.9
Family planning	23.1	7.4	6.4
Economic supporting assistance	0	5.0	30.3
Total NESA	404.7	363.5	437.6

We are requesting $370 million for development loan programs and $37.3 million for technical assistance and family planning. India, Turkey, and Pakistan are scheduled to receive all development lending planned for fiscal year 1972 in the Near East and South Asia region. No specific loan programs are planned for Afghanistan, Jordan, Ceylon, and Nepal at this time, although they remain eligible for loan assistance. While we recognize development progress has been set back in Pakistan, it is important that we be in position to continue to provide appropriate economic and technical assistance when conditions are again favorable to carrying on the tasks of national economic development.

For Jordan we are also requesting $30 million in economic supporting assistance to help finance a portion of the reconstruction and rehabilitation needs.

We are also requesting under the international organization category $15 million in grant and $12 million in loan for the U.S. share of the costs of the Indus program. Construction of Tarbela Dam, the last major work to be financed by the Indus Basin Development Fund, is well underway and is now scheduled for completion in 1976.

Development loans are used by the borrowers to finance their major investment projects and requirements for vital imports of agricultural inputs and industrial raw materials, components, spare parts and machinery needed to achieve the production goals of their development plans. Program loans receive higher priority in the NESA region than project loans because the goods they finance contribute directly to the performance of the economy as a whole, especially the private sector. India has developed a particularly impressive industrial complex that can manufacture most components of the country's major capital projects, but it requires some imported components and extensive raw materials, the costs of which it is not yet able to finance entirely on its own. Program loans to help finance these imports are now vitally important for India's investment program and overall

economic activity aid for the ultimate achievement of a capacity for self-sustaining growth without continuing external assistance.

In addition to program loans, we are considering a few important project loans to spur minerals development in India, for groundwater development and more effective use of water in coastal areas in East Pakistan, for plant protection programs in both East and West Pakistan, and for technical services to assist in development of water resources in West Pakistan. Loans to two Turkish Development Banks are under consideration, one to an institution designed to help develop the rich potential for gains in agriculture and industry in southern Turkey's Cukurova region, the other to a general industrial development bank.

We continue to focus our technical assistance on agriculture, population, and education, helping the recipient countries to develop new research and training institutions to increase skilled manpower, and to develop technological improvements to raise productivity and income.

AGRICULTURE

The contribution of agriculture to development has been dramatic. Use of improved seeds continues to spread, newer varieties are being developed and tested, and modern agricultural practices using chemical fertilizer and pesticides, continue to be adopted by greater numbers of farmers. The new wheat varieties are performing well in India and West Pakistan, while a new rice variety (IRRI–20) tried out for the first time last year in East Pakistan showed encouraging results. This opens up prospects for large production increases. The good performance of IRRI–20 represents a significant breakthrough in efforts to extend the green revolution into flood areas of East Pakistan and India not suited to the high yielding rice varieties previously developed. Food grain production in India continues to increase at a satisfactory rate. The crop this year at 105 million tons is expected to be around 4 percent higher than last year's record output. Turkey continues to experiment with new wheat varieties using new moisture conservation techniques. With research and investment continuing in plant protection, irrigation, and other areas supporting the extension of the new agriculture technologies, it is gratifying to be able to report another year of sustained agricultural progress strengthening the longrun prospects for rural development and overall growth and modernization in the NESA region.

AID has played an important role in the spread of the new technology. AID has financed the import of agricultural inputs, especially fertilizers and pesticides, which the NESA countries do not yet have the capacity to produce in sufficient quantity. We have assisted in financing the expansion of fertilizer production in India which has been rising rapidly. Domestic production in 1967–68 was only 547,000 nutrient tons. By last year production had doubled and is estimated at close to 1.5 million tons in 1970–71, reducing the country's dependence on fertilizer imports. AID is also providing technical assistance for development of the institutional framework supporting the green revolution. About 35 percent of our request for technical assistance projects is in agriculture. We are helping Turkey, Afghanistan, India, and Pakistan develop and improve their research capabilities and train

their manpower—research scientists, agriculturalists, extension personnel, teachers, and others.

A major effort in India has been our assistance to India's establishment of land-grant-type universities. The eight institutions we are assisting comprise one of the major institutional resources supporting Indian agricultural development through training, research, and extension. The most advanced of such universities, in the state of Punjab, has made a vital contribution to the wheat revolution in northern India through development of wheat varieties and through its extension efforts.

The Government of India is giving special attention to the problem of ensuring wider participation of farmers in the green revolution, especially of small farmers who have tended to be bypassed. A farm need not be large to apply the new seed varieties and modern practices. But the small farmer does need access to water, credit, and extension services. So, India is making a special effort to help the small farmer through a new Small Farmers Agency established to cater to his needs. The impact of the green revolution on employment is also being watched closely. So far it appears to have significantly increased the demand for labor, while recent trends toward mechanization are being studied for their effects on rural jobs.

POPULATION

NESA countries continue to recognize the importance of family planning. The family planning programs on the subcontinent are already the largest in the world. In India the program has received strong support since the recent Indian elections, statements of highest level concern over the necessity for more rapid progress in an urgent high priority problem.

The numbers we are dealing with are enormous. To change millions of people's perceptions about the size of family they should have, and provide the means for limiting family size, involves national programs of a kind and size without historical precedent.

The first concern of governments introducing family planning programs was to get on with the job: to create systems to provide contraceptives and to education people about their availability and use. In the last few years, governments have moved to the stage of reevaluating programs, tightening administration, improving planning and management. A third stage is likely to be required before these unprecedented efforts at social change can yield major results. Very little research has been done so far on key questions of motivation. We need to find out why people want the number of children they do and what changes in people's environment—for example, expanded facilities for female education or lowered infant mortality—serve as incentives to people to marry later, space their children, and have smaller families.

Last year AID provided India $20 million to help finance an expansion of the family planning program. This assistance has helped accelerate the momentum in construction of family planning facilities, and has enabled the government to initiate new research and more flexible procedures designed to speed up program implementation. We are prepared to consider providing additional financial assistance to accelerate further expansion of the program.

The request of $6.4 million to support population programs in the NESA region—concentrated in India and Pakistan—is primarily for training, commodities, and advisory services for government programs, and to finance family planning testing and research by private organizations.

EDUCATION

Investment in education, in literacy, and in upgrading people's skills, has recently been recognized as one of the major sources of economic growth in the United States and Western Europe. In the developing countries as well, expanding the enrollment and improving the quality of education systems is essential for modernization, for increasing productivity and building responsible citizenry. Popular demand for education is high and the governments of the NESA region have put large resources into efforts to meet this demand. Rapid expansion of these systems has raised many problems of administration, teacher competence, and curriculums. To help find solutions to these problems the countries of the region have sought technical assistance from U.N. technical agencies and bilateral donors including ourselves.

AID's assistance in education, comprising about one-fourth of the bilateral technical assistance program in the region, is concentrated on elementary school curriculums, teaching of science and mathematics in secondary schools, and certain institutions of higher learning. We are assisting the planning unit in the Education Ministry in Turkey. In India we are proposing a new, innovational project using "programed instruction" in science, mathematics, and language at the primary grades. Our primary focus in Afghanistan and Nepal is on improvement of the primary school curriculum.

In a related area, AID is assisting India to develop a number of innovational approaches to the problems of malnutrition. There is increasingly strong evidence that protein malnutrition among children of low-income families inhibits the child's physical growth and can cause impairment of brain growth and mental development. Besides helping to avoid these tragic consequences, nutrition programs can also help reduce the high levels of infant and child mortality which are believed to be an important factor influencing fertility levels.

I thank you for this opportunity to highlight for you our program and requirements for assistance. We are engaged in a long-term task. Some progress has been made, some setbacks encountered. But I remain optimistic that progress can be made in finding solutions to the constraining conditions of the people of the underdeveloped world if we sustain our effort.

Mr. PASSMAN. Thank you, Mr. MacDonald.

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 pleased to have the opportunity to appear before you today in support of the President's request for funds to carry out development and security assistance programs during fiscal year 1972.

I should like briefly to comment on three areas within the Near Eastern and South Asian region—the Middle East, South Asia and Eastern Mediterranean.

In his report to the Congress of February 25, 1971, President Nixon characterized the situation in the Middle East as the most dangerous we face and noted its potential "for drawing Soviet policy and our own into a collision that could prove uncontrollable." It is the dangers inherent in this situation which have motivated our unrelenting search for peace in the Middle East. That peace remains elusive has not deterred us and will not deter us from pursuing it. We have always recognized the serious obstacles—the deep suspicion and distrust—to be overcome, but the stakes for all are simply to great to permit us the luxury of relaxing our efforts.

It is right to give our attention to what remains to be done, but it is well to recall what has been accomplished. There have been some dramatic changes within the past year. Where a year ago there was intense military engagement along the Suez Canal, today the guns are silent—as they have been for 11 months now. Where last fall Jordan was in the throes of crisis, today there is a growing stability.

These two elements—a ceasefire and stability—are essential to the peace-making process.

That these two elements are present in the Middle East today makes it imperative that the momentum of the movement toward peace be sustained, lest this moment, too—as others in the past—be recorded in the history books as another opportunity missed. It was with this purpose in mind that Secretary Rogers made his trip to four Arab countries and Israel.

The visit afforded an opportunity to explore with the parties concerned ways by which fresh impetus could be given to the negotiations under Ambassador Jarring's auspices and also, to canvass the prospects withIsrael and Egypt for arriving at an interim agreement to reopen the Suez Canal.

In general, we felt that the Secretary's discussions helped create a better understanding of the mutual accommodations the parties must make if a peace settlement is to be achieved in the Middle East.

A few weeks ago, the United Arab Republic and U.S.S.R. signed a Treaty of Friendship and Cooperation. What the ultimate significance of the treaty is, we cannot pretend to know, although it is clearly a serious and potentially complicating development. But we do not believe it need be a bar to making progress toward a peace settlement or an interim Suez Canal agreement. We are, therefore, continuing our discussions with the parties through diplomatic channels.

At the request of Egyptian and Israel leaders, we are continuing to explore with them the possibility of attaining an interim arrangement for reopening the Suez Canal. We do not underestimate the difficulties in reaching agreement on this question. Certainly, it would be imprudent to forecast a successful outcome when there remain serious differences between the parties. But it is our considered view that the possibility of an interim arrangement remains; and we shall persevere in our attempt to assist the parties in seeking agreement on a mutually satisfactory formula so long as the parties consider our role useful. Agreement would not only reduce the risk of a ceasefire breakdown but could also give rise to a growth of mutual con-

fidence. Mutual confidence is the element which can impart a real impetus to the Jarring negotiations looking toward a final peace settlement. Agreement will also nurture hope, and hope can create the psychological climate in which further constructive action becomes possible.

It is for these reasons that we believe some interim arrangement for the canal area is worth pursuing.

Your examination of our request for economic and security assistance will reveal that our security assistance plays a significant role in the arc of countries in the eastern Mediterranean, ranging from Greece and Turkey to Jordan and Israel. We have to be mindful that in our absorption in our relations with these individual countries we do not lose our perception of the area as a whole. The evolution of events has made it clear that the collective deterrent strength in the Mediterranean represents additional protection for our individual friends in the area.

An important part of that strength is contributed by Greece and Turkey, which together comprise NATO's southeastern flank.

With these two countries, we have long enjoyed warm and close relations. That friendship has endured through changes of administration in the United States and changes in government in both Greece and Turkey. On our part, we have fully recognized the devotion of both countries to the preservation of their own independence and to the collective security of NATO as a whole. We have been steadfast in our support, and we have contributed substantially from our own resources to enable both countries to advance economically while maintaining their security. Both countries can, with justifiable pride, point to impressive economic accomplishment; both can, while not ceasing their vigilance, have confidence in their security from external threat and aggression.

That we have, in the bill you are considering, requests for substantial amounts of security assistance for both countries and economic assistance for Turkey is a reflection of the importance we attach to their security.

But security cannot be the only consideration in our relations, however important it may be. Our interest in the economic development of Greece and Turkey, in other words in the welfare of the Greek and Turkish peoples, and the heavy investments we made to lend substance to our interest attests to that fact. That we should register interest in another form of well-being, political rather than economic, should not be the occasion for surprise, dismay, or hostility.

Frankly, our relations with Greece have been troubled by the failure of its Government to move more rapidly toward its pledged goal of restoring representative government in that country. Some progress has been made in restoring civil liberties, but the Greek people will not enjoy real freedom until they are able to determine their own future at the ballot box.

With Turkey we have a problem of immediate concern which stems from its importance as a source of the world's supply of opium. The seriousness of the drug problem, and particularly of heroin, in the United States is something I need not dwell on. It is a fact, a fact of which all of us in the United States and increasingly in the international community, have become acutely conscious. President

Nixon only recently announced a new and multifaceted attack on the problem.

Internationally—and this certainly applies to Turkey—we are now asking others to share our concern for the well-being of our own people—just as we have, for many years past and still, shared their concern for the welfare of their people.

The new Prime Minister has pledged his Government to new and more vigorous steps to control the production and supply of opium. Just last week, the lower house of the Turkish Parliament passed a strict opium licensing law, which is a prerequisite to the establishment of the more effective controls needed to eliminate illegal diversion of opium. Early Senate action is anticipated. In addition, the Turkish Government monopoly charged with the purchase of the opium crop is mounting the first truly coordinated and intensive effort to buy up the entire opium crop. This organization's efforts are receiving much more effective support from Turkish law enforcement agencies. Of more lasting significance is the publicly announced intention of the Prime Minister eventually to eliminate opium cultivation through a program designed to provide for the Turkish farmer a better means of earning his livelihood. Although these steps are encouraging, we shall continue to work with the Government of Turkey to insure that Turkish opium is no longer diverted into illegal channels.

SOUTH ASIA

The main interest of the United States in the subcontinent of South Asia lies in encouraging economic development and maintaining peace, stability, and democratic institutions. This is how Secretary Rogers defined U.S. goals for this important area in his March 26, 1971, report to the Congress on U.S. foreign policy 1969–70.

Within the past year a series of dramatic events—natural, human, political, and economic—has occurred, all of which have impinged on our interests. India and Ceylon, performing on their commitment to democratic government, held elections. In Pakistan, elections intended to pave the way for constitution making and the restoration of representative civilian government were held.

East Pakistan was buffeted in November by a devastating cyclonic storm which inflicted immense damage and took an enormous toll of human life. Starting in March, East Pakistan was the scene of further violence—this time, manmade. And Ceylon, too, was struck by the violence of an unexpected insurgency.

These events were of great significance—to the countries in which they took place and to the international community. In different ways, each affected the prospects for economic development and the maintenance of peace, stability, and democratic institutions.

INDIA

The Indian elections demonstrated the vitality of the democratic process in that country. It is encouraging to see a country of India's size and diversity, faced by the imposing problem of lifting hundreds of millions out of poverty, elect, not just so many members of its Parliament, but more fundamentally, the democratic process.

Prime Minister Gandhi's Government emerged from the election with impressive public support and a commitment to a new and more dynamic development program.

Unfortunately, more recent development in East Pakistan—particularly the heavy flow of refugees into neighboring parts of India—have absorbed much of the energy, attention, and resources of the new Indian Government. It has had to undertake a massive relief effort—at an estimated cost of $400 million for 6 months—for those from East Pakistan who have taken refuge in India, and has received large support from international organizations and foreign countries.

PAKISTAN

The promising start of the political process designed to bring about the restoration of representative government in Pakistan was suddenly interrupted. Our hopes for the country's future gave way to concern and sorrow—both about events within Pakistan itself and the repercussion of those events on relations between India and Pakistan.

In his report to the Congress of February 25, 1971—"U.S. Foreign Policy for the Seventies"—President Nixon, speaking of South Asia, stated:

> Our aim is a structure of peace and stability within which the people of this region can develop its great potential and their independent vision of the future.

This basic thought has been behind many of the specific actions we have taken over the last several months. There have been three basic elements in the policy course we have followed.

The first was to support fully international efforts to furnish humanitarian relief assistance to the peoples of East Pakistan affected by the civil strife. We are also providing full support to the international efforts to provide such relief assistance to the refugees from East Pakistan in India.

Second, because of the possibility that the situation in East Pakistan and eastern India could escalate dangerously, we have been working through diplomatic channels to reduce tensions.

Third, we have made clear our belief that normalcy can be restored in East Pakistan only within the context of a peaceful political accommodation reflecting the sentiments of the people. A political accommodation in East Pakistan is also important to stem the flow of refugees and to create conditions conducive to their return.

There has been some progress. Pakistan has agreed to a U.N.-coordinated relief program in the East. The Government has appealed to the refugees, irrespective of caste, creed or religion, to return from India and it has set up reception centers along the border. Refugees are continuing to move into India, however. And the Government under President Yahya is working toward a political accommodation.

There are some who have suggested we suspend our economic and other aid to Pakistan. We have not. Where conditions have permitted, we have continued ongoing aid activities because we felt that the withholding of aid would compound the problem rather than ameliorate it. We can consider new undertakings in Pakistan, however, only when conditions within the country are such as to make development a realistic prospect.

CEYLON

In Ceylon, elections last May brought a new government into office, oriented to the left both domestically and internationally. There was initially a marked increase in publicly expressed criticism of the United States by Government officials. Over time, this criticism abated although recently some has reappeared. The Government turned its attention increasingly to pressing domestic economic concerns.

The sudden eruption of wide ranging armed attack by insurgents from the extreme left forced the Government to shift its attention rapidly to this new and unanticipated problem.

It appealed to a number of countries for assistance in dealing with this threat to the continued existence of democratic institutions. India was among those countries which responded to th Ceylonese plea for help. This was evidence of an interest on its part to play an active role in this region.

The United States extended a modest amount of assistance, too, along with a number of other foreign countries including the United Kingdom, to help Ceylon cope effectively with the threat.

The insurgency has been checked and thousands of insurgents are now assembled in "rehabilitation" centers. Meanwhile, the Ceylonese Government is giving much thought to the problems which came to light when the insurgency burst onto the scene.

AMOUNT REQUESTED FOR FISCAL YEAR 1972

Mr. PASSMAN. Thank you very much for your statements.

We will set the record in order for the examination by stating your budget request for fiscal year 1972, is $437,585,000. Is that correct?

Mr. MACDONALD. Yes, sir.

Mr. PASSMAN. Against your fiscal year 1971 program of $363,561,000?

Mr. MACDONALD. That is correct, Mr. Chairman.

Mr. PASSMAN. Your increase for fiscal year 1972 over the fiscal year 1971 program is $74,024,000?

Mr. MACDONALD. Yes.

Mr. PASSMAN. I would assume that you subscribe to the sound philosophy of Dr. Hannah, that there is an asking price and a taking price?

Mr. MACDONALD. Yes, Mr. Chairman.

Mr. PASSMAN. That being true, we would assume that this inflated figure or the larger figure would be at this stage the asking price?

Mr. MACDONALD. As I was about to say, sir, I had put a larger asking price to the Administrator of AID than this one.

Mr. PASSMAN. I observed that. I have been dealing with this for 17 years and that has been par for the course since I have been chairman of the committee. The difficult thing that we have to do is to get down to the real asking prices. We always capitulate before we get down to the taking price. We have always tried to get down to the taking price but somehow or other we get out-traded and leave these programs overfunded. So much for that.

Before yielding, I want to say that I think this is your first year in this capacity, is it not?

Mr. MACDONALD. That is correct.

BIOGRAPHICAL SKETCH

Mr. PASSMAN. Would you like to submit a biographical sketch for the record?

Mr. MACDONALD. Yes, sir.

(The information follows:)

BIOGRAPHIC SKETCH OF DONALD G. MACDONALD, ASSISTANT ADMINISTRATOR, BUREAU FOR NEAR EAST AND SOUTH ASIA, AGENCY FOR INTERNATIONAL DEVELOPMENT

Born.—November 18, 1921, Chicago, Ill.

Education.—Wesleyan University, B.A. (1943); Princeton University, M.A. (1948); advanced management program, American Management Association (1959).

Marital status.—Married in 1942 to Barbara McCloskey. Children: Mark, Donald, Jr., Jean.

Government experience.—

1950–52—Assistant recording secretary, U.S. Atomic Energy Commission.

1952–55—Management analyst, Office of Management Planning, MSA and FOA.

1955–58—Director, Office of Public Services, ICA Mission to Turkey.

October-December 1958—Director, Office of South Asia Affairs, ICA.

January 1959 to July 1960—Executive Secretary, ICA.

August–December 1960—White House detail to assist in Presidential study and report to Congress on the organization of U.S. foreign economic programs.

January–December 1961—Director, Office of Japan-Korea Affairs, ICA.

November 1961 to March 1962—Acting deputy coordinator, Alliance for Progress, AID.

1962–63—Deputy Director, USAID/Pakistan.

1963–65—Director, USAID/Pakistan.

1965–66—Director, USAID/Nigeria.

1966–70—Director, USAID/Vietnam.

January 1971 to present—Assistant Administrator, Bureau for Near East and South Asia, AID.

Military experience.—1943–46: U.S. Naval Reserve, lieutenant (junior grade).

Mr. PASSMAN. I believe that you came out of the banking industry?

Mr. MACDONALD. No, sir; I served the Agency for International Development for 4 years in Vietnam.

Mr. PASSMAN. Prior to that you were in the banking industry?

Mr. MACDONALD. No; I have been a professional AID employee since 1952.

Mr. PASSMAN. You came through the ranks of this AID system?

Mr. MACDONALD. That is correct.

Mr. PASSMAN. Thank you. Mr. Shriver?

U.S. EXPORTATION OF ARMS AND AMMUNITION TO PAKISTAN

Mr. SHRIVER. Thank you, Mr. Chairman. I think my questions should be directed to the Secretary.

Would you tell us whether any arms or ammunition of any kind are now on the high seas from our country to Pakistan?

Mr. DAVIES. Sir, following March 25——

Mr. SHRIVER. Yes or no?

Mr. DAVIES. Yes, sir.

Mr. SHRIVER. Now go ahead.

Mr. DAVIES. Following March 25, the administration decided to take an interim decision not to issue any further export licenses for

shipment of military equipment to Pakistan. However, those licenses which had been issued prior to the effective date which, as I recall was April 10, had in some cases been acted upon. The equipment which is en route consists of items turned over to Pakistani authorities by the Defense Department before early April, or items, both foreign military sales subcontracted by the Department of Defense and commercial sales licensed before this April cutoff date.

Since these licenses are valid for 1 year, it is quite likely that some military supplies on these licenses, title to which has passed to the Pakistan Government, will be shipped to Pakistan. In the meantime we are not issuing, we have not issued further licenses, and our military supply policy toward Pakistan remains under review.

Mr. SHRIVER. There is not any way that you can stop those shipments in view of the situation as it is now and has been for quite a while?

Mr. DAVIES. I would like to make clear, Mr. Shriver, that we have not imposed an embargo. We have ceased issuing licenses on an interim basis pending this policy review. The items which are in possession now of the Pakistani authorities would be nonlethal equipment and spares for equipment, provided before the 1965 termination of our military assistance program.

Mr. SHRIVER. Wouldn't it further the civil war that is now going on in that country?

Mr. DAVIES. Sir, we have sought to use our influence to bring an end to civil conflict which at the present time is——

Mr. SHRIVER. Would you say providing equipment to be used in a war is in conformity with your statement?

Mr. DAVIES. The equipment was provided, Mr. Shriver, for the defense of Pakistan and for internal security which includes preservation of the territorial integrity of Pakistan.

Mr. SHRIVER. Those are not involved in this conflict.

Mr. DAVIES. The conflict, sir, is either at an end or at very low ebb at the present time.

U.S. POLICY TOWARD THE GOVERNMENT OF PAKISTAN

Mr. SHRIVER. Millions of people have been driven out of Pakistan. Six million, I read, fled into India. They are still going across into Bengal.

Mr. DAVIES. Our policy, sir, is to seek to maintain a positive relationship with the government in Islamabad to encourage it to take constructive attitudes, constructive measures which will terminate the civil strife in East Pakistan and permit the restoration of peaceful conditions in which the refugees will return to East Pakistan.

Mr. SHRIVER. What are you doing about it?

Mr. DAVIES. Sir, on the relief side we have both in East Pakistan and in West Bengal provided about $90 million. We have encouraged——

Mr. SHRIVER. For what?

Mr. DAVIES. For relief for the refugees in West Bengal in India and for relief of people in the disturbed areas of East Pakistan. Second, we have used our diplomatic channels in an effort to alleviate tensions between India and Pakistan. Third, we have used our rela-

tionship with the Pakistan Government to encourage it to move to a political accommodation which will create circumstances which will end the stream of refugees flowing into India and permit a return of those who desire to return.

Mr. SHRIVER. You may want to expand on this question.

Thank you, Mr. Chairman.

(The information follows:)

The following is a full statement of our current military supply policy for Pakistan, prepared by the Department of State with the concurrence of the Department of Defense, including the interim actions we have taken in light of the outbreak of civil strife in East Pakistan:

STATEMENT ON U.S. MIITARY SUPPLY POLICY FOR PAKISTAN

In 1965 when hostilities broke out between India and Pakistan, the United States placed an embargo on the supply of all military equipment to both countries. All grant assistance was terminated and none has been resumed except for modest military training programs.

In 1966 the embargo was modified to permit the sale to both countries of nonlethal end items such as communications, medical and transportation equipment.

In 1967 the policy was further modified to permit the sale of ammunition and spare parts for those items of military equipment, such as aircraft and tanks, provided by the United States prior to the 1965 Indo-Pakistan conflict. A one-time exception to the continuing embargo on lethal equipment was announced in October 1970. This authorized the sale to Pakistan of 300 armored personnel carriers and about 20 aircraft.

This policy on military supply to Pakistan has been based on the judgment that it is desirable for the United States to continue to supply limited quantities of military items to Pakistan to enable us to maintain a constructive political relationship. We have also wanted to insure that Pakistan is not compelled to rely exclusively on other sources of supply.

The Government of Pakistan purchases munitions list items either through the foreign military sales (FMS) program or commercially from the manufacturer or distributor. Items under the FMS program are purchased either from stocks which are under direct Department of Defense control or from the Defense Department's commercial contractors. All equipment either obtained commercially or delivered under the FMS program to Pakistan Government representatives in the United States must be licensed for export by the State Department's Office of Munitions Control before it may be exported.

There are also items which are common to military as well as civilian use (such as certain automobile and truck spare parts) which are not on the munitions list, but which may require a Department of Commerce license.

In the light of the outbreak of fighting in East Pakistan on March 25–26, we have taken certain interim actions with regard to military supply for Pakistan. While no formal embargo was imposed, the following interim actions were taken in early April:

(A) A hold was put on delivery of FMS items from Department of Defense stocks; no such items have been released to Pakistan since then.

(B) The Department of State's Office of Munitions Control has suspended the issuance of new licenses and renewal of expired licenses (valid for 1 year) for items on the munitions list—for either FMS or commercial sales.

(C) We have held in abeyance any action on the one-time exception arms supply offer announced last October; no item in that offer has been delivered to Pakistan or its agents, and nothing is scheduled for delivery.

By early April, when these interim actions were taken, the Government of Pakistan or its agents had obtained legal title to, and were in possession of, some still physically in the United States. In addition, DOD commercial contractors under the FMS program, and other commercial suppliers, continued to utilize valid licenses issued before the actions taken in early April. Some of these items, legally the property of the Government of Pakistan, have been shipped to Pakistan from U.S. ports and it is likely that additional military supplies, under valid licenses, will be shipped in the future.

Our overall military supply policy toward Pakistan continues under close review.

Mr. PASSMAN. Mr. Hathaway.

Mr. HATHAWAY. I will pass now, Mr. Chairman.

INTEREST PAID ON BORROWING BY THE U.S. GOVERNMENT

Mr. PASSMAN. Before I get into my questions, I want to thank the Comptroller for his letter of June 28, 1971, which is in response to my question to establish the average interest that our Government paid on borrowed money in fiscal year 1971.

As I read from the letter:

> The Bureau of Public Debt, Department of Treasury, informs me that by 1970 they paid an average interest of 5.57 percent for borrowing to finance the direct debt of the U.S. Government. In fiscal year 1971 through May 1971, the average interest paid was 5.112 percent.

I would assume that we have become so accustomed to rounding out figures that I would be safe in computing the interest that we paid on what we borrowed to give away at 5 percent. Would this be a fair figure to use?

Mr. FLINNER. Yes, sir.

INTEREST COLLECTED ON LOANS

Mr. PASSMAN. Could you tell the committee the amount of interest that our Government collected from recipient nations of the various types of programs that would be all inclusive including the Export-Import Bank? Do you have a figure on that?

Mr. FLINNER. I do not have the figure for Export-Import Bank. I have some figures on the AID loans with interest repaid.

Mr. PASSMAN. What would that amount to?

Mr. FLINNER. Our estimate for the fiscal year of AID loan repayments——

Mr. PASSMAN. Not repayments, interest?

Mr. FLINNER. Yes, sir, excuse me. Through May 31, 1971, the amount is $78.2 million.

Mr. PASSMAN. $78 million collected in interest for fiscal year 1971?

Mr. FLINNER. Yes, sir. This is fiscal year 1971, first 11 months of 1971, from AID development and Alliance for Progress loans.

Mr. PASSMAN. I yield now to the gentlewoman, Mrs. Reid.

AGREEMENTS WITH TURKEY TO CONTROL OPIUM PRODUCTION

Mrs. REID. Thank you, Mr. Chairman.

Mr. Secretary, what sort of agreements do we have with Turkey to help restrict illicit shipments of opium and other drugs? I am extremely concerned about this situation here in the United States, as are all members, and this seems to be part of the crux of the problem.

Mr. DAVIES. Mrs. Reid, the problem of illicit drug traffic in Turkey has been one which has concerned us for several years and we have worked very closely on this with the past Turkish administration and the present government of Prime Minister Erim. With the previous government of Prime Minister Demirel we entered into an agreement under which we made a loan of $3 million with which the Turks were to explore the possibility of substitute crops for these farmers who

had been over centuries growing opium. Incidentally, the Turks are not addicts. They don't use opium but they do use the poppy seed, the oil from pressing the seed, and the stalks for fodder.

Mrs. REID. You say they use the poppy seed?

Mr. DAVIES. Poppy seed as a flavoring on rolls and foods.

Mrs. REID. Do they use that?

Mr. DAVIES. They do. Turkey is one of the countries licensed under the 1961 Single Convention to raise opium for medicinal purposes. We are told by HEW there is no substitute for the opium derivatives for such cases as terminal cancer. There is no chemical substitute. The Turks have permitted agents from our Bureau of Narcotics and Dangerous Drugs to work with their gendarmerie in an attempt to prevent leakage into illicit channels. The Government itself has restricted planting from 27 provinces down to seven provinces last year. This year, this fall, it will be restricted to four provinces. The Prime Minister of Turkey has made a statement that his goal is to eradicate or control, poppy culture.

On June 21 of this year the lower house of the Turkish National Assembly passed legislation which would require anyone who raises poppies to have a license from the Government so that it can identify who is raising it and find out how much his crops should yield.

The Turkish Government is committed to meet its international obligations under the Single Convention of 1961 on narcotics drugs to prevent illicit production and shipment. We hope and assume that this legislation will receive favorable treatment in the upper house of the National Assembly in the course of July.

I can say that the prospects of achieving control of opium by the Turkish Government seem better now than they have at any time in the past. By July 1st the Turkish Government must issue by law a statement on how many provinces will be licensed to produce the following production year.

This will cover fall planting, 1971 and 1972. I had hoped today to be in a position to report the content of this decree but it has not yet been issued. When the decree is issued, Mr. Chairman, I will immediately furnish a report for the record. At this time, since the matter is under consideration at the highest levels of the Turkish Government, today and tomorrow, I won't be able usefully to comment further.

REACTION TO PLANTING RESTRICTIONS IN TURKEY

Mrs. REID. I have heard that the farmers themselves are not too happy about this restricted planting.

Mr. DAVIES. It has been traditional to plant poppies in Turkey over the centuries for oil and the seed. Since the early sixties, however, the international crooks who prey on illicit drugs have encouraged planting in order to acquire drugs for their illegal trade. This has provided an extra source of revenue for the farmers over and above what the Government pays for their illicit production.

The Communist-controlled East German radio, which broadcasts in Turkish, charges that the United States, "the great imperialist," is forcing its will on the Turkish Government in order to solve the problem at home that it can't solve domestically. This has created a political problem for the past and present Turkish Government. But, hopefully, and particularly in the light of the public statements made

by Prime Minister Erim, the Government is willing to look to Turkey's international obligations and the problem that is faced by mankind, this problem, and to take very firm action.

As I say, we will not know until July 1 what course the Government of Turkey will pursue.

Mrs. REID. I would be very interested in hearing that.

Mr. DAVIES. I will provide a complete report, Mr. Chairman, as soon as we get the details from Ankara.

Mrs. REID. Thank you, Mr. Chairman.

COMMENT ON THE MISNOMER "LOWER HOUSE"

Mr. PASSMAN. I notice that you referred to the upper and lower legislative bodies in Turkey. Do they have a name other than lower and upper bodies?

Mr. DAVIES. It is the Grand National Assembly together and it is the Lower House and the Senate.

Mr. PASSMAN. What do you mean the "Lower House"? The Members of the Congress are somewhat sensitive to that. Let me put the record straight. They have a right to resent it, especially when people in Government refer to the House of Representatives as the "lower house." Under the Constitution, the original draft provided a unicameral system for America, only one legislative body. Then by compromise they created the Senate. But they agreed they wouldn't give the Senators any powers, so they limited their duties to only two areas, to ratify treaties and sometimes they would go 5 years without a treaty and to confirm the President's appointees. Of course, Members of the House drew $500 a year more salary until they amended the Constitution making it possible for the Senate to be elected rather than appointed by the Governors and confirmed by the State legislatures.

All the power is in the House, as we all know and should know if we are in Government.

If a Senator dies, the Governor can appoint his successor. If a Member of the House dies, he gets his job only via the ballot box. If the President and Vice President die, a Member of the House becomes President, not a Member of the Senate.

Furthermore, only the House can elect a President. If you have three running and the top man does not get a majority for the electoral votes, the House elects the President, not the Senate. All revenue bills and bills raising revenue must originate in the House of Representatives.

Here is where this misnomer started.

The Congress was meeting in Philadelphia and the House Members, being the elected representatives, took unto themselves the bottom chamber. The Senators had to walk up these spiral steps and meet in the attic until the Commonwealth of Pennsylvania enlarged the building where they would have a little more space. That is where this started, lower and upper branches of Congress. At least intelligent people in Government should know that the House of Representatives ranks the Senators. At one time we drew more salary. We are willing to accept them as our coequal, but certainly not as our superiors.

As one member of the committee, I happen to know the Constitu-

tion and know where the power is. I don't like to be referred to as a Member of the lower House or be made a second-class legislator.

If you know the name of the other body, put it in the record and substitute this lower and upper bodies. Once you deal with this bill, you better make up your mind whether we are the lower House or not. This is where the action takes place.

Mr. DAVIES. Mr. Chairman, I would not like to draw any parallels. The fact that we put so much stress on the fact that the House of Representatives, if you will, has passed this licensing bill is the important——

Mr. PASSMAN. What bill?

Mr. DAVIES. The opium licensing bill which was reported out of the committee.

Mr. PASSMAN. The bodies are coequal. As a member of the executive branch you know under our Constitution the things I cited for the record are absolutely from the record and the Constitution. But when we pass bills the Senate may amend them and if the Senate passes a bill the House may amend them. You don't get legislation on the statute books until the two legislative bodies reach agreement.

There cannot be even a period or comma difference; it must be identical before it can be submitted to the President.

There is no justification for referring to the legislative bodies as the upper and lower bodies, especially by people in Government. Outsiders—maybe you can kind of forgive them; they don't know where the word started.

You ought to name for the record the legislative bodies as they are, and not imply that we happen to be a member of the lower branch when there is no such thing. This was the upper branch and we became lower simply because we took the ground floor of the building and gave the Senators the attic to meet in.

Mr. McEwen.

Mr. MCEWEN. I have no questions at this time, Mr. Chairman.

AID TO CEYLON

Mr. PASSMAN. As we move along with this bill we run into more and more strange things. Here is a letter addressed to the chairman dated June 25, 1971:

HON. GEORGE MAHON,
Chairman of the Committee on Appropriations,
Washington, D.C.

DEAR MR. CHAIRMAN: Pursuant to sections 503 and 614(a) of the Foreign Assistance Act of 1961, as amended, the President has issued Determination 71-16 which makes the findings and authorization necessary to furnish up to $3 million of defense articles and services to Ceylon.

Because of the gravity of the situation of Ceylon, the President made an oral determination on April 10 to provide an initial increment of military assistance. However, assistance requirements for Ceylon were not completely available until the middle of May at which time a detailed and more complete assistance program was prepared and approved. Thus, the formal determination was made in early June.

Copies of the determination and memorandum requesting it are enclosed.

DAVID ABSHIRE,
Assistant Secretary for Congressional Relations.

As we read on page 1 of the Memorandum for the President, we see the following in the second paragraph:

> The democratically elected constitutional government in Ceylon is under very serious attack by extreme leftist elements. The Prime Minister, Mrs. Bandaranaike, heads a United Left Front coalition government led by her own Democratic Socialist Party. The Government of Ceylon has recently shown a more balanced approach in its dealings with the United States following initial anti-Western actions taken immediately after it assumed office last year.

I just wonder if that is going to continue to be the policy of our Government, because some nations may just not be as friendly as some other nations, that we referred to as Communists—and I certainly don't like communism—we are going to run in and start pouring aid into the countries.

Especially when we take into account in the same memorandum, it says on page 2:

> The U.S.S.R. has also provided airplanes, ammunition, and military personnel to maintain this equipment and train Ceylonese personnel. Based upon what we now know of Ceylon's needs and contributions from other countries, at the present time we anticipate a modest program which would not exceed a total of $3 million.

To me $3 million is not modest. Here, simply because those people have elected to buy a little military hardware from Russia, we have to rush in with a program.

MILITARY ASSISTANCE TO CEYLON

Is that actually our policy? We are going to just try to go in and outbid any other nation when they start giving some aid to these countries?

Mr. DAVIES. Sir, as the memorandum pointed out, this is a freely elected Government, a constitutional Government which was under attack by an extreme leftist group called the "Che Gueverists."

Mr. PASSMAN. The Prime Minister herself is leftist?

Mr. DAVIES. She is a socialist but certainly not communist. This is a coalition government which has moderates as well as leftists in it. It has increasingly taken moderate positions internationally. It was not a case of the Soviets moving in alone, sir. We and the British were the first to move to offer to help the Government of Ceylon, which we recognized, to cope with this left-wing insurrection. The economy of Ceylon is such that the security forces are very small and ineffective when challenged by organized terrorists. It appeared as though this Government stood in danger of being overturned by a few thousand militantly organized leftists who started this campaign by a bombing of the U.S. Embassy.

Mr. PASSMAN. They are getting military assistance from the Russians as well as the United States under this proposal?

Mr. DAVIES. They are getting it from the British, Soviets, the Indians, Pakistanis, a number of governments.

Mr. PASSMAN. Pakistan is giving military assistance to Ceylon?

Mr. DAVIES. Pakistan has given some military assistance to Ceylon.

Mr. PASSMAN. Isn't it true that Ceylon elections last year brought in a new government to office oriented to the left, both domestically and internationally?

Mr. DAVIES. As I said, sir, it is a coalition government which includes leftwing parties. At the same time, the democratic system prevails and the opposition party still operates in the Parliament. It seems quite clearly in our interest to see that a constitutional order not be overthrown in this small island republic.

Mr. PASSMAN. I cannot believe that is the President's determination because it has been very well established that if you run a corner filling station with two attendants, operating on a cash basis, 60 percent of the decisions are made by those two attendants. Contrast that with the United States consisting of 206 million individuals and 50 States. The U.S. Government has 2,800 Federal bureaus, agencies, and departments with over 2,800,000 civilian personnel. Of course, this is the work of some bureaucrat who cooked this package up and had the President initial it. It would take 1,293 men to do everything issued in the name of the President.

I am just wondering if this is the policy.

If we go to the record we find that we have already given to this country, I believe, net through fiscal year 1970, $159 million. For some good reason we suspended economic aid in 1963 didn't we?

YEARS WHEN ASSISTANCE TO CEYLON WAS SUSPENDED

Mr. DAVIES. In 1963, under provisions, Mr. Chairman, of the Hickenlooper amendment, we suspended economic assistance because of nationalization of U.S.-owned oil distribution facilities.

Mr. PASSMAN. In effect, though, is that correct? You had no type of aid in 1968.

Mr. DAVIES. With the election of a new government in 1965, agreement was reached on compensation for the firms involved.

Mr. PASSMAN. You are not answering my question, Mr. Secretary. Did I make a statement of fact? The answer is what is important, not what I say. Is it correct that we didn't have any type of aid in 1968? Economic aid?

Mr. DAVIES. I don't have those figures in front of me, Mr. Chairman.

Mr. PASSMAN. Am I correct?

Mr. MACDONALD. In 1968 no loans or grants were made.

Mr. PASSMAN. Isn't that what we referred to as AID?

Mr. MACDONALD. Yes, sir.

Mr. PASSMAN. How about 1970?

Mr. MACDONALD. In 1970——

Mr. PASSMAN. Look at the top there. You have a series of indications there was no aid.

Mr. MACDONALD. That is correct, Mr. Chairman, in 1970, we also made no loans or grants.

Mr. PASSMAN. How far afield are we going to go in adding this country back to the aid rolls? Did you add that country to your total when you said that we lost one nation, Mr. Controller?

Mr. FLINNER. I believe it is in there because we are giving them Public Law 480. If I am not mistaken, it is included in the number.

Mr. PASSMAN. I guess it is a policy of our country every time there is an elected government that may decide they don't like our system of government, we go in and try to bribe them with U.S. taxpayers'

money. It just looks like that is what we are doing. Why not let the people have a government they want and see how far they go?

We are going to start in with the old grab bag and give them money. How will you determine whether they respect anything we stand for?

Mr. DAVIES. Mr. Chairman, the question, I think, is that of a democratic government which is threatened by an extreme leftist paramilitary group which would seek to overthrow this democratic structure in which the opposition operates and can influence policy.

Mr. PASSMAN. How do you know they are going to overthrow it, because they are now accepting Soviet aid very agreeably, aren't they? How do you know the government will be overthrown?

Mr. DAVIES. This group is far left of the Soviet Union in its objections and follows more the principles of Peking.

Mr. PASSMAN. To the left of the Soviets?

Mr. DAVIES. Yes.

Mr. PASSMAN. Why don't you let one of these governments stand on their own feet so you can find out what they want? This government came into being just a few short months ago, didn't it?

Mr. DAVIES. The elections, sir, were in 1970; May 27, 1970.

NEED FOR GRANT MILITARY ASSISTANCE

Mr. PASSMAN. That is a little more than a year and 2 months ago. We don't give a new government long enough to decide what they want before we have to rush in and start pumping in U.S. taxpayers' money. I don't see how you can determine whether these people want to be pro-American when you give them aid. I am not too sure the Congress is going to approve this aid bill this year. Here you people just won't let a government take root. You don't know whether they are going left or right or down the middle. It is only a lot of guesswork going on as to which way they will go.

I do know, for various reasons, we had to previously cut off economic aid to them.

Didn't they get along all right and didn't we get along all right while it was cut off?

Mr. DAVIES. Ceylon was known, previously, Mr. Chairman, as an island of peace. There was singular lack of violence until these leftist youth groups organized and, starting with the attack on the U.S. Embassy this spring, began a coordinated attack against the police and security forces.

Ceylon has a tiny army and it was the consensus of all observers this government would be overthrown by this radical Marxist group, which would call for total nationalization.

Mr. PASSMAN. Who were the individuals that made that decision to provide aid?

Mr. DAVIES. The decision was made within the administration on a recommendation of the Department of State.

Mr. PASSMAN. Then we have assumed a new responsibility in a new nation. According to this determination you want to start with what you call a modest program of $3 million. That is not modest with me at all. That is a lot of money. It has always been a lot of money and it is still a lot of money. This is just the kickoff for an aid program, I guess, that is going to be building.

Is this the maximum we are going to give? What is our policy going to be?

Mr. DAVIES. Sir, the authorization was for grant military aid.

Mr. PASSMAN. $3 million grant military aid.

Where do you get that money from? I thought we were accused of tightening this program up where we had no excess in military?

Mr. DAVIES. This was to be made available from fiscal year 1971 funds on the basis of a Presidential determination.

Mr. PASSMAN. Is this to be financed out of 1971 appropriations or is it to be financed out of other funds?

Mr. DAVIES. May I provide that for the record?

Mr. PASSMAN. Is that right?

Mr. MACDONALD. Mr. Chairman, if I could offer a fact that is relevant to your point here?

Mr. PASSMAN. Yes.

Mr. MACDONALD. Even though there was no economic aid in fiscal year 1970 or 1971, there has been a continuation of Public Law 480 sales on concessional terms in the last couple of years.

Mr. PASSMAN. You don't show this in your green book, do you?

Mr. MACDONALD. Yes, we do. In 1969, the amount was $17.4 million, and although there were no Public Law 480 sales in fiscal year 1970, sales came to $14 million in fiscal year 1971.

Mr. PASSMAN. I am looking at economic aid. You had none?

Mr. MACDONALD. Not under AID.

Mr. PASSMAN. Nothing operating for Ceylon, either military or economic?

Mr. MACDONALD. That is my understanding.

Mr. PASSMAN. It is out of one other spigot, is that correct, Public Law 480?

Mr. MACDONALD. Yes, sir. I wanted to——

Mr. PASSMAN. It is aid. You and I know it is aid but the book does not show it. We have to ask questions to be able to get it as a matter of record.

What is the size of Ceylon population wise?

Mr. MACDONALD. Almost 13 million.

Mr. DAVIES. Yes, sir.

Mr. PASSMAN. This government is just a little over a year old. What type of government did they succeed?

Mr. DAVIES. It was a parliamentary, constitutional government.

Mr. PASSMAN. How long had it been in existence?

Mr. DAVIES. The Senanayake government was from 1965 until the elections of 1970.

Mr. PASSMAN. We are violating everything that made our country great and all this started a few years ago under this misguided foreign aid program. We have to dabble in everybody's business everywhere. They may have had a government that could have survived but now we are going in with an aid program and we don't know whether it could have survived or not.

We have no way of knowing. We have no way of knowing whether or not these people subscribe to our philosophy, whether or not anything that we stand for would be supported by them in reality, because as long as Uncle Sam is there with this black grab bag playing Santa Claus you will never know, in all probability, their real intention.

FUTURE ASSISTANCE TO CEYLON

Could you tell the committee whether or not you have any funds requested for Ceylon in military hardware for fiscal 1972?

Mr. DAVIES. Mr. Chairman, I have figures in fiscal year 1972 security assistance for Ceylon.

Mr. PASSMAN. What do you mean, "security assistance"?

Mr. DAVIES. In this case it is military aid.

Mr. PASSMAN. That covers also economic aid when you say "security assistance," is that correct?

Mr. DAVIES. No, sir.

Mr. PASSMAN. It does, Mr. Secretary. You are a very brilliant man but the record does not support you. They have moved supporting assistance which is economic aid, over into the security section and it is referred to as security aid, isn't it?

Mr. MACDONALD. That is right, Mr. Chairman. In any case, there is no plan at the present time for economic assistance——

Mr. PASSMAN. I am only a country boy and couldn't embarrass you if I tried. I don't want to even try. I do want to get some answers.

Mr. DAVIES. We want to be frank, Mr. Chairman.

Mr. PASSMAN. Do you have any requests or do you contemplate any type of aid program for Ceylon in fiscal year 1972 other than the $3 million that you are going to give to them now in military hardware?

Mr. MACDONALD. As Mr. Davies said, there are no plans for further military assistance. Ceylon does remain eligible for development loan assistance, but there are no present plans, Mr. Chairman, for development loan assistance.

Mr. PASSMAN. You have no plans for Ceylon for fiscal year 1972?

Mr. MACDONALD. Let me go on——

Mr. PASSMAN. Either in the military area or economic?

Mr. MACDONALD. Under the Foreign Assistance Act, no, sir.

Mr. PASSMAN. What other acts then?

Mr. MACDONALD. It is intended to provide some concessional sales under Public Law 480.

Mr. PASSMAN. If I read the record, you answered the same questions last year in your book that there would be no aid program for Ceylon. You have an aid program and yet there was no justification submitted to this committee last year; is that correct? Military?

Mr. MACDONALD. I was not speaking about the military assistance program.

Mr. PASSMAN. Could the committee assume that this is it, so far as the supporting assistance, development loans, military sales, and technical aid? There is no request in the budget for Ceylon?

Mr. MACDONALD. Speaking, sir, of economic security assistance and development loans only, there are no plans for assistance to Ceylon in fiscal year 1972.

Mr. PASSMAN. How about the other spigots, bilateral technical aid?

Mr. MACDONALD. We have no plans for technical assistance to Ceylon in 1972. It is intended that there be Public Law 480 concessional sales of wheat flour in 1972.

Mr. PASSMAN. That is not under your jurisdiction?

Mr. MACDONALD. That is correct, but we participate in the planning of programs.

Mr. PASSMAN. By whose authority do you speak, the Department of Agriculture?

You seem to know more about their program than your own program. You have not given me a straight answer yet. There is no type of aid in any sector under your agency for Ceylon for fiscal 1972? Could you answer in the affirmative there?

Mr. MACDONALD. Under AID; that is correct.

Mr. PASSMAN. That would, of course, include military as previously testified to by the Secretary? It is accompanying supporting assistance?

Mr. DAVIES. It is my understanding, sir, this $3 million grant assistance——

Mr. PASSMAN. Is it?

Mr. DAVIES. It is to take care of the insurgency that broke out.

Mr. MACDONALD. Mr. Chairman, I want to be sure that my point was heard, that Ceylon remains on the list of eligible countries for the receipt of loan assistance.

COUNTRIES ELIGIBLE FOR ASSISTANCE

Mr. PASSMAN. Do you know of any countries not on the list of eligibles?

Mr. MACDONALD. I believe the loan eligibility list is limited to some 20 countries outside of Latin America at the moment, sir.

Mr. PASSMAN. What if I tell you that we are going to be disbursing aid funds in 98 nations in fiscal 1972? What would you say to that?

Mr. MACDONALD. I am speaking in those narrow terms, Mr. Chairman.

Mr. PASSMAN. What do you mean "narrow terms?"

Mr. MACDONALD. I am addressing the question, that I understood you to be putting to me.

Mr. PASSMAN. I better give you that list with my compliments. You have 27 spigots of this giveaway program. Just because you may not have it, as you referred to, in your "narrow" conception of it, I think my conception is rather broad. It happens to be that I put these statistics together to show that you have $13.5 billion in various types of aid and if we stay here to Chrismas Eve I am going to find out for sure that you have nothing proposed at this time in any way, shape, form, or fashion for Ceylon for fiscal year 1972.

There is no justification offered for any type of aid for Ceylon in 1972, is that right?

Mr. MACDONALD. We have no present plans, sir. Ceylon is on the eligibility list for loans.

Mr. PASSMAN. You have said that 20 times. I asked you to name any not on the eligible list. We have disbursed funds in 123 nations of the world. Now are you willing to make a statement for the record that there will be no type of aid funds to go anywhere in the world other than in 20 nations that you can name for the committee?

Mr. MACDONALD. Not at the present time, Mr. Chairman. I don't think that I could make that statement.

Mr. PASSMAN. Then you will accept it as a statement of fact that we will be disbursing some type of aid funds either in 98 or 99 nations of the world in fiscal year 1972?

Mr. MACDONALD. Given your definition of aid, Mr. Chairman, I believe that would be correct.

Mr. PASSMAN. I believe that is correct, isn't it, Mr. Controller?

Mr. FLINNER. Yes, sir; 98 is the figure.

Mr. PASSMAN. At this time?

Mr. FLINNER. Yes, sir.

Mr. PASSMAN. You people won't let us bring this thing under control.

People who know anything about our economy and know the mess we are getting into by having all these excess dollars floating around the world, know it is time to bring all of these aid programs under control. We are in trouble with our balance-of-payments situation.

U.S. DEFICIT

Do you have the opportunity to review the daily Treasury statement?

Mr. MACDONALD. Perhaps the opportunity, Mr. Chairman, but I must confess I don't read it daily.

Mr. PASSMAN. Do you have any idea what our deficit may be on June 30 of this year, tomorrow, when we drop the curtain?

Mr. MACDONALD. I confess that I don't at the moment.

Mr. PASSMAN. Would you anticipate a surplus or deficit?

Mr. MACDONALD. I would judge it to be a deficit.

Mr. PASSMAN. What would be your guess—$1 billion or $2 billion or what?

Mr. MACDONALD. I really would prefer not to hazard a guess.

Mr. PASSMAN. You are not a banker but you are sitting up here approving hundreds of millions of dollars of loans all over the world. This is the June 18 Treasury statement, and we hope it will come below this figure, but during the first 11 months and 18 days of this fiscal year we have spent $25,359,530,665 more than we collected. That is why this committee is concerned, Mr. MacDonald.

Mr. LONG. It was up higher than that. Have we had some recent collections?

Mr. PASSMAN. At the end of the fiscal year usually there is an influx of collections. Of course, let's say that your budget deficit is far in excess of even $25 billion. What we actually do is take the trust funds and after we meet our payments any receipts over and above the payments we throw over into the unified cash budget and it has a tendency to lower the actual deficit.

Mr. LONG. What would be your estimate of the true deficit then?

Mr. PASSMAN. I think it would run about possible $6 billion or $7 billion more than that.

Mr. HATHAWAY. Over $30 billion?

Mr. PASSMAN. Yes.

What we are doing is taking the excess money and giving it away. This is going to catch up with us sooner or later.

NATIONS WITH ASSISTANCE PROGRAMS IN NESA

How many nations in your area, Mr. MacDonald?

Mr. MACDONALD. We have active programs in seven countries, Mr. Chairman.

Mr. PASSMAN. I am having a difficult time getting through to you. I am going to start asking my questions differently. Since you stated that some of the nations were eligible in which you had no programs how many nations in total are in your area?

Mr. MACDONALD. Well, there are 21 countries in the Near East and South Asia.

Mr. PASSMAN. Countries and nations?

Mr. MACDONALD. Yes, sir.

Mr. PASSMAN. Twenty-one, nations?

Mr. MACDONALD. Yes, sir.

Mr. PASSMAN. We have had an AID program in all of those countries in the past or presently?

Mr. MACDONALD. No, not in all of the countries of the region.

Mr. PASSMAN. Name them for the record.

(The information follows:)

LIST OF NESA COUNTRIES THAT HAVE HAD AN AID PROGRAM

Of the 21 countries in the Near East and South Asia region there have been AID programs in the following countries: Afghanistan, Ceylon, Cyprus, Greece, India, Iran, Iraq, Israel, Jordan, Lebanon, Nepal, Pakistan, Saudi Arabia, Syria, Turkey, United Arab Republic, and Yemen.

There have been no AID programs in Bhutan, Kuwait, Maldive Islands, and the Republic of South Yemen.

Mr. PASSMAN. Is Burma in that region?

Mr. MACDONALD. No, sir. It stops with East Pakistan and it begins in the west with Greece and includes everything in between. I don't believe we have ever had an aid program in Kuwait, for instance. But we have had aid programs in the majority certainly of the 21 countries in earlier years.

Mr. PASSMAN. I would be surprised if we didn't have one in Kuwait. Let's check on that.

If we don't, don't start one. Chances are we did.

We did have an Ex-Im loan to Kuwait in 1967 for $50 million. I guess that is one of the richest nations in the world; isn't it?

Mr. MACDONALD. I believe so.

Mr. PASSMAN. I know why they had that loan, don't you?

Mr. LONG. Would the Chairman yield?

Mr. PASSMAN. Yes.

Mr. LONG. Has the Chairman asked the question of what we are doing giving loans or any kind of aid to one of the richest countries in the world per capita, Kuwait?

Mr. MACDONALD. This is an Export-Import Bank loan that the Chairman referred to. It was in 1967, I believe.

Mr. LONG. Why?

Mr. PASSMAN. I will tell you why, sometime.

Mr. MACDONALD. I don't know the circumstances.

(Discussion off the record.)

FUNDS DEOBLIGATED IN NESA IN FISCAL YEAR 1971

Mr. PASSMAN. Mr. MacDonald, what is the total amount of funds deobligated in your area for fiscal year 1971?

Mr. MACDONALD. Technical assistance——

Mr. PASSMAN. I want the total first.

Mr. MacDonald. $24.1 million.

Mr. Passman. What was the program in your area? $363.6 million?

Mr. MacDonald. $363,561,000.

Mr. Passman. What is the total amount of the deobligations?

Mr. MacDonald. $22,6 million of development loans and $1.5 million of technical assistance.

Mr. Passman. Was the technical assistance one or many?

Mr. MacDonald. As many as 4 or 5 dozen projects were involved in the deobligations.

Mr. Passman. Did you derive those funds from projects that you had previously overfunded?

Mr. MacDonald. They were mostly small amounts of money for which we had no further use in the projects. In a sense that is a correct characterization; they were invested with more funds than——

Mr. Passman. I admire you very much for your filibuster. I would have preferred a direct answer. If that is the way you want to answer, all right.

How many of the projects did you terminate because they were started without a proper feasibility study?

Mr. MacDonald. I would believe none, Mr. Chairman.

Mr. Passman. I like to believe that, too, but what about the record; what does it show?

Mr. MacDonald. I know of no funds that we deobligated for that reason.

NEW-PROJECT STARTS

Mr. Passman. How many new projects did you start in your area in fiscal 1971?

Mr. MacDonald. Six in total.

Mr. Passman. You started six of them, but you deobligated funds, you said, from several dozen?

Mr. MacDonald. Yes, small amounts from each.

Mr. Passman. That is a lot of projects.

Mr. MacDonald. The total of $1.5 million worth of deobligations relate to a larger number of TA projects, Mr. Chairman, so no single deobligation was very large.

Mr. Passman. That is considerable money when you get into the area of technical assistance, is it not?

Mr. MacDonald. Yes.

Mr. Passman. Many of your projects are small to start with, are they not?

Mr. MacDonald. Yes, Mr. Chairman.

Mr. Passman. It seems to be par for the course to overfund AID projects. I think we have testimony to the effect they are overfunded by about 10 percent.

LOAN DEOBLIGATIONS IN FISCAL YEAR 1971

Now, what development loan projects did you deobligate funds from?

Mr. MacDonald. The total number of individual deobligations is 56; that is, through the middle of June.

Mr. Passman. Deobligations——

Mr. MacDonald. In the development loan category.

Mr. Passman. Fifty-six? What projects and where?

Mr. MacDonald. Would you like us to submit it?

Mr. Passman. I guess we have no alternative if you do not have it ready. We have asked these questions every year for 17 years. I would not know why you would not anticipate that question.

Mr. MacDonald. I have it here.

Mr. Passman. I want to know what it is.

Mr. MacDonald. All right, sir. I can give it by country.

Mr. Passman. I thought you said previously you only deobligated your development loans from two countries. On the technical aid, you said there were several dozen.

Mr. MacDonald. Yes, on the technical assistance side.

Mr. Passman. But my question was concerning the development loan deobligations by country and by amount.

Mr. MacDonald. There were loans in six countries from which we deobligated funds.

Mr. Passman. Which country, take No. 1 first?

Mr. MacDonald. Afghanistan a diammonium phosphate loan.

Mr. Passman. What did you deobligate?

Mr. MacDonald. $42,900 was the amount deobligated.

Mr. Passman. After the project had been brought to completion, this was the overage?

Mr. MacDonald. Yes, sir.

Mr. Passman. Next project.

Mr. MacDonald. Program loan for financing commodities, the amount deobligated, $5,309.

Mr. Passman. Let's get some of the big ones.

Mr. MacDonald. The largest deobligation in the region was from a program loan in Pakistan. The total deobligated was $3.8 million.

Mr. Passman. What was the expenditure on the project?

Mr. MacDonald. The disbursements through March of this year were $66.6 million. We deobligated $3.8 million.

Mr. Passman. This is a commodity loan?

Mr. MacDonald. Yes.

Mr. Passman. In effect, budget support?

Mr. MacDonald. A commodity loan to support the development program, budget support for development.

Mr. Passman. That is what it is. Let's call it what it is.

Mr. MacDonald. It has the same economic effect. We are financing imports the economy needs to carry on its development program.

PROGRAM FOR PAKISTAN

Mr. Passman. What are you proposing for Pakistan for fiscal 1972?

Mr. MacDonald. We have proposed an amount of $110 million in development loans and $8.6 million in technical assistance.

Mr. Passman. You mean they propose or you propose?

Mr. MacDonald. We are proposing to the Congress.

Mr. Passman. For Pakistan to borrow that much money from us?

Mr. MacDonald. We propose to have appropriated to us this amount.

Mr. Passman. How about Pakistan? This is just an estimate. You have not discussed any of this with Pakistan, have you?

Mr. MacDonald. No, we have not discussed specific levels with them.

UNEXPENDED BALANCES IN PAKISTAN

Mr. Passman. What do you have to the credit of Pakistan, all spigots, undisbursed at this time?

Mr. MacDonald. Unexpended balances as of the end of June 1971—about $83 million in all, Mr. Chairman.

Mr. Passman. Is that all spigots?

Mr. MacDonald. That includes all economic loans and grants.

Mr. Passman. How about Public Law 480?

Mr. MacDonald. Public Law 480, title I and title II total $12.8 million.

Mr. Passman. Now the grand total; that is what we always try to get.

Mr. MacDonald. Let me see. Slightly under $100 million; $96 million for economic loans and grants and Public Law 480.

Mr. Passman. What has been the total aid to Pakistan since the inception of this program, all spigots?

Mr. MacDonald. About $4.3 billion, Mr. Chairman.

Mr. Passman. About $4 billion?

Mr. MacDonald. About $4.3 billion.

Mr. Passman. That does not include military?

Mr. MacDonald. Yes, that figure of $4.3 billion would include military, Mr. Chairman.

Mr. Passman. $4 billion is an awful lot of money, is it not?

Mr. MacDonald. Yes, sir.

Mr. Passman. What do you see as your return for this tremendous expenditure, two wars—one civil and one with India; is that what we have been able to get out of this investment?

Mr. MacDonald. What we see in Pakistan is a very discouraging picture, Mr. Chairman.

Mr. Passman. Some of us tried to point that out when you had this arrogant president over here looking down his nose at us during President Kennedy's administration. I never met a more arrogant man in my life. He is no longer president, is he?

Mr. MacDonald. No.

REFUGEE REHABILITATION IN PAKISTAN

Mr. Passman. How about the situation in East Pakistan, do you have any figures on what amount of aid it will take to partially rehabilitate those people to their homeland?

Mr. MacDonald. No, we do not, Mr. Chairman. We do know there is going to be a great need for food.

The Department of Agriculture has received funds from the Congress, in substantial amounts, to provide food this year under Public Law 480. One of the problems that we have faced in East Pakistan is that it has been impossible even to deliver food already authorized and paid for.

Mr. Passman. You mean the West Pakistan Government would not permit the food to be delivered?

Mr. MacDonald. No, sir. The inability of the ports in East Pakistan to function so food deliveries couldn't be made. There is also a break-

down of the distribution system from the two ports to upcountry. The railroads that used to handle about 60 percent of imported cargoes are not functioning. There has been some sabotage, bridges are down. A heavy burden has been placed on the water transportation system, which is not adequate at the moment.

Mr. PASSMAN. You mean sabotage on the part of the local natives against their own people?

Mr. MACDONALD. There has been some damage to the transportation system, particularly in April and in early May.

Mr. PASSMAN. There is about five million or more of them over in India now, are there not?

Mr. MACDONALD. We understand that the latest Indian estimate is 6 million refugees in India.

Mr. PASSMAN. Is there any indication they will be returning to their homeland?

Mr. MACDONALD. The indications are not encouraging in that respect. I think I should turn this over to Mr. Davies, if I could, Mr. Chairman. I believe there have been a very few, a handful who have returned. The most significant change in the situation in the last couple of weeks has been a reduction in the number of refugees continuing to come from Pakistan to India. There is not much movement in the opposite direction.

Mr. PASSMAN. With the present refugee movements, in all probability you should be reaching no doubt the maximum number. Do you think so?

Mr. DAVIES. Given the already heavy population in West Bengal and the very wretched conditions of a large majority of them, this puts a tremendous strain on that province. The only encouraging indexes I can throw out are the fact that President Yahya has called upon the refugees to return and addressed his appeal to all, notwithstanding race, creed, or color. Most recently he has said he would attempt to return government to representatives of the people within 4 months or so.

Mr. PASSMAN. Let the record show that I am very much in sympathy with starving people anywhere. I know this is a situation we are going to have to deal with as new problems arise. We are just going to have to make up our minds from day to day as to what we are going to do and what it is going to cost.

I am not going to press the point because this is one of the things that I do not know anything we can do about but just be very careful and not be taken in and pick up all of the cost because we have a lot of other very wealthy nations around the world that are just as able to help as we are.

At this time I yield to Mr. Long for 5 minutes.

IDEAS ON A MISEAST SETTLEMENT

Mr. LONG. Mr. Davies, an article from this morning's Post concerned Donald Bergus, head of U.S. interests section in Cairo. The article said he gave Egyptians a personal memo outlining several ideas for a Mideast settlement. Was this really a personal memo?

What was the background of this memo?

Mr. DAVIES. It was completely personal—it was not a memo actually, but he had put some ideas down on a piece of paper, in a single copy.

Mr. LONG. I met Mr. Bergus and I have great respect for him. I think he is a very responsible person. I would be very doubtful if he just put this out on his own.

Do you want to go off the record?

(Discussion off the record.)

Mr. LONG. Do you have any idea who leaked this to the press in Cairo?

Mr. DAVIES. Apparently the leak was from the Egyptian Foreign Ministry.

Mr. LONG. Has the news of this memo strained current United States/Israeli relations?

Mr. DAVIES. We have spoken both with Ambassador Rabin here and with the Foreign Ministry in Jerusalem and they understand these were Bergus's personal views and had no official status.

STATUS OF PLANS TO REOPEN THE SUEZ CANAL

Mr. LONG. What is the status of plans to reopen the Suez on an interim basis?

Are these completely stalemated?

Mr. DAVIES. They are to the extent that there are wide areas of disagreement between Egyptians and the Israelis. The only hopeful indicator is that both sides tell us they would like to continue to exchange ideas through our channels.

As Secretary Rogers said, there are areas of commonality, not agreement. The Egyptians got rather upset when our Secretary used the term "areas of agreement." There are areas of commonality between the Israeli and Egyptian positions. Both agree that the objective is to see whether the canal can be opened. Both positions are that it should be opened under United Arab Republic control. Both agree that there should be some Israeli withdrawal. Both agree that there should be a cease-fire. Both agree that whatever happens should be in some way linked to the final settlement recognizing that this would be an interim arrangement. Within these areas of commonality there are areas of disagreement which you are well aware of from the statements made by both sides.

Mr. LONG. Is the Soviet Union interested in seeing the Suez Canal opened or are they dragging their feet on this?

Mr. DAVIES. To our knowledge, this has been completely an Egyptian proposal. The Soviets would obviously like to see the canal opened, but we have not seen any indication of their pushing for progress.

Mr. LONG. Of course, getting the Suez open, I would think, would be relatively easy. After all, it could be closed again in a hurry. I would think it would be the Egyptians who would be very slow about getting it opened unless they got a good deal from their point of view.

Mr. DAVIES. Their position is that if the canal is opened, there must be an Israeli withdrawal and in a given time frame further Israeli withdrawal back to the international boundary between the former mandate of Palestine and the Egyptian Sinai territory.

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TENSION BETWEEN PAKISTAN AND INDIA

Mr. LONG. Let me shift to Pakistan and India.

How serious is the situation of tension between East Pakistan and eastern India?

Mr. DAVIES. You mean, sir, between the governments, Islamabad and Delhi?

Mr. LONG. Yes.

Mr. DAVIES. It is, I think, potentially very dangerous.

As the chairman noted, 6 million refugees have already been added to the teeming masses in West Bengal.

Mr. LONG. What do they have to fight with?

Mr. DAVIES. The Pakistan Army is less well-equipped than the Indians, but they have received some Chinese equipment since our cutoff of lethal equipment. The Indians have received Soviet equipment. I cannot imagine that either government wants to go to war, but both are showing evidence of suspicion and frayed nerves.

Mr. LONG. Is there any sign that Russia and China are willing to fight a "surrogate" war, between Pakistan and India? They are going to pay for both of them.

Mr. DAVIES. We see no indication of this, sir.

Mr. LONG. Are we providing any military equipment to either side, spare parts, all that kind of material?

Mr. DAVIES. As I said earlier, we had issued some licenses for nonlethal equipment, and spares of equipment already held.

Mr. LONG. Of lethal equipment?

Mr. DAVIES. Spares for lethal equipment? Yes, sir.

Mr. LONG. Like tanks?

Mr. DAVIES. Yes.

Mr. LONG. Why are we doing that? We know well what these people do with military equipment. We know from the past. Have we not learned any lesson?

Mr. DAVIES. The question, of course, arises from our having provided a base of military equipment for Pakistan under CENTO. When the equipment was used in the India-Pakistan war in 1965, we imposed an embargo.

Mr. LONG. Why do we not keep it on?

Mr. DAVIES. It was quite clear, given the local tensions, that the Pakistanis would reequip from other sources, not only Chinese but others.

Mr. LONG. We just cannot stand to be left out, is that it?

Mr. DAVIES. The costs of a complete reoutfitting does have some impact on economic development as well as other relationships.

ECONOMIC AID AS A SUBSTITUTE FOR MILITARY ASSISTANCE

Mr. SHRIVER. If you would yield?

If we are giving economic aid to Pakistan, we are also giving them the same thing as military equipment, because it relieves their own government so that they can buy military items from any country with whatever we are giving them in economic aid.

Mr. LONG. Sure.

Mr. SHRIVER. I would think I would stop their economic aid, too, if they are engaging in a civil war which forces their own people out of the country.

Mr. DAVIES. Mr. Shriver, there is the most important aspect of trying to maintain a positive and constructive relationship with governments in this area, and to use our influence to reduce the possibility of war.

I can assure you that we are doing just that at this juncture in Delhi and Islamabad. Ambassador Farland has just seen President Yahya on two occasions. We are using our influence, which is not inconsiderable in either capital, in an effort to further reduce tensions.

Mr. LONG. Why isn't our influence best exerted by not giving away good hard-earned taxpayer dollars to finance wars? Why is that not a better influence than some kind of moral suasion. This is what baffles me.

Mr. DAVIES. I think over the years, our assistance programs in these countries have been aimed primarily at economic development.

Mr. LONG. But why should we be financing war? Why should we not make it absolutely clear that we are not interested in financing war, directly or indirectly, particularly between countries we are trying to be friendly to? We went all through this in 1965. I went up on that border and I saw all this terrific waste, several acres of tanks that we had given Pakistan, blown up by weapons that we had given India.

We learned a lesson, we learned it with money we had given them to defend against the Communists, which they used against themselves. Now, we are doing the same darned thing all over again.

Do we not ever learn anything?

Mr. DAVIES. Our military supplies to India and Pakistan have been very limited.

Mr. LONG. Why anything at all?

Mr. DAVIES. There is the factor of the availability from other sources and the problem of economic diversion.

Mr. LONG. Let them get it from other sources.

Mr. PASSMAN. Will the gentleman yield at that point?

Mr. LONG. Yes.

Mr. PASSMAN. We all want a good record. Both Pakistan and India convert dollars from convertible currency as a result of the export of their own commodities, do they not?

Mr. DAVIES. They do, sir.

Mr. PASSMAN. And they have a right to disburse those funds according to the wisdom of their own leaders, do they not?

Mr. DAVIES. Yes, sir.

Mr. PASSMAN. I believe both of those countries are determined that they are going to have a military establishment.

Mr. DAVIES. Unfortunately, there are fears and suspicions each of the other.

Mr. PASSMAN. That is true, is it not?

Mr. DAVIES. It is a fact of life.

Mr. PASSMAN. If we pour billions of dollars into India and Pakistan in economic aid, and credit them with money which they would have had to spend, that releases to them earnings out of their own economy to buy military equipment, is it not just that simple?

Mr. DAVIES. I think these funds are fungible.

Mr. PASSMAN. I appreciate a frank answer. It is just that simple so really it does not make a darn bit of difference whether we give them military equipment or give them dollars. That is where I think we are just gullible.

We are fooling ourselves or trying to fool somebody by saying we are not giving them military equipment. If you give them dollars to pay for their commodities that they need, that releases to them their earnings to equip their countries and make war.

Mr. LONG. If the chairman will yield on that.

Mr. PASSMAN. I yield. It is frustrating.

U.S. ASSISTANCE AND THE LEVEL OF INDIAN MILITARY EXPENDITURES

Mr. LONG. Several years ago I released figures which indicated that the sums of money that we had given in aid to India were substantially almost the same as what they have been spending on the military.

Mr. PASSMAN. Yes; I remember that case. You made it very clear. It was almost even.

Mr. LONG. For all intents and purposes, when you accept the notion that these funds are fungible, to use your term, then we are financing them.

Mr. DAVIES. However, may I make one point, that given our interest in the economic development of both these countries, obviously when we make capital available we are concerned about their use of funds. Our economic aid tends to draw resources into development. They might well have made the military expenditures even if we had withheld our economic assistance, and development would have suffered. It is my recollection that the percentage——

Mr. LONG. What you are saying is that really we are more interested in their economic development than they are? That they are going to take their money and spend it on arms, fight each other, then put themselves in a very bad situation and, since we are more interested in their economy then they are, we proceed to move in and bail them out?

Mr. PASSMAN. And how many Mig plants does Russia have in India?

Mr. DAVIES. There is a Mig assembly plant in—I do not know how many, but I know they have one.

Mr. PASSMAN. Russian Mig is a fighter plane, is it not, actually in India and financed by Russia?

Mr. LONG. Is it not appalling, maybe a little chilling to think that money and economic resources that we are making available to India are winding up one way or another in Communist hands?

Mr. PASSMAN. Certainly they are benefiting by it.

Mr. LONG. These AID people come to us with this sophistry year after year. They never seem to learn anything from experience. They somehow do not expect we are going to learn anything from experience. I think we have. I came on this committee a very strong proponent of economic aid. The actions of the AID people over the years, all this Machiavellian behavior has disillusioned me. I have turned into one of the most fervent opponents of our aid program and I want you to know that. You have made one convert the wrong way.

Mr. PASSMAN. Off the record.

(Discussion off the record.)

MAP GRANT TO CEYLON

Mr. PASSMAN. What kind of terms is this $3 million military assistance item provided to Ceylon? I would bet you a Coca-Cola against a soda straw before you give it to me, it is grant aid.

Mr. DAVIES. The approximately $300,000 for MAP funds for Ceylon have been utilized as follows: Spare parts for military helicopters previously sold by the United States in 1969.

Mr. PASSMAN. That is not what I asked you. I asked you if the $3 million is a loan repayable in dollars or is it a grant? Is it a gift?

Mr. DAVIES. It is on a grant basis, it is MAP.

Mr. PASSMAN. MAP is the military assistance program. It is grant aid.

Mr. DAVIES. Yes, sir.

Mr. PASSMAN. How much did the Russians provide in military aid?

Mr. DAVIES. This I can provide, sir. I do not have it here.

Mr. PASSMAN. Is that grant or is that a loan?

Mr. DAVIES. Again I will have to provide that information. The Soviets provided aircraft and trainers. The trainers have subsequently left.

(The information follows:)

The Russians have provided Ceylon with five Mig—17's, one Mig–15 trainer, two helicopters, and training personnel. Although we do not have details of the terms under which this assistance was provided, press reports indicate that the equipment was provided on a loan basis on concessional terms.

Mr. PASSMAN. So now they are getting military assistance from Russia and from——

Mr. DAVIES. From the British, India, Pakistan, and others.

Mr. PASSMAN. I am talking about the two powers causing the greatest concern. I guess military equipment is given to people to train with and to fight with, is it not?

Mr. DAVIES. This was the case of equipping a government to cope with a military insurrection, not a legitimate opposition, but a small group of armed terrorists who were closer to the Maoists——

Mr. PASSMAN. What excuse did the Russians give, I wonder, to get in there? We hear your side of it. What reasons did the Russians have to get in?

Mr. DAVIES. I would assume the Soviets would not like to see a Peking-oriented and supported government emerging in Ceylon.

Mr. PASSMAN. If that be true, then why did we not leave the Soviets alone and let them give 20 times that much? Would that not have worked in our favor if that was the purpose of the Soviets' aid to keep the Peking Government out?

Mr. DAVIS. The assistance lent to the constitutional Government of Ceylon, I think, sir, maintains ties which will pay off in the future.

Mr. PASSMAN. Less speculation, Mr. Secretary. A lot of this stuff we have given has not paid off.

Mr. DAVIES. There are many friendly members of the Ceylonese Parliament.

Mr. PASSMAN. So it is our policy to continue to give our wealth away all over the world? It just seems that is the firm policy. That is something we have to live with, I guess. This State Department seems to be running the show. You are getting into these entanglements all over the world. Now you say Russia is in so as to keep Peking from coming in and being friendly to Ceylon.

It would appear to me that you would have backed off and encouraged the Soviets to get in there with plenty of aid if that is the purpose of the Soviets' aid. We are so jealous of giving our wealth away, we cannot afford to let any other nation help without poor old Uncle Sam getting involved in it.

Mr. DAVIES. Our recommendation was not based on anything but a desire to see that this government was not overthrown by a terrorist gang which could only have caused trouble throughout this whole broad area.

Mr. PASSMAN. Did not the Soviet Government give the military equipment to the Government of Ceylon?

Mr. DAVIES. Yes, sir.

Mr. PASSMAN. Just as you stated a moment ago, simply because neither the Soviets nor Ceylon wanted a Peking-oriented government to emerge there; did you not say that on the record§

Mr. DAVIES. I think on the record, none of the governments which contributed to supporting this wanted to see the——

Mr. PASSMAN. Is that not what you said, that that was the purpose of the Soviets getting in?

Mr. DAVIES. They did not wish to see the Government overthrown by an ultra-leftist group, sir.

Mr. PASSMAN. You used the word "Peking," that was the main reason for the Russians getting in, to keep Peking out.

Mr. DAVIES. A Peking-oriented Marxist group, sir.

Mr. PASSMAN. It is the same difference, is it not? You just cannot help getting us involved. That seems to be the pattern of the State Department and I think it is growing worse.

AMERICAN INTERESTS IN CEYLON

Mr. SHRIVER. What is the importance of Ceylon, that little island off the coast of India? What U.S. interest is involved there?

Mr. DAVIES. Mr. Shriver, we have no interest in Ceylon other than that of a desire to see it remain an independent, preferably democratic, government. It was threatened by antidemocratic forces. It is in a highly strategic geographic position, lying off the point of the Indian Peninsula.

It has traditional ties to the British Commonwealth and to the West. In the longer term, I think their maintaining ties to Western countries as well as to India and Pakistan, which seem to have been demonstrated in the last emergency, will benefit those of us in the democratic world.

Mr. PASSMAN. That is a good question Mr. Shriver asked.

How about the Government that the present Government succeeded; was it a stable Government?

Mr. DAVIES. The previous Government was stable. Ceylon has always had some economic problems. It lives by export of its tea, rubber, and these are commodities——

Mr. PASSMAN. But it was a stable government? This was a new gov ernment elected?

Mr. DAVIES. Which was elected——

Mr. PASSMAN. You did not give the Government time enough to stabilize to know whether they could succeed.

Mr. DAVIES. Again it was the consensus of all observers the Government did not have the arms to prevent a terrorist gang from overthrowing it.

Mr. PASSMAN. Do you mean that the Soviet military equipment and the U.S. military equipment is being used side-by-side and you have Russian technicians and U.S. technicians showing them how to use and maintain the equipment?

Mr. DAVIES. No. As far as I am aware, the Soviet technicians have departed, having trained the Ceylonese in the use of the equipment. We have no training personnel involved.

Mr. PASSMAN. How are they going to utilize $3 million worth of equipment if you do not have some U.S. technicians there to train them?

Mr. DAVIES. They already had helicopters which they purchased in 1969, sir. So that they were able to maintain and fly these surveillance vehicles. The problem was that the Government controlled the capital, but through attacks on local police stations the terrorists controlled much of the hinterland and have withdrawn gradually into the great tea plantations. The only way the Government could cope with the situation was to acquire some mobility and additional arms.

As you are aware, I am certain, the Government has appealed to the youth groups to surrender and come into rehabilitation camps. There is amnesty—they are attempting to reintegrate these educated youth who feel that the economic situation in Ceylon is not such as to offer them opportunities.

Mr. PASSMAN. Off the record.

(Discussed off the record.)

Mr. PASSMAN. Back on the record.

You are going to keep getting us into these entanglements. The only way I know to straighten it out is to cut your money off. I am referring to the establishment altogether, not just you personally. It looks as if the only way we can do it is to cut your money off.

A LOAN ROLLOVER IN INDIA IN FISCAL YEAR 1970

Now, Mr. Director, have you rolled over any accounts in your area in fiscal 1971?

Mr. MACDONALD. Rolled over, sir?

Mr. PASSMAN. Yes. You know what I mean by that, do you not?

Mr. MACDONALD. Yes.

Mr. PASSMAN. To let the American taxpayer know what it means, we are taking a delinquent account and bringing it up to date so the creditor does not know it is delinquent. That is what we mean by rolling it over.

How many did you roll over in 1970?

Mr. MACDONALD. I believe only one.

Mr. PASSMAN. Which account is that you rolled over?

Mr. MACDONALD. In India, in 1970, for a value of about $8.7 million.

Mr. PASSMAN. India. Does that represent principal or interest?

Mr. MACDONALD. This represents principle and interest.

Mr. PASSMAN. $8.7 million. How much did we give India that year from all spigots?

Mr. MACDONALD. Let me find it. $461.6 million.

Mr. PASSMAN. You gave India $461 million in 1970 and they could not pay this $8.7 million loan, is that right?

Mr. MACDONALD. Yes. It was part of——

Mr. PASSMAN. I do not care what it is part of. We gave them $461 million in 1970 and they could not pay this $8.7 million loan.

Now, what did this loan represent?

Mr. MACDONALD. We lent India the majority of that sum.

Mr. PASSMAN. I know. What does the $8 million represent? Was it due?

Mr. MACDONALD. It was due on past loans.

Mr. PASSMAN. What did you do, did you bring it up to date and put it in the capital account or are you carrying it on a delinquent basis?

Mr. MACDONALD. It was not in a delinquent status.

Mr. PASSMAN. They did not pay the amount, but you rolled it over, which means you manipulated the thing so that even though it was not paid, you showed it was current?

Mr. MACDONALD. Yes, sir. We joined with 12 other countries——

Mr. PASSMAN. Am I making a statement of fact? I do not care who you joined with.

Mr. MACDONALD. I said yes, sir.

Mr. PASSMAN. Yes. That is what I want. I do not mean to be discourteous, but we need to give the answer so that the people who read this record can understand.

Now, does some of that represent this concessionary interest rate in the rollover?

Mr. MACDONALD. Mr. White says he is quite sure it is primarily the 1951 wheat loan, which had a 2½-percent interest rate.

Mr. PASSMAN. What part of the rollover amount represented this concessionary interest rate?

Mr. MACDONALD. $2.2 million—representing the dollar value of one 2½-percent interest rate.

Mr. PASSMAN. That is one. Let's get the other one in 1970 that you have there?

Mr. MACDONALD. That is all in 1970.

FISCAL YEAR 1971 ROLLOVER IN INDIA

Mr. PASSMAN. How about 1971?

Mr. MACDONALD. In 1971 the same thing was done for India.

Mr. PASSMAN. How much?

Mr. MACDONALD. About the same amount.

Mr. PASSMAN. You say "about." It is just as good to be accurate. How much do we roll over?

Mr. MACDONALD. $8.7 million.

Mr. PASSMAN. $8.7 million again. How much did we give India. grand total in 1971?

Mr. MACDONALD. $403.6 million.

Mr. PASSMAN. $403 million; they could not pay the $8 million, so we rolled it over. Did you consolidate that with other loans, or what is the status of it now?

Mr. MACDONALD. It has been rolled over for 3 years, Mr. Chairman.

Mr. PASSMAN. By rolling over, we mean it was delinquent, they did

not pay it, so we used some type of manipulation to bring it up to date. Will they keep on rolling it over or are they going to pay it?

Mr. MACDONALD. Not indefinitely; no sir. The loan is not delinquent. The World Bank is proposing a study of Indian aid requirements for the next 3 or 4 years.

Mr. PASSMAN. I would love to see that.

Mr. MACDONALD. It focuses on their requirements to accelerate the development program.

Mr. PASSMAN. If we are giving those people over $400 million a year, it would appear to me they could retire $8 million.

LOAN DEOBLIGATIONS IN INDIA

How many loans did you deobligate in India in fiscal 1971?

Mr. MACDONALD. Fifteen in all through the middle of June.

Mr. PASSMAN. What was the total amount of the deobligations?

Mr. MACDONALD. The 15 add up to about $1.5 million deobligations.

Mr. PASSMAN. Do you understand this so-called development loan or disguised grant program, as your predecessors did? Sixty percent of it is a grant to start with because of the concessionary interest rates?

Mr. MACDONALD. Yes, the quality of our aid is 60 percent grant.

Mr. PASSMAN. This is referring to the so-called development loans?

Mr. MACDONALD. Yes, sir.

TOTAL AID TO INDIA

Mr. PASSMAN. Thank you very much.

Now, what are you proposing for India for fiscal 1972, all spigots?

Mr. MACDONALD. In 1972, from all spigots including Public Law 480, we are proposing $414.8 million.

Mr. PASSMAN. That is the asking price?

Mr. MACDONALD. Yes, sir; the AID request is for $230 million; the rest is Public Law 480.

Mr. PASSMAN. Thank you. That is what Mr. Hannah refers to as the asking price, is that right? I believe that is his definition, is it not, Mr. Controller? You have heard him answer my questions.

Mr. FLINNER. Yes, sir.

Mr. PASSMAN. Thank you very much.

We want you to become accustomed to the new philosophy. Dr. Hannah will tell you quickly there is an asking price and a taking price. He does not make any bones about it, but being frank, it has paid dividends. Do not be bashful about giving us factual answers.

Mr. MACDONALD. This is our asking price.

Mr. PASSMAN. We know you people inflate this request and work us to death trying to take it out.

Off the record.

(Discussion off the record.)

INDIAN MEMBERSHIP IN THE IDA

Mr. PASSMAN. I am somewhat concerned over duplications of these many programs. Let's take a look at the International Development Association. India is a member of the IDA; is she not?

Mr. MACDONALD. Yes, sir.

Mr. PASSMAN. I believe they contribute to IDA.

Mr. MACDONALD. Yes, sir.

Mr. PASSMAN. And I believe that they put in $40,350,000, but pulled out $1,092,600,000. This is to be found on page 238 of part 1 of last year's heavings. We might as well read it into the record.

Mr. PASSMAN. How much has India contributed to IDA since the inception? This information is valuable for both sides of the table. Let us make the record, because if you can put a dollar into something and get back seven, you would be for it, too.

Mr. WIECZOROWSKI. India's subscription was $40,350,000.

Mr. PASSMAN. Isn't that commendable? Do you know the amount of loans India received? $1,092,600,000. We have made the point, have we not?

Mr. WIECZOROWSKI. Yes, sir.

Now, let's see, for each dollar they put in I believe they get out $27. I would love to join this club.

Pakistan puts in $1 and gets out $37. Yet if we did not know that, we would think India and Pakistan were contributors to IDA.

Mr. MACDONALD. IDA is the soft window of the bank. It was established to aid poorer countries.

Mr. PASSMAN. I am just as familiar with it as you. I have been with this only 17 years.

On the other hand, they fund the same type of projects as you do out of the AID program; do they not?

Mr. MACDONALD. Yes.

Mr. PASSMAN. You know and I know there is duplication. Sometimes you have several agencies and if we reduce the request they go to one of the international organizations and get the funds.

TECHNICAL ASSISTANCE OPERATIONS IN INDIA

You have the U.N. program also operating in India, Pakistan, and in other parts of your area; do you not?

Mr. MACDONALD. Yes, Mr. Chairman.

Mr. PASSMAN. That is for agriculture, building fences, drilling wells?

Mr. MACDONALD. A variety of technical assistance.

Mr. PASSMAN. That is the same thing that is done under the bilateral program, correct?

Mr. MACDONALD. Yes, we engage in similar work.

Mr. PASSMAN. I believe under the U.N. FAO you also have some of those programs going on, do you not?

Mr. MACDONALD. Yes, Mr. Chairman.

Mr. PASSMAN. The facts are, there are seven of them doing exactly the same work, and we are getting into all of them.

The trouble is, we cannot keep all the programs straight because there are so many of them.

Off the record.

(Discussion off the record.)

INCREASE IN ASSISTANCE, ALL SPIGOTS

Mr. PASSMAN. So many people think the AID program is being reduced. It is being increased. This year's request exceeds last year's request by $1.4 billion.

People would see in the paper where the President requested $3.2 billion for aid, and they thought he was talking about total foreign aid. However, he was talking about the Agency for International Development. He said he was referring to the abbreviation of the name of an agency, did you know that?

I think that is right, is it not, Mr. Comptroller, that we were referring to the abbreviation of the name of the agency?

Mr. FLINNER. Yes, sir; when he talked about the $2 billion, that is administered by AID.

Mr. PASSMAN. We made a record of it.

(Discussion off the record.)

Mr. PASSMAN. India, and Pakistan, what other countries in your area do you have a program going?

PROPOSED PROJECTS IN AFGHANISTAN

Mr. MACDONALD. Turkey, Afghanistan, Nepal, and Jordan.

Mr. PASSMAN. How much for Afghanistan?

Mr. MACDONALD. The AID request for Afghanistan is $7 million in fiscal year 1972.

Mr. PASSMAN. Would you place in the record a list of the projects you propose to finance in Afghanistan for fiscal 1972?

Mr. MACDONALD. I would be pleased to.

(The information follows:)

PROPOSED PROJECTS IN AFGHANISTAN FOR FISCAL YEAR 1972

Helmand Valley Regional Development
National Agriculture Development
Agriculture Education
Technical Education
Kabul University Admin. Improvement
Financial Administration Improvement
Elementary and Secondary Education
National Development Training
Statistical Information Systems Development
Industrial Development
Population and Family Planning

TOTAL ASSISTANCE TO JORDAN

Mr. PASSMAN. Is Jordan in your area?

Mr. MACDONALD. Yes, sir.

Mr. PASSMAN. What do you propose in Jordan for fiscal 1972?

Mr. MACDONALD. We are proposing a supporting assistance amount of $30 million in 1972.

Mr. PASSMAN. Spell it out, supporting assistance means straight-out economic aid, is that correct?

Mr. MACDONALD. Yes, sir.

Mr. PASSMAN. How about the military portion of it?

Mr. MACDONALD. The military——

Mr. PASSMAN. Do not answer the question. Lump it all together. What is the total amount of aid for Jordan?

Mr. MACDONALD. The total for 1972 is ——— million, total, I believe.

Mr. PASSMAN. For Jordan?

Mr. MACDONALD. Yes, sir; that is economic and military aid.

Mr. PASSMAN. I understand.

That is all spigots. There figures are not classified, are they?

Mr. DAVIES. Military figures for 1972 are classified.

Mr. PASSMAN. I think you also indicate that $4,250,000 of contingency funds were made available in 1971 for Jordan; is that correct?

Mr. MACDONALD. Yes, that is correct.

Mr. PASSMAN. Did you request these funds?

Mr. MACDONALD. That amount was allocated to Jordanian relief and rehabilitation after the problems the Government encountered last September with the Fedayeen.

Mr. PASSMAN. They will always have problems. Just tell me the amount.

Mr. MACDONALD. It was $4.25 million.

Mr. PASSMAN. It was not requested, this is something you pulled out along the way?

Mr. MACDONALD. Yes, sir; out of the contingency fund.

Mr. PASSMAN. In addition to the $5 million for supporting assistance?

Mr. MACDONALD. Yes.

Mr. PASSMAN. What was the $4.25 million in contingency funds used for?

Mr. MACDONALD. Excuse me, Mr. Chairman.

Mr. PASSMAN. Yes. Do some of your bookkeepers have that information?

Mr. MACDONALD. I am sorry, I apologize for holding you up.

Mr. PASSMAN. Do you want to borrow our book?

Mr. MACDONALD. $4.25 million from the contingency fund.

Mr. PASSMAN. I know.

What did they use it for? It was in addition to the military?

Mr. MACDONALD. Yes, plus $5 million cash grant transfer from supporting assistance.

Mr. PASSMAN. The $4.25 million in economic aid, what was it for?

Mr. MACDONALD. To help the Jordanians meet unforeseen contingency, after the problem they had with the Fedayeen, for relief of human suffering and to rehabilitate schools and other facilities damaged during the fighting.

TOTAL ASSISTANCE TO ISRAEL

Mr. PASSMAN. Is Israel in your area?

Mr. MACDONALD. It is.

Mr. PASSMAN. What do you have in your budget for Israel for fiscal 1972?

Mr. MACDONALD. Public Law 480——

Mr. PASSMAN. No; the grand total.

Mr. MACDONALD. ———

Mr. PASSMAN. What is the breakdown on it?

Mr. MACDONALD. $56,133,000.

Mr. PASSMAN. For Israel?

Mr. MACDONALD. That is all Public Law 480.

Mr. PASSMAN. All Public Law 480?

Mr. MACDONALD. Yes.

Mr. PASSMAN. What terms?

Mr. MACDONALD. Twenty years, 3-percent interest.

Mr. PASSMAN. It is the regular concessional type of aid?

Mr. MACDONALD. No; the most lenient terms are 40 years.

Mr. PASSMAN. What is the next item?

Mr. MACDONALD. The next item is ——— for military credit sales, total military ———.

Mr. PASSMAN. How about technical aid?

Mr. MACDONALD. There is no technical aid proposed.

Mr. PASSMAN. Are they eligible for technical aid?

Mr. MACDONALD. No; they are not under our present eligibility list.

Mr. PASSMAN. Are they eligible for grant aid?

Mr. MACDONALD. They are not eligible for development assistance. They are eligible for Public Law 480.

Mr. PASSMAN. Are they eligible for grant aid?

Mr. MACDONALD. We do provide grants under American schools and hospitals abroad.

Mr. PASSMAN. You are providing some for them?

Mr. MACDONALD. Yes, sir.

Mr. PASSMAN. I am just pro everybody if they are willing to work and develop. I think if we go back 25 years ago, Israel, Jordan, Syria, Egypt, all of them were about on a par and had a lot of hills out there with very little development.

Mr. MACDONALD. That is correct.

Mr. PASSMAN. Israel in the short period of 25 years with a lot of aid from friends and governments has become what is now considered to be a developed nation; is that right?

Mr. MACDONALD. Very progressive and developed nation.

Mr. PASSMAN. They are not considered an underdeveloped nation any longer, are they?

Mr. MACDONALD. Not for purposes of aid.

Mr. PASSMAN. They are considered a developed nation as we think of developed nations?

Mr. MACDONALD. Yes, sir.

Mr. PASSMAN. They have been able to accomplish that just about on their own in a period of 25 years. I am not talking about not getting aid. I am talking about the ingenuity and brains. They have carved out a respectable place in the world of nations.

Mr. MACDONALD. They have done a remarkable job.

Mr. PASSMAN. In the field of agriculture as well as industry?

Mr. MACDONALD. Yes, sir; also in science.

Mr. PASSMAN. I think it is one of the showplaces of the world when you go into Israel and see what those people have accomplished. If you look out on the hills, 25 years ago it was nothing but bare rocks and they have started a reforestation program there and it is just a matter of time until you are going to have a cover of timber out on those hills. Have you observed that?

Mr. DAVIES. I have indeed, sir.

Mr. PASSMAN. You are going to wind up with a forest up on those hillsides in another 25 to 40 years. If you drive from Tel Aviv to Jerusalem you will see thousands of acres of orange groves. That is something new and it has turned into one of their very profitable exports.

That is an indication of what can be done if people are willing to work.

Mr. MacDonald. I think it is a fine example of that.

Mr. Passman. What can be done. I could be just as pro-Jordan or pro-Syria or pro-Egypt as I could be pro-Israel if they would just forget about all the trouble and go to work and develop their countries as Israel did. You see a lot of manufacturing plants and merchandise and if you go into stores you see screwdrivers, wrenches, shirts, and socks. I believe that is one place that we can point to with some pride. Surprisingly enough, we didn't give them a lot of aid.

ISRAEL AS AN AID GRADUATE

Mr. MacDonald. If I could share in this pride, I want to say it is one of the countries that we regard as being an AID graduate. I know that Israel has received aid from other sources than the United States, but as I say, we do share in that pride.

Mr. Passman. Don't take too much credit because AID didn't give them that much. It was their own ingenuity and hard work and they had a lot of friends in America to contribute. I think the AID contribution was about $800 million or something like that. That is substantial, but they couldn't make the progress they have made on that kind of a contribution alone.

Mr. MacDonald. I certainly agree with your point. Development depends more than anything on the self-help efforts of the country being aided. That is true of the other AID graduate countries, Iran, Greece, and others.

Mr. Passman. You don't mean to say that Turkey and Greece are not still getting aid, do you?

Mr. MacDonald. I don't include Turkey, no, sir.

Mr. Passman. How about Greece; aren't they getting military aid?

Mr. MacDonald. Military assistance.

Mr. Passman. What is the difference? Milk tastes the same from a black cow as a white cow, doesn't it? As the Secretary said earlier, if you give them military aid, it releases other resources to them to do the things we cannot do in America. That is their public programs that they are all interested in. All nations are going to have a military.

I think that we could read back 19 years ago and it would be just about the same language used in the justifications. "A modern and stable Jordan is basic to U.S. efforts to achieve a just and lasting resolution of the Arab-Israel confrontation." That is a direct quote from your justifications. Isn't that the same thing we said 17 years ago?

IMPORTANCE OF ASSISTANCE TO JORDAN

I think it is a nice statement, but look at the ink and paper we are wasting repeating it every year. That is desirable, but how is Jordan going to help the United States achieve this goal, Mr. Secretary?

Mr. Davies. The continuation of a moderate government under Hussein, we think, is essential to Arab support of Resolution 242. The present Government of Jordan is committed to peace under that resolution. Its existence was threatened from June to September again by

organized militants who opposed peace under this resolution and sought to cave in the existing structure and almost succeeded.

You will recall the September incident where three large aircraft were hijacked. It was not really a case of the Palestinians rising against King Hussein, but rather again an extremist fringe, the Popular Front for the Liberation of Palestine, the hijackers of the aircraft, who sought to overthrow the Government. Quite frankly, sir, I think our support of Jordan, including the taking of contingency measures, was in our interest in supporting that Government and supporting peace in that area.

Mr. PASSMAN. It is a lot to wish for, but little to expect, isn't it?

Mr. DAVIES. The Jordan Government has given a remarkable performance in the last year of pulling itself together and restoring stability in the country.

Mr. PASSMAN. They have been pulling themselves together and apart ever since they had a government there. See how much we have given them.

What is the population of the country?

Mr. DAVIES. Two million.

Mr. PASSMAN. What a fantastically high amount of aid we have given those people. I think it is about $623 million through 1970, and to that we would have to add military, as well as what we gave them in fiscal year 1971; would we not?

Mr. DAVIES. Yes, sir.

Mr. PASSMAN. To get the grand total.

Mr. DAVIES. Yes, sir.

Mr. PASSMAN. Pretty close to $800 million for 2 million people. It is absolutely impossible, if they had peace, to be self-supporting because of the geographic location, is that correct?

Mr. DAVIES. Prior to 1967, Mr. Chairman, contrary to our predictions, they were well on the way toward economic viability.

Mr. PASSMAN. Well on the way. I said the statistics indicate they could not be self-supporting, could they? Agriculturally speaking and otherwise?

JORDANIAN POTENTIAL FOR DEVELOPMENT

Mr. DAVIS. Yes, sir. Through development of the waters of the Yarmuk which flows into the Jordan, they had developed an area which provided a good agricultural base, tourism was increased at the rate of 30 percent each year. It seemed in 1966 that Jordan was off and running toward economic viability. With the loss of Jerusalem and the left bank and the influx of Palestinian refugees from this area the situation is difficult.

Mr. PASSMAN. Off and running but a long way to go, is that right?

Mr. DAVIES. The Jordanian economists thought Jordan could do without any foreign assistance by 1970.

Mr. PASSMAN. We are just about 2 years beyond that point then?

Mr. DAVIES. But the June war intervened.

Mr. PASSMAN. There will always be reasons. We go back to Ceylon. These squabbles between these little governments and territories have been going on from time immemorial in that part of the world, is that true? They have always had these wars between these countries

out there, isn't that right? War has been their way of life for thousands of years, internally or externally?

Mr. DAVIES. Certainly it has been a history of warfare.

Mr. PASSMAN. Here we are going to bankrupt America trying to straighten out something that has been going on for thousands of years. In the Middle East, I think those people have been warring ever since there has been a world; have they not?

Mr. DAVIES. They have, Mr. Chairman.

Mr. PASSMAN. I expect they will be warring a long time after we are 6 feet under. Don't wreck our economy and price ourselves out of the world market. As we sit here this afternoon and discuss our mutual problems, I am sure that we all know that we have been very generous in giving our wealth away in different forms. Also, after foreign nations have met their commitments in commerce they still have $50 billion stacked in the vaults and it has reached the point where American dollars are no longer welcome. I guess that you read the article yesterday where if we don't reverse this trend these nations are going to cut loose from us and let us go on our own. I think our balance-of-payments deficit for the first quarter of this year, 90 days, is $5.5 billion. Is that correct?

Mr. DAVIES. Yes, sir.

Mr. PASSMAN. There is $50 billion floating around and we don't have the gold to redeem those dollars. We better get our house in order or we are going to get into trouble. I think we all know that. You cannot have your cake and eat it too. We are fast pricing ourselves out of the world market in many, many areas. You people refer to these programs as small. When you go around the world we are nickel and diming the American people to death. You start all these little programs that look so good on the surface and we have heard it said "from little acorns big trees grow." In a year of two these things will have grown to be big.

What do you see at this time, Mr. Director and Secretary, with respect to reducing foreign aid in this part of the world rather than increasing it?

Mr. MACDONALD. I would say, Mr. Chairman, that that clearly depends upon the achievement of political settlement of the problems of the Mideast. If we could assume that, Mr. Chairman, the Jordanian financial picture would be very greatly improved almost instantly. The resumption of tourist trade alone would generate for them something on the order of $25 million or more. The resumption of their receipt of revenues from the occupied areas——

Mr. PASSMAN. Off the record.

(Discussion off the record.)

ASSISTANCE TO EGYPT AND SYRIA

Mr. PASSMAN. Do you have an AID program proposed for Egypt for fiscal year 1972?

Mr. MACDONALD. No, sir.

Mr. PASSMAN. I think in one area it is $200,000 and that is a cash contribution to the American University at Cairo, United Arab Republic.

Mr. MACDONALD. Yes, sir, there are funds requested for the American University of Cairo, an American sponsored school.

Mr. PASSMAN. It is still aid?

Mr. MACDONALD. Yes, sir. I am sorry that I said no.

Mr. PASSMAN. How about the soft currency; isn't there a proposal to utilize a lot of the soft currency?

Mr. MACDONALD. I recall there was discussion about releasing U.S.-owned currency to AUC. This is not in my area of direct responsibility. I can submit a statement on the status of that proposal.

(The information follows:)

STATUS OF THE PROPOSAL TO RELEASE U.S.-OWNED CURRENCY TO AUC

AID, in its opening statement before this subcommittee, stated that it was "AID's intention, as approved by Congress heretofore, to permit the American University of Cairo to draw on the corpus of the endowment fund created in fiscal year 1969 for operational requirements and Egyptian pound costs in connection with construction of a library."

Mr. PASSMAN. We ask general questions because it is aid and I don't know, it may be good aid. We will have to cross that bridge when we get to it.

How about Syria?

Mr. MACDONALD. No. The same.

Mr. PASSMAN. I believe at one time we did have an aid program to Syria.

Mr. MACDONALD. Yes, sir.

Mr. PASSMAN. They asked us to get out. We stayed out for several years and finally pleaded with them to let us back in and we got in with a little Public Law 480 program and finally they ran us out with that. They get along better without us.

Do you recall those days?

Mr. MACDONALD. In the late fifties and the sixties, I believe.

Mr. PASSMAN. It is embarrassing. They said, "Get out," and we got back in with a little Public Law 480 program and they asked us to get out with that program. Presently you have no program there?

Mr. MACDONALD. We do not. AID does not. We do propose a small Public Law 480 program.

Mr. PASSMAN. To Syria?

Mr. MACDONALD. Yes, sir.

Mr. PASSMAN. Do we have diplomatic relations with Syria at this time?

Mr. DAVIES. We do not.

Mr. PASSMAN. How in the world can you work out an aid program then? It is aid, Public Law 480. What is the amount of it?

Mr. MACDONALD. $190,000. I think it is probably title II.

Mr. PASSMAN. How much?

Mr. MACDONALD. $190,000 to UNRWA to maternal and child health programs.

ASSISTANCE TO COUNTRIES WITHOUT DIPLOMATIC RELATIONS WITH THE UNITED STATES

Mr. PASSMAN. List in the record at this point the nations in this area in which we do not have diplomatic relations that get some type of aid from the United States. Egypt is one, Syria is another one. I will use it now broadly. Some type of aid program. Don't go into a lot of elabora-

tion other than you could state it is Public Law 480. With the exception of the one for Egypt, that is cash, is it?

Mr. MACDONALD. That is a cash grant.

But the grant of $500,000 is for an American-sponsored school.

Mr. PASSMAN. Every time they prepare a list they raise it. $500,000 now?

Mr. MACDONALD. Yes, sir. This is the figure now under discussion.

Mr. PASSMAN. Place in the record the countries where we have a U.S. aid program going where we don't maintain diplomatic relations.

(The information follows:)

ASSISTANCE PROGRAMS TO COUNTRIES WITH WHICH WE HAVE NO DIPOMATIC RELATIONS

International organizations and an American voluntary relief agency, receive grants of surplus food under Public Law 480 Title II, to carry out humanitarian feeding programs in countries which do not have diplomatic relations with the United States. The following are preliminary final fiscal year 1971 levels of title II assistance to these organizations in four countries with which the United States has no diplomatic relations.

Country	International organization/ American voluntary agency	Amount	Purpose of grant
People's Democratic Republic of South Yemen	UNICEF	$83,000	Mother/child health clinics.
	WFP [1]	177,000	Needy hospital patients.
Total		260,000	
Arab Republic of Yemen	UNICEF	21,000	Mother/child health clinics.
	WFP [1]	780,000	Emergency famine relief.
	CRS [2]	2,606,423	
Total		3,407,423	
Iraq	UNICEF	243,000	Mother/child feeding.
Syria	UNRWA	190,000	Mothr/child feeding programs in addition to regular U.S. pledge to UNRWA.
Grand total		4,100,423	

[1] WFP—World Food Program.
[2] CRS—Catholic Relief Services.

Mr. PASSMAN. Any others?

Mr. DAVIES. Yemen.

Mr. PASSMAN. How much of a program do we have going there?

Mr. MACDONALD. Last year it was——

Mr. PASSMAN. I am talking about fiscal year 1972.

Mr. MACDONALD. Proposed $700,000 of Public Law 480, title II for a child feeding program.

Mr. PASSMAN. Be sure that we have it understood, Public Law 480 is just as much foreign aid as any other.

Mr. MACDONALD. I was merely trying to identify——

Mr. PASSMAN. Isn't it just as much foreign aid as any other spigot?

Mr. MACDONALD. It certainly is a transfer of resources, there is no question of that.

Mr. PASSMAN. How many countries in your area would you say are getting foreign aid in fiscal year 1972?

Mr. MACDONALD. I didn't say.

Mr. PASSMAN. I thought you said seven.

Mr. MacDonald. Under AID assistance there will be three getting development loans.

Mr. Passman. You don't have to do it today but tell us how many countries in your area have an aid program in fiscal year 1972.

Mr. MacDonald. India, Pakistan, Afganistan, Nepal, Turkey, Jordan have AID programs in fiscal year 1972. In addition, Ceylon is eligible for loans in fiscal year 1972.

Including all definitions of aid, there will be 17 countries with an aid program in fiscal year 1972.

Mr. Passman. How many of them are playing with the other side and do not maintain diplomatic relations with our country at this time?

Mr. MacDonald. We mentioned three, United Arab Republic——

Mr. Passman. Others?

Mr. Davies. Iraq and Syria.

Mr. Passman. Do we have an aid program for Iraq in fiscal year 1972?

Mr. Flinner. Public Law 480, yes, sir.

Mr. MacDonald. $243,000.

Mr. Passman. I wouldn't say you people are crazy but you sure do have some crazy people with this agency. This just burns me up to think these people break off diplomatic relations and kick us out but somehow or other we are determined to work ourselves back in with an aid program of some kind before they reestablish diplomatic relations.

(Discussion off the record.)

Mr. Passman. On the record.

We made available out of U.S.-owned local currencies, a U.S. dollar equivalent of $45 million which was made available to the American University in Cairo. This is presently being disbursed for necessities in the area of operation of the university; is that correct?

Mr. Flinner. Yes, sir.

Mr. Passman. What is the total amount of technical aid in your area?

TOTAL TECHNICAL ASSISTANCE IN NESA

Mr. MacDonald. Total proposed for 1972, $37.3 million. This includes family planning.

Mr. Passman. What was the program for fiscal year 1971?

Mr. MacDonald. The total last year was $38.6 million.

Mr. Passman. There is some talk of returning these concessional loans back to 1 percent. You have heard some talk of that?

Mr. MacDonald. Yes, I have heard.

Mr. Passman. Under the present plan I believe we borrowed the money in the United States at 6 percent, did we not?

Mr. MacDonald. I understood it was 5½ to 6 percent.

Mr. Passman. You are using last year and we are taking an average. I think the Government went up to 8 percent in certain areas; didn't it? I believe it was testified to earlier by some of the witnesses in fiscal year 1972 the increased interest rate would be in the neighborhood of 6 percent. We do agree we have to borrow this money?

Mr. MacDonald. Yes, Mr. Chairman.

Mr. PASSMAN. We borrow it for 6 percent and we only charge 2 percent on the first 10 years; which is the grace period. Is that the way it works?

Mr. MACDONALD. Yes, sir.

Mr. PASSMAN. On the final 30 years we pay 6 percent but we only charge the recipient 3 percent, is that correct?

Mr. MACDONALD. Yes, sir.

Mr. PASSMAN. How many loans did you have in your area where the recipient wouldn't even pay that concessionary interest rate of 1 percent, previously and you had to capitalize it?

Mr. MACDONALD. I believe there was one case in Turkey—the Eregli steel mill loan, a loan to a private company——

Mr. PASSMAN. I don't care what it is on.

Mr. MACDONALD. Where the interest was capitalized.

Mr. PASSMAN. They wouldn't even pay the 1 percent interest and you capitalized it, is that right?

Mr. MACDONALD. I believe that is the case, Mr. Chairman, although the interest rate for the company was higher.

Mr. PASSMAN. I tell you, it is a pretty sad state of affairs when you cannot get people to pay 1 percent and they want that made part of the capital. At least they could pay that little tidbit.

Mr. MACDONALD. I don't recall the details of that case, Mr. Chairman.

Mr. PASSMAN. You have several cases like this where they said, what is the use to pay 1 percent. Put it in with the principal and when you do that they have to pay interest on the interest, do they not?

Mr. MACDONALD. Yes, sir.

Mr. PASSMAN. I guess you couldn't sleep very well if you had your savings tied up with such loans, could you?

REGIONAL PROGRAM IN NESA

Do you have what is known as regional projects in your area?

Mr. MACDONALD. Yes.

Mr. PASSMAN. I believe this regional title is kind of a catchall for various items, especially those things that we want to classify, is it not?

Military assistance, we throw that in the region, do we not?

Mr. MACDONALD. Not in the economic aid regional project.

Mr. PASSMAN. Off the record.

(Discussion off the record.)

Mr. PASSMAN. I ask you the question so as to ascertain if we have the same understanding about the way the so-called regional title operates. It is kind of a catchall for funny projects, military projects, and projects that may be shared by two or more nations, is that correct?

Mr. MACDONALD. Mr. Chairman, the regional figures that I can speak to——

Mr. PASSMAN. I said the regional title is kind of a catchall for military since it must be classified, and the funny stuff, and projects where maybe more than one nation would participate in it, is that not what we call a catchall account?

Mr. MACDONALD. Perhaps, Mr. Chairman, I am not familiar with the example of a regional project with military items in it.

Mr. PASSMAN. All right. What do you have in your region?

Mr. MACDONALD. Speaking now of AID, we have a regional project totalling $3.9 million.

Mr. PASSMAN. How many countries is that shared with?

Mr. MACDONALD. The project funds training at AUB—the American University at Beirut—primarily which, as you know, is an institution where we train participants from throughout the region. The project also finances some family planning activities in the region.

Mr. PASSMAN. I can understand that perfectly well, but you have the military in your area. Now is that included in the regional item?

Mr. MACDONALD. No, sir, not in this $3.9 million.

Mr. PASSMAN. But as we go around the world and pick up the grand total for the regional item, it is included, is it not?

Mr. FLINNER. Yes, sir.

AMERICAN UNIVERSITY AT BEIRUT

Mr. PASSMAN. Let me ask you about American University at Beirut.

I have been on this committee a long, long time and for some reason or another all that I have ever heard about AUB was good. Is it that good?

Mr. MACDONALD. We think it is a very suitable institution to which to send students from our NESA countries for study in a variety of subjects.

Mr. PASSMAN. It is a prerequisite for students to be able to speak and write English?

Mr. MACDONALD. Yes, Mr. Chairman.

Mr. PASSMAN. I believe the students from 62 nations attend the American University at Beirut.

Mr. MACDONALD. I think something on that order.

Mr. DAVIES. It has produced basic good will toward Americans among people who oppose some of our policies. The reservoir of good will that we have in such countries as Syria and Iraq stem, in part, from the job done by AUB over the past century. I think it is still a good, sound institution.

Mr. PASSMAN. It is strictly nonsectarian?

Mr. DAVIES. It is nonsectarian now.

Mr. PASSMAN. It has graduated some of the top people in our own government as well as some of the top leaders in that part of the world? There have been two or three witnesses before this committee——

Mr. DAVIES. Who took class work there?

Mr. PASSMAN. Graduated from AUB.

Do you consider it a good investment for the United States?

Mr. DAVIES. I do, sir, as long as the university administration can keep it isolated from either Lebanese politics or regional politics.

Mr. PASSMAN. Has it been very successful in keeping isolated?

Mr. DAVIES. It has so far.

Mr. PASSMAN. Is there any indication it might change?

Mr. DAVIES. No, on the contrary, we have just gone through a student strike out there, because tuition rates were increased by I think 10 percent. You may be familiar with this story.

Mr. PASSMAN. I am familiar with it.

Mr. DAVIES. It seems to me the President handled this crisis very well. The students are taking their examinations now and we seem to

have gotten over what could have been a very ugly situation which could, in other circumstances, have spilled over into the street.

Mr. PASSMAN. That reflected great credit on the management of AUB, then.

Mr. DAVIES. In my judgment it did, sir.

REQUEST FOR AUB

Mr. PASSMAN. I am greatly worried about budget support for any school. We were told by Dr. Hannah and others that the $6 million is a minimum that AUB could get by with for fiscal 1972.

Do you support his views?

Mr. MACDONALD. Yes, nearly $6 million.

Mr. PASSMAN. That was his amended request?

Mr. MACDONALD. Yes, sir.

Mr. PASSMAN. Do you agree with me that the time has come for us to encourage not only AUB, but some of the other universities in which we are starting AID programs, that they are going to have to return to the old system of solicitation from the foundations and other donors, rather than look to us for budget support?

Mr. MACDONALD. I would certainly agree that they should seek to have their financial requirements met elsewhere. We do have, as Mr. Davies has said, a very real interest with tangible results from the aid that we have provided.

Mr. PASSMAN. I think it has been a good investment, but let's not get away from the question.

I think it is all right for capital investment, but when you start giving budget support to these institutions, there is no stopping place.

Mr. MACDONALD. As a general proposition, Mr. Chairman, I would stand with you on that; yes, sir.

Mr. PASSMAN. None of their request is for capital investment goods; is it?

Mr. MACDONALD. I believe not.

Mr. PASSMAN. I wonder now to what extent the agencies are advising these people that they should start looking to other sources for other revenue?

Have you discussed it with them?

Mr. MACDONALD. I have not.

Mr. PASSMAN. Have any of your people?

Mr. MACDONALD. Yes; I know Governor Dwinell of AID has made this point to the institutions that we are talking about.

Mr. PASSMAN. You have a great medical school there and teaching hospital.

We were told, I think a few years ago, that this medical school would be self-supporting in possibly 7 years. Now could you get a progress report on the hospital, as to how much of this request is for subsidizing the operation of the hospital?

Mr. MACDONALD. I would be pleased to provide that for the record, sir.

(The information follows:)

PROGRESS OF AMERICAN UNIVERSITY OF BEIRUT (AUB) MEDICAL CENTER

Construction of the first and second phases of the new medical center has been completed. Patients were moved from the old hospital to the new 440-bed hospital in June 1970.

Bids on phase III, a basic science building, a medical library, and other facilities were opened in June 1970. A construction contract was signed in August, and work is now about 10 percent completed. Phase III is expected to be completed in December 1974. The third phase of the medical center was not planned as an income-producing project.

According to figures developed just this month by the AUB controller, $366,000 has been required to subsidize the operation of the hospital in 1970–71. Slightly more will be required in 1971–72. However, the university's administration continues to believe the financial analysis prepared in April 1966 to be sound. It indicates that the new hospital itself would be self-supporting within 7 years of its opening.

Mr. PASSMAN. Gentlemen, if I may offer a suggestion; we have other universities coming in and I hope we could have a meeting of minds that we will, as far as possible, try to give these people one shot in the arm, maybe help them with their capital investment, but then let them look to other sources for their budget support.

I can understand if you would take a university like the one in Beirut, that is almost entirely dependent upon the United States, with the trouble they have had there, they may have to look to us for this support.

Off the record.

(Discussion off the record.)

A BREAKDOWN OF THE REGIONAL PROGRAM

Mr. PASSMAN. Do you have any way of giving us a breakdown of your regional items, what countries actually will participate in it?

Mr. MACDONALD. Mr. Chairman, I would appreciate putting that in the record.

Mr. PASSMAN. Put it in the record.

(The information follows:)

BREAKDOWN OF THE NESA REGIONAL PROGRAM

The majority of our regional funds provided training for participants from the following countries at the American University of Beirut:

Afghanistan	Lebanon
Cyprus	Nepal
Iran	Pakistan
Jordan	Turkey

Regional funds have also provided for the services of U.S. consultants in population programs in India, Iran, Pakistan, and Turkey.

TOTAL CONTRIBUTION TO THE INDUS BASIN

Mr. PASSMAN. What is our total contribution to the Indus Basin Development Fund so far?

Put that in the record.

(The information follows:)

	U.S. commitment	Contributed through June 30, 1971	Future requirements
Dollar grant	295,590,000	224,064,512	71,525,488
Dollar loan	121,220,000	88,979,429	32,240,571
Total dollars	416,810,000	313,043,941	103,766,059
Rupees	235,000,000	235,000,000	.....

Mr. PASSMAN. You are requesting for fiscal 1972, $27 million; is that correct?

Mr. MACDONALD. That is correct; yes.

Mr. PASSMAN. That is an increase of $15,095,000 above the current fiscal 1971 program; is it not?

Mr. MACDONALD. Yes, sir.

Mr. PASSMAN. Why is it necessary to more than double that program?

Mr. MACDONALD. We found that funding requirements are increasing as the construction of Tarbela Dam is accelerating. A $623 million contract was let in May 1968 for civil engineering work for the dam.

Mr. PASSMAN. $623 million just for the engineering work?

Mr. MACDONALD. It is the biggest dam there is. It is a tremendous engineering undertaking. It is well underway. Payments are due to the contractors who are actively on the job.

Mr. PASSMAN. What is the total cost of the dam? The estimated cost?

Mr. MACDONALD. I do not have the exact figure with me. But I believe it is about $1 billion, both foreign exchange and local currency for the Tarbela Dam.

Mr. PASSMAN. I am interested in the total cost because we get into this thing from several different directions.

Mr. MACDONALD. May I submit that for the record, Mr. Chairman?

Mr. PASSMMAN. If you do not have an estimate, maybe the Controller does.

Mr. FLINNER. There is an estimate. I do not seem to have it with me.

Mr. MACDONALD. We do have a figure here.

Mr. PASSMAN. What is it, Mr. Director?

Mr. MACDONALD. Total commitment to the Indus——

Mr. PASSMAN. That is not what I asked. What is the cost of this Indus Basin project, the grand total?

Mr. MACDONALD. The grand total to be financed is $1.5 billion, in foreign exchanges and rupees.

Mr. PASSMAN. $1.5 billion is the grand total?

Mr. MACDONALD. Yes, sir; including both foreign exchange and local costs.

TOTAL U.S. PLEDGE TO INDUS BASIN

Mr. PASSMAN. It is all the same, it is money. What is our pledge, the direct U.S. bilateral commitment?

Mr. MACDONALD. The United States has pledged $295.6 million in grants and $121.2 million in loans.

Mr. PASSMAN. Concessionary type loans?

Mr. MACDONALD. Yes.

Mr. PASSMAN. Making a grand total of how much?

Mr. MACDONALD. $416.8 million in dollars.

Mr. PASSMAN. $416 million. They get a chunk out of the International Development Association; do they not?

Mr. MACDONALD. From the World Bank, yes, sir; they do.

Mr. PASSMAN. I did not say World Bank. I meant the International Development Association.

Mr. MACDONALD. No; it is from the World Bank proper, not from the IDA.

Mr. PASSMAN. How much?

Mr. MACDONALD. I do not have the breakdown on funds provided by other countries.

Mr. PASSMAN. Of this $1.5 billion, the U.S. portion is $416 million. Let's find out the source of the remainder.

Mr. MACDONALD. There are eight other donors.

Mr. PASSMAN. I am talking about specifics now. The World Bank——

Mr. MACDONALD. Yes, I want to give them to you.

Mr. PASSMAN. I want to know what the World Bank is in for.

Mr. MACDONALD. We do not have the breakdown by countries.

Mr. PASSMAN. How much is the total of the World Bank?

You do not have to break it down by countries.

Mr. MACDONALD. I do not have that. I can tell you the countries participating.

Mr. PASSMAN. I am not interested in that. I am interested in the World Bank because you know we furnish 30 percent of the capital of the World Bank. Whatever they give—the World Bank—we would also have to charge America 30 percent of that. I thought you knew what I was trying to establish.

Mr. MACDONALD. I do not have that figure.

Mr. PASSMAN. Simply because we have a figure of bilateral aid on the part of the United States, sometimes that is the smaller part of our contribution, because we get in on these international organizations.

How many other organizations are contributing, not countries, organizations?

Mr. MACDONALD. Just the World Bank, then there are other countries, but just the World Bank as an international institution. I am sorry we do not have the figure for each country.

Mr. PASSMAN. You do not know that possibly IDA may be in on it, because they do make contributions to that type of project.

Mr. MACDONALD. They do, sir. When we submit the information for the record, we will furnish that.

Mr. PASSMAN. It is really immaterial as long as we find the amount put up by the international organizations, because whatever our contribution may be to that international organization, if we are going to keep the record straight as to the cost to the United States, it has to be determined and added to the bilateral aid; is that not a fair statement?

Mr. MACDONALD. Certainly.

Mr. PASSMAN. I find in so many instances that these formulas that our people work up, maybe we put up 40 percent of the contribution to these international organizations, and then we find that practically every other donor is a recipient of our aid, which means we could conceivably in many instances be putting up almost 100 percent for these projects. Then we carry it to conclusion, we find out the nations who do contribute, if they are not recipients, then the recipient is a former colony of theirs and they have very strong trade agreements with them.

This means, again, we are the sucker. That is why there are so many dollars floating around in excess of need. That is why our balance-of-payments situation is getting more critical every day.

Mr. MACDONALD. I believe the World Bank contribution is a significant one to Indus. I will submit that for the record.

(The information follows:)

Donor commitments to Indus Basin development fund)

[Expressed in U.S. dollar equivalent]

Australia	$26,061,600
Canada	36,257,387
Germany	53,062,905
IBRD	80,000,000
IDA	58,540,000
New Zealand	3,901,921
India	168,803,200
Pakistan:	
In pounds sterling	1,188,000
In rupees	394,427,098
United Kingdom	91,288,270
United States:	
Dollar grant	295,590,000
Dollar loan	121,220,000
Rupees	235,000,000
Total	1,565,340,381

United States contributions through June 30, 1971, amounted to $224.1 million in grants; $89 million in loans; $235 million equivalent in Pakistan rupees.

Mr. PASSMAN. I think our average is around 30 percent. It has been up to 35, down to 24 percent. We will have to strike the average. So it could be that we are pretty badly hooked on this project.

INDUS BASIN LOANS

Now I believe you said the bilateral loan part, was a concessionary type loan.

Mr. MACDONALD. Yes.

Mr. PASSMAN. With the right of cancellation.

Mr. MACDONALD. All our loans have cancellation provisions of one sort or another.

Mr. PASSMAN. That is what I said. It would be possible, if it should be determined it is in our best interest, to cancel those loans out? The basic contract is broad enough to cover it, is it not?

Mr. MACDONALD. Yes, we can cancel the unimplemented portion of the loan.

Mr. PASSMAN. I want the record to show that the basic legislation would give the executive the right to cancel these loans out altogether if they should determine it is in the best interests of our country.

Mr. MACDONALD. That is correct, sir.

Mr. PASSMAN. I will bet there is not one American out of 1 million that really knows that.

COST PER PARTICIPANT IN NESA

Mr. PASSMAN. Would you please provide a table showing the number and average cost per participant in your area for the last 5 fiscal years?

Mr. MACDONALD. Yes, sir.

(The table follows:)

AVERAGE COST AND NUMBER OF NESA PARTICIPANTS

	Number	Average cost
1968 (actual)	1,814	$4,355
1969 (actual)	1,923	4,220
1970 (actual)	1,799	4,176
1971 (estimate)	1,814	4,594
1972 (proposed)	1,958	[1] 5,032

[1] The increase in average cost in fiscal year 1972 results from the fact that more participants are scheduled for long-term training than in previous years.

PARTICIPANTS PROGRAMED FOR NESA IN FISCAL YEAR 1972

Mr. PASSMAN. How many participants are programed for your area in fiscal year 1972 and how many of these will be going to a third country?

Mr. MACDONALD. We are programing 1,958 participants in fiscal year 1972; 179 will be sent to a third country for training—45 for a full academic year and 134 for short courses. We are drawing on universities and training institutions in Iran and the Philippines because they provide exceptionally good training in public administration (Institute of Public Administration, Tehran University—Iran), population statistics (Central Statistical Institute—Iran), agriculture extension and research (Karaj College—Iran) and rice research (International Rice Research Institute—Philippines).

TOTAL U.S. AID TO NESA COUNTRIES

Mr. PASSMAN. What has been the total U.S. aid given to your area since the inception of the foreign aid program from all spigots, by country?

Mr. MACDONALD. Total U.S. assistance to the Near East and South Asia region since the beginning of the foreign aid program in 1946 through 1971 has been $28,714.5 million. The breakdown by country is as follows:

(The table follows:)

Country:	*Millions*
Afghanistan	$375.5
Ceylon	176.6
Cyprus	22.4
Greece	3,682.1
India	7,904.7
Iran	2,133.9
Iraq	90.6
Israel	907.0
Jordan	690.3
Kuwait	29.5
Lebanon	98.0
Nepal	155.7
Pakistan	3,818.6
Saudi Arabia	70.5
Southern Yemen	.1
Syrian Arab Republic	56.7
Turkey	5,652.5
United Arab Republic (Egypt)	759.9
Yemen	45.3
CENTO	54.7
Regional	[1] 1,989.7

[1] Includes classified military figures.

PUBLIC LAW 480 COMMODITIES FOR NESA IN FISCAL YEAR 1972

Mr. PASSMAN. Would you furnish for the record a table, by country, showing the amount of Public Law 480 commodities that will be supplied to your area in fiscal year 1972?

Mr. MACDONALD. Yes, sir; we will.

(The information follows:)

FISCAL YEAR 1972 PUBLIC LAW 480 ESTIMATED SHIPMENTS; EXPORT MARKET VALUE

[In thousands of dollars]

Country	Title I	Title II
Afghanistan	6,000	245
Ceylon	15,000	2,700
Cyprus		360
India	180,000	[1] 82,000
Gaza		1,100
Iran	12,000	
Iraq		220
Israel	55,000	150
Jordan—West Bank		910
Jordan	2,500	3,400
Lebanon	4,000	650
Nepal		80
Pakistan	100,000	4,400
South Yemen		125
Syria		235
Turkey		8,800
Yemen		20
Regional—UNRWA		10,400
Total	374,500	115,795
Public Law 480 total	490,295	

[1] Approximately $41,000,000 for Pakistan refugees.

REDUCTION OF ECONOMIC ASSISTANCE BECAUSE OF MILITARY PURCHASES

Mr. PASSMAN. Have you reduced the economic assistance program of any country in your area because of the purchase of sophisticated weapons by those countries?

Mr. MACDONALD. Yes, ———.

CONSULTANTS IN NESA

Mr. PASSMAN. Would you provide a list for the record, showing the consultants in your area that are receiving more than $100 per day?

Mr. MACDONALD. Of the 19 consultants funded by the NESA Bureau in fiscal year 1971 under the technical assistance program, five received more than $100 a day.

(The information follows:)

Country	Name of contract employee	Employee's title	Name of contractor	Daily rate	Number of days
Pakistan	John Mellor	Agriculture expert	Personal services	$125	55
Do	Carl Gotsch	do	do	125	15
Regional	William N. Thompson.	Education expert	do	123	42
Do	Oliver Folsom	Engineer	do	114	17
Do	Paul J. Gordon	Education expert	do	138	42

GNP GROWTH IN NESA

Mr. PASSMAN. Would you provide for the record a table showing the per capita GNP growth of all the countries in your area?

Mr. MACDONALD. The per capita GNP growth of NESA countries is as follows:

(The information follows:)

PERCENT CHANGE IN GNP PER CAPITA

	Average annual rates				Change from preceding year			
	1950–60	1960–70	1960–65	1965–70	1967	1968	1969	1970
Cyprus		5.4	5.0	5.7	10.5	3.8	8.1	3.5
Greece	4.9	6.7	7.5	6.1	4.1	5.6	7.6	6.3
Iran [1]		5.0	4.0	6.0	8.8	4.8	8.1	5.6
Israel	5.2	5.7	6.1	5.2	-.4	12.2	7.9	6.9
Turkey	3.0	3.0	1.8	4.3	3.4	4.1	3.7	2.2
Near East total	3.8	4.3	4.5	4.1	2.1	5.5	5.3	4.1
Ceylon		2.3	1.3	3.3	4.1	3.9	4.0	2.0
India [2]	2.3	1.3	0.9	1.9	6.1	0.6	2.7	2.3
Pakistan [3]	0.4	2.9	3.3	2.5	4.7	1.1	2.6	1.2
South Asia, total	1.8	1.8	1.5	2.1	5.7	0.9	2.8	2.0

[1] Fiscal year beginning Mar. 21.
[2] Fiscal year beginning Apr. 1.
[3] Fiscal year beginning July 1.

NESA PROJECTS CONTINUED THAT WERE TO BE TERMINATED

Mr. PASSMAN. Last year you listed several projects which were scheduled to be terminated in fiscal year 1971. How many of those projects are you requesting funds for in fiscal year 1972?

Mr. MACDONALD. One of the 10 technical assistance projects scheduled for final funding in fiscal year 1971 has been extended—Agriculture Organization–East Pakistan. This decision was made last fall when the Government of Pakistan committed itself to a renewed and intensified effort to grow more rice in East Pakistan. The civil strife which broke out in March 1971, has delayed implementation of the extended program.

PUBLIC SAFETY PROJECT IN PAKISTAN

Mr. PASSMAN. I note on page H–23, in connection with the public safety project under "Pakistan," you plan to extend this project by 3 years to fiscal year 1975 and increase the estimated total cost by $923,000 over last year's estimate. You also increased the fiscal year 1971 program by $120,000 over what was justified to this committee last year. Would you comment on these changes?

Mr. MACDONALD. It is planned to extend the project by 3 years and continue advisory services and participant training because more time is needed to reach the project's objective. The decision to extend was made prior to the outbreak of civil strife; at this time the East Pakistan element of the project is in a state of suspension.

Program costs for fiscal year 1971 were increased by $100,000 to finance additional participant training and $20,000 for short-term consultants.

Fiscal Year 1972 Technical Assistance

Mr. Passman. Would you please provide for the record a country breakdown of the fiscal year 1972 program for technical assistance?

Mr. MacDonald. The fiscal year 1972 NESA technical assistance program by country is as follows:

Country:	*Thousands*
Afghanistan	$7,018
India	10,050
Jordan	750
Nepal	2,695
Pakistan	8,330
Turkey	3,948
CENTO	585
NESA Regional	3,959
Total	37,335

Population Growth

Mr. Passman. On page 1, I note that you also indicate that the rapid population growth rate erodes the pace of development. Similar statements have also appeared in other regional justification books. Since this seems to be a critical problem area, could you tell the Committee what is being done to correct the situation?

Mr. MacDonald. Our programs involve basically three approaches. We are helping to develop an awareness of the population problem by financing projects and information and education programs. We are assisting the governments and private organizations expand family planning programs by financing techical advisors, participant training, and medical supplies and equipment. We are also financing basic demographic studies and sample population censuses. Since the effectiveness of the three approaches to family planning depends on the modernization of the societies as a whole, our overall development loan and technical assistance programs also help to correct the situation.

Agriculture and Regional Development

Mr. Passman. The first subfunction we will consider under the Technical Assistance title is Agricultural and Rural Development for which the fiscal year 1972 estimate is $10,650,000, an increase of $706,000 above the current fiscal year 1971 program.

Would you please provide for the record a country breakdown of the fiscal year 1972 program for this function?

Mr. MacDonald. The fiscal year 1972 NESA Agricultural and Rural Development Technical Assistance Program by country is as follows.

(The information follows:)

Country:	*Thousands*
Afghanistan	$1,312
India	6,045
Jordan	130
Nepal	612
Pakistan	1,825
Turkey	726
Total	10,650

DEVELOPMENT IN AGRICULTURE IN INDIA AND PAKISTAN

Mr. PASSMAN. Could you tell the committee how agriculture development has progressed in India and Pakistan?

Mr. MACDONALD. The present "green revolution" has been achieved through the use of fertilizer and high-yielding varieties of seed in areas where reliable and controlled water supplies are available. For the period from 1965–66 to 1970–71 India's food grain production increased from 72 million tons to 106 million tons. During this same period food grain production in West Pakistan increased from 6.2 million tons to 11.2 million tons. The "green revolution" has yet to really take off in East Pakistan.

The present high-yielding grain varieties have proven most successful on irregated acreage, and research is currently underway to develop similar high-yielding varieties for nonirrigated growing areas. Most of the success in high-yielding seed varieties have been in wheat but we expect similar results from some very promising rice varieties which are currently being developed.

All of the results of the "green revolution" are not in yet, but I think that we can state that there have been dramatic changes and very substantial results. Farmers have changed their centuries-old techniques and have adopted modern farming practices including the use of high-yielding seeds, fertilizers, tubewells, and pesticides. The subcontinent has moved from being a region of food grain deficit to one of near self-sufficiency; agriculture production is presently increasing at a rate of 4 to 5 percent a year, well above the rate of population growth. I think that this is a remarkable achievement in such a short span of time.

GROUND WATER INVESTIGATION PROJECT IN NEPAL

Mr. PASSMAN. On page 10, under "Nepal," in connection with the ground water investigation project, I note you have increased the estimated total cost of this project by $174,000 above what was estimated last year. Would you please comment on this increase?

Mr. MACDONALD. We have experienced a series of delays in carrying out this project due to factors which could not be foreseen. Purchase and shipment of U.S. drilling rigs and ancillary equipment was delayed over a year. We have also experienced problems in getting competent contractors to carry out the onsite drilling program, as well as difficulty in procuring and getting delivery of supplementary equipment and drilling supplies from Indian suppliers. Most recently, 2 months of field time were lost because of excessive and unseasonal rainfall which flooded out the drilling sites. As a result we have extended the project's life by 2 years, to fiscal year 1973, so as to complete the last drilling contemplated under the original project design. The increased cost covers the salaries of U.S. Geological Survey specialists and the services of the contract drilling team.

AGRICULTURAL UNIVERSITIES PROJECT

Mr. PASSMAN. On page 13, in connection with the agricultural universities project, I note you have increased the estimated total

cost of this project by $1,615,000 above what was estimated last year. Would you please comment on this increase?

Mr. MACDONALD. Yes. The increase of $1,615,000 in this year's presentation is due to (1) our decision to continue assistance to the agricultural universities in Orissa and Maharashtra. We had planned early termination of assistance in the event these universities did not meet certain conditions. However, they have met the conditions and consequently we have agreed to expand the size of the advisory teams and the number of participants; (2) increased numbers of participants from all the universities; (3) higher costs of the university contracts, and more short-term advisers as the relatively advanced universities become more capable of administering their own affairs.

SOIL AND WATER MANAGEMENT PROJECT

Mr. PASSMAN. On page 19, in connection with the soil and water management project, I note you plan to extend this project by 2 years to fiscal year 1975 and increase the estimated total cost by $249,000. Would you please comment on these changes?

Mr. MACDONALD. Yes. Introduction of the groundwater assessment activity in fiscal year 1972 will increase costs to completion and require extension of the project termination date. India needs to know a great deal more about her underground water resources before irrigation can reach its full potential. The regional pilot efforts under this project are being implemented on schedule, however, and will not require U.S. funding after fiscal year 1972.

FOOD GRAIN PRODUCTION PROJECT

Mr. PASSMAN. On page 21, in connection with the food grain production project, I note you plan to extend this project by 3 years, to fiscal year 1974, and increase the estimated total cost by $1,022,000. Would you please comment on these changes?

Mr. MACDONALD. We need to extend the time period for this project to continue physical work on the six regional research stations, to train adequate numbers of Nepalese agriculturists to staff and operate the stations, to carry out experimental and adaptive research programs on higher-yield varieties of wheat, corn and rice introduced into Nepal in the past few years, and to upgrade the quality of the Nepal Extension Service.

These activities are critical to continuation of agricultural progress. Increased use of improved seed, fertilizer, and other inputs is resulting in production increases. Our assistance to the Agricultural Supply Corporation has been a significant factor in producing this growth but we and the Nepalese now need to concentrate more effort on the areas described in the project sheet on page 21 of the NESA volume.

AGRICULTURAL PROJECT IN EAST PAKISTAN

Mr. PASSMAN. On page 22, in connection with the Agricultural Organization—East Pakistan project, I note you plan to extend this project by 4 years to fiscal year 1975 and increase the estimated total cost by $3,154,000. I also note that you plan to increase the fiscal year

1971 program by $293,000 over what was justified before this committee last year. Would you please comment on this situation?

Mr. MacDonald. Since the beginning of this project emphasis has been on the development of the East Pakistan Extension Service and the distribution of agricultural inputs through the Agriculture Development Corporation. We are now proposing to redirect the project to concentrate on increasing rice production throughout the Province. The additional funding shown for fiscal year 1971 and through fiscal year 1975 was for this purpose. Technical assistance was to have been provided through a contract team to assist on the policy level in such areas as subsidies, and pricing, as well as problems associated with coordination of agricultural inputs. Recent events in East Pakistan have disrupted plans for implementing the new phase of this project.

AGRICULTURAL RESEARCH PROJECT

Mr. Passman. On page 24, in connection with the agricultural research project, I note you plan to extend this project by 3 years to fiscal year 1975 and increase the estimated total cost by $2,238,000 above what was estimated last year. I also note that you plan to increase the fiscal year 1971 program by $271,000 above what was justified last year. Would you please comment on these changes?

Mr. MacDonald. Agricultural research continues to be one of the key areas to expanding agricultural production in Pakistan. This project was devised to strengthen both basic and applied research, particularly in East Pakistan, by emphasizing research administration, academic training for scientists, and the applicability of the research. Additional funding was required to extend and expand the project in both parts of the country. In East Pakistan we had intended to extend the work on production-oriented research at the Agricultural University at Mymensingh through a contract with the Southern Consortium for International Education. As a result of the disruption of our program in East Pakistan, however, we have had to suspend the consortium's work in this wing. The West Pakistan effort will continue with emphasis on the development of new research programs for oilseeds and pulses. The actual fiscal year 1971 amount was $367,000 as opposed to $380,000 which we requested last year and not an increase of $271,000. The major portion of the fiscal year 1971 amount was needed to fulfill contractual liabilities for which we were legally obligated to pay.

POPULATION AND HEALTH PROGRAM REQUEST FOR NESA

Mr. Passman. The next subfunction we will consider under the technical assistance title is "Population and Health," for which the fiscal year 1972 estimate is $6,661,000, a decrease of $1,328,000 below the current fiscal year 1971 program. Would you please provide for the record a country breakdown of this function for fiscal year 1972?

Mr. MacDonald. The fiscal year 1972 NESA population and health technical assistance program by country is as follows:

(The information follows:)

Country:	Thousands
Afghanistan	$318
India	1,276
Jordan	0
Nepal	695
Pakistan	2,880
Turkey	248
CENTO	85
NESA regional	1,159
Total	6,661

WHY DECREASE IN POPULATION PROGRAM FOR FISCAL YEAR 1972

Mr. PASSMAN. Since you have indicated that the population growth has been one of the critical factors in holding up the development process in most of these countries, why do you reflect a $1.3 million decrease in this function for fiscal year 1972?

Mr. MACDONALD. The difference between fiscal year 1971 and fiscal year 1972 is due to the fact that a major contract financed for the first time in fiscal year 1971 to carry out a sample census and other surveys in Afghanistan will not require additional funding in fiscal year 1972.

FAMILY PLANNING PROGRAMS IN NESA

Mr. PASSMAN. Do all the countries in your area have an active family planning program functioning in their country?

Mr. MACDONALD. All NESA countries with which we work have family planning programs now functioning, but their scope and effectiveness varies from country to country. Family planning programs in Afghanistan and Nepal are barely beginning, and primary attention of their governments is focused on information gathering and basic institution building. Although first established in April 1965, Turkey's family planning program is moving slowly. In Pakistan and India, however, family planning programs have commanded strong support of their governments. In India, for example, the Government has budgeted $440,000,000 (equivalent) for family planning over the current 5-year plan period.

WHY PROJECTS DO NOT HAVE TOTAL COST ESTIMATED

Mr. PASSMAN. On page 30, I note that just about all your projects do not reflect a final year of obligation or an estimated total cost. Would you please comment on this situation?

Mr. MACDONALD. The family planning programs in Afghanistan and Nepal are in a formative stage, since demographic and related statistical data have not yet been sufficiently developed or evaluated for the governments to develop long-term programs. The programs in India and Pakistan, on the other hand, are part of large, ongoing, long-term national programs. U.S. assistance to these efforts will continue for some time to come because we expect these countries will continue to want foreign expertise. In Turkey high level political support has been lacking until recently. The program beginning in fiscal year 1972 is a modest beginning which will be developed in light of the Government's evaluation of its population program.

INCREASE IN FISCAL YEAR 1971 POPULATION/FAMILY PLANNING PROJECT

Mr. PASSMAN. On page 31, in connection with the population/family planning project, I note that you plan to increase the fiscal year 1971 program by $1,435,000 above what was justified last year. Would you please comment on this increase?

Mr. MACDONALD. Originally conceived as a survey for the Ministry of Health of Afghan attitudes toward family planning and the extent of birth control practices, this project was expanded at the request of the Ministry of Planning to include a nationwide sample population census, the first in Afghan history, which is essential for the development of a sound family planning program. AID signed a 3-year contract with the State University of New York to carry out the expanded program.

FAMILY PLANNING PROJECT

Mr. PASSMAN. On page 35, in connection with the family planning project, I note you plan to increase the fiscal year 1971 program by $214,000 above what was justified last year. Would you please comment on this increase?

Mr. MACDONALD. The increase in the Nepal population/family planning project represents 3-year funding of a contract with the University of Michigan to expand technical assistance in the areas of family planning information gathering, training, communications. research, and evaluation.

REGIONAL FAMILY PLANNING PROJECT

Mr. PASSMAN. On page 40, in connection with the regional family planning project, I note you plan to increase the fiscal year 1971 program by $780,000 above what was justified before the committee last year. Would you please comment on this increase?

Mr. MACDONALD. The NESA regional family planning project was increased to fund several experimental research projects. Funds were added to a contract with Johns Hopkins University to continue research in Narangwal, India, to determine the extent to which the addition of health services will increase the effectiveness of family planning. A new research grant was made to the American University in Cairo. Dollars will be used to purchase excess Egyptian pounds from the U.S. Treasury, for a 3-year research program on various factors relating to population growth and control in Muslim culture.

EDUCATION AND MANPOWER TRAINING PROGRAM

Mr. PASSMAN. The next subfunction we will consider under the technical assistance title is education and manpower training for which the fiscal year 1972 estimate is $10,761,000, an increase of $589,000 above the current fiscal year 1971 program. Would you please provide for the record a country breakdown of the fiscal year 1972 program for this function?

Mr. MACDONALD. The fiscal year 1972 NESA education and manpower training technical assistance program by country, is as follows:

Country:	Thousands
Afghanistan	$3,110
India	904
Jordan	300
Nepal	748
Pakistan	750
Turkey	2,074
CENTO	375
NESA regional	2,500
Total	10,761

PARTICIPANTS TRAINED IN THE UNITED STATES

Mr. PASSMAN. Do many of the participants that are trained in the United States under the education program remain in the United States or do they all return to their country?

Mr. MACDONALD. Our records indicate that all of the participants who have been trained in the United States in the past 7 years under the education program have returned to their native countries.

PARTICIPANTS TRAINED AT UNIVERSITY OF BEIRUT

Mr. PASSMAN. Do you greatly utilize the American University of Beirut to train a good deal of participants in the Near East—South Asia region?

Mr. MACDONALD. Of the 1,958 participants programed for training in fiscal year 1972, 475 will be sent to the American University of Beirut. Over the past 5 years we have financed annually the training of about 485.

FINANCIAL ADMINISTRATION IMPROVEMENT REVENUE AND CUSTOMS PROJECT

Mr. PASSMAN. On page 48, in connection with the financial administration improvement revenue and customs project, I note you plan to increase the estimated total cost by $1,329,000 over what was estimated last year and you also indicate that the fiscal year 1971 program will be increased by $260,000 above what was justified to the committee last year. Would you please comment on these increases?

Mr. MACDONALD. The increase in the total cost of the financial administration project arises from a decision to continue and expand the services of a team of experts for 4 years to improve the organization and administration of revenue collection in Afghanistan's Ministry of Finance. Improving the efficiency of the Afghan revenue services is in keeping with project objectives, namely to help the Government of Afghanistan finance a larger share of its regular and development budgets from domestic resources. The increased cost in fiscal year 1971 reflects the cost of the first 18 months services of the expanded contract team of revenue advisers.

ELEMENTARY AND SECONDARY EDUCATION—PRIMARY CURRICULUM AND TEXTBOOK PROJECT

Mr. PASSMAN. On page 49, in connection with the elementary and secondary education primary curriculum and textbooks project, I note

that you plan to extend this project by 3 years to fiscal year 1976 and increase the estimated total cost by $3,881,000 over what was estimated last year. You also indicate that the fiscal year 1971 program will be increased by $266,000 over what was justified before the committee last year. Would you please comment on these changes?

Mr. MacDonald. We began this project in Afghanistan in 1968 and it was originally conceived as a 5-year effort to help the Ministry of Education rewrite its primary school textbooks. Further discussions and the progress of the collaborative effort led us to conclude that additional and more comprehensive assistance is needed in editing, designing, illustrating, printing, and developing a book distribution system to bring this project to a successful conclusion. The project is now conceived as an 8 year effort. Consequently, the estimated total cost has increased. The fiscal year 1971 funding increase is required to finance the services of additional technical advisers in editing, book designing, and printing, and the training of additional Afghans in these areas.

TEACHING OF SCIENCE AND MATH PROJECT

Mr. Passman. On page 52, in connection with the teaching of science and mathematics project, I note you plan to extend this project by 3 years to fiscal year 1975 and increase the estimated total cost by $716,000 over what was estimated last year. Would you please comment on these changes?

Mr. MacDonald. I would be happy to. We have just approved this project extension. The team of U.S. advisers from the National Science Foundation have generated a great deal of enthusiasm among Indian educators for modernization of science and mathematics curricula. But they need a few more years to strengthen the Indian institutions which will spearhead curriculum reform work once U.S. assistance terminates. Project activities during these coming years is sharply focused on development of texts and materials for grade schools in three Indian states and on curriculum improvement programs in a selected number of colleges and universities.

TEACHER AND TECHNICAL EDUCATION PROJECT

Mr. Passman. On page 56, in connection with the teacher and technical education project, I note you plan to extend this project by 5 years to fiscal year 1977 and increase the estimated total cost by $633,000. Would you please comment on these changes?

Also, under the same project, I note you plan to hire one education adviser for $40,000 in fiscal year 1972. Isn't this a large price to pay for one individual?

Mr. MacDonald. The project is entering a new phase in fiscal year 1972 in which emphasis is on the revision of the primary school curriculum and the writing, and editing and testing of new textboks and teaching guides. The project will concentrate for the next 5 years on the major weakness of Nepal's primary school system—the subject matter of the curriculum. Actually the total cost of the extended project will be $8.5 million, or an increase of $2.2 million (an annual rate of $550,000). The cumulative obligations and expenditures through June 30, 1970, and, therefore, the cumulative cost to completion unfortunately were erroneous. The correct figures are as follows:

U.S. DOLLAR COST

[In thousands of dollars]

	Obligations	Expenditures	Unliquidated
Through June 30, 1970	5,469	4,947	522
Estimated fiscal year 1971	487	612	
Estimated through June 30, 1971	5,956	5,559	397
Proposed fiscal year 1972	540		
Future year obligations	1,979		
Estimated total cost	8,475		

On the second part of your question, the $40,000 cover 1 year for a Chief Education Adviser as follows and 3 months funding (July–October) of two terminating advisers.

Advisor	Funding period (months)	Salaries 15 percent (including differential)
Education materials adviser	3	$6,000
Elementary education adviser	3	6,000
Chief education adviser	12	28,000
Total		40,000

DEVELOPMENT ADMINISTRATION TRAINING PROJECT

Mr. PASSMAN. On page 58, in connection with the development administration training project, I note last year this project was scheduled to be completed in fiscal year 1973 and the estimated total cost was $2,067,000. However, this year you have eliminated the completion date and the estimated total cost and in its place you just put that it's a continuing program. Why are you now unable to predict the completion date for this project and the estimated total cost?

Mr. MACDONALD. We would expect to carry out a general participant training project as long as we have a technical assistance program in Turkey. The project provides a framework for responding to critical training needs not otherwise addressed by the bilateral program. Its long-term objectives are to: (a) develop a core of U.S. trained administrators and economists destined for positions within two major decisionmaking institutions—the State Planning Organization and the Ministry of Finance; and (b) to assist the privately run and financed Turkish Education Foundation train private sector business management specialists. TEF requires AID financed grantees to pay the lira equivalent of their program to a revolving fund to be used for training additional participants and is a major step toward achieving financial self-sufficiency for TEF. Since the project has been designated as "continuing," we cannot estimate its total cost.

INDUSTRIAL AND URBAN DEVELOPMENT PROJECTS IN NESA

Mr. PASSMAN. The next subfunction we will consider under the Technical Assistance title is "Industrial and urban development" for which the fiscal year 1972 estimate is $650,000, a decrease of $335,000 below the current fiscal year 1971 program.

Would you please provide for the record a country breakdown for the fiscal year 1972 program for this function?

Mr. MACDONALD. The fiscal year 1972 NESA industrial and urban development technical assistance program by country is as follows:

Country:	*Thousands*
Afghanistan	$200
India	-----
Jordan	160
Nepal	-----
Pakistan	215
Turkey	-----
Cento	75
NESA regional	-----
Total	650

INDUSTRIAL DEVELOPMENT PROJECT

Mr. PASSMAN. On page 63, in connection with the industrial development project, I note you have increased the estimated total cost of this project by $184,000 over last year's estimate and you also indicate that the fiscal year 1971 program will be increased by $90,000 over what was justified last year. Would you please comment on these increases?

Mr. MACDONALD. The figure in last year's congressional presentation for the first 18 months of the contract and the total cost of the project were prepared before the contract was negotiated. The increase in fiscal year 1971 reflects the actual opening cost of the first 18 months and the increase of the total reflects our best estimate at the present time.

PROGRAM DEVELOPMENT AND SUPPORT PROGRAM

Mr. PASSMAN. The last subfunction we will consider under the "Technical Assistance" title is "Program development and support" for which the fiscal year 1972 estimate is $8,613,000, a decrease of $513,000 below the current fiscal year 1971 program.

Would you please provide for the record a country breakdown of the fiscal year 1972 program for this function?

Mr. MACDONALD. The fiscal year 1972 NESA program development and support costs by country are as follows:

(The information follows:)

Country:	*Dollars in thousands*
Afghanistan	$2,078
India	1,825
Jordan	160
Nepal	640
Pakistan	2,660
Turkey	900
CENTO	50
NESA regional	300
Total	8,613

FISCAL YEAR 1972 NESA DEVELOPMENT LENDING PROGRAM

Mr. PASSMAN. The next major title we will consider is Development Lending for which the fiscal year 1972 estimate is $370,000,000, an increase of $50,000,000 over the current fiscal year 1971 program.

Would you please provide for the record a country breakdown of the fiscal year 1972 program for this title?

Mr. MACDONALD. The fiscal year 1972 development lending program by country is as follows:

Country:	*Millions*
India	$220
Pakistan	110
Turkey	40
Total	370

TERMINATING CONCESSIONAL LENDING IN TURKEY

Mr. PASSMAN. On page 67, you indicate that Turkey is nearing the point where it will no longer need U.S. concessional lending. Could you tell the committee when this concessional lending could be terminated?

Mr. MACDONALD. The Government continues to estimate that Turkey should be able to finance its external capital requirements with nonconcessional borrowing by 1975.

We believe this to be a reasonable estimate, given Turkey's improved balance of payments resulting from its August 1970 devaluation/stabilization program worked out with IMF.

LOANS TO INDIA FROM OTHER DONORS

Mr. PASSMAN. You indicate that other donors are providing funds to India and Pakistan. Would you provide for the record the terms of the loans that are provided by these other donor countries?

Mr. MACDONALD. The information below is taken from the latest available OECD sources. Terms of other donors are continuing to improve in line with trend of the past several years.

(The information follows:)

TURKEY CONSORTIUM TERMS—MOST RECENT NEGOTIATED PLEDGES (AS OF DEC. 31, 1970)

Country	Maturity (years)[1]	Grace (years)[1]	Interest (percent)
Austria	25	7.0	3.0
Belgium	30	10.0	2.0
Canada	30	7.0	3.0
Denmark	25	7.0	0
France[2]	12	2.3	5.2
Germany	30	8.0	2.5
Italy[3]	15	3.6	4.1
Netherlands	30	8.0	2.5
Norway	25	10.0	2.0
Sweden	25	10.0	2.0
Switzerland	25	7.0	3.0
United Kingdom	25	7.0	2.0
United States	40	10.0	2.6

[1] The years of grace are included in years of maturity.
[2] Averages from several 1970 French loans.
[3] Averages from several 1969 Italian loans.

INDIA CONSORTIUM AID TERMS

Country	Official development assistance loans in 1969		
	Maturity (years) [1]	Grace (years) [1]	Interest (percent)
Austria	25	7	3.0
Belgium	29	9	2.0
Canada	50	10	0
France	21	6	3.5
Germany	24	6	2.8
Italy	12	2	3.9
Japan	19	4	4.7
Netherlands [2]	26	7	3.0
Sweden [2]	25	10	2.0
United Kingdom	25	7	0
United States	40	10	2.6
IBRD	29	10	6.5
IDA	50	10	0.8

[1] The years of grace are included in years of maturity.
[2] The Netherlands and Sweden made no ODA loans to India in 1969. The figures given are for 1968.

Note: In the August 1970 consortium meetings, some countries indicated loan terms for 1970–71 as follows: Belgium 30 years maturity, 10 years grace, 2 percent interest); Netherlands (30 years maturity, 8 years grace, 2.5 percent interest).

PAKISTAN CONSORTIUM AID TERMS

	Official development assistance loans in 1969		
	Maturity (years) [1]	Grace (years) [1]	Interest (percent)
Belgium	25	7	3.0
Canada	50	10	0
France	15	2	3.5
Germany	27	7	2.8
Italy	12	2	3.9
Japan	19	6	3.8
Netherlands [2]	26	7	3.0
Sweden [2]	50	10	.8
United Kingdom	25	7	0
United States	40	10	2.6
IBRD	21	3	6.5
IDA	50	10	0.8

[1] The years of grace are included in years of maturity.
[2] The Netherlands and Sweden made no DA loans to Pakistan in 1969. The figures given are for 1968.

Note: In the July 1970 Pakistan consortium meetings, some countries indicated loan terms for 1970/71 as follows: United Kingdom (25 year maturity, 7 year grace, 0 percent interest); Belgium (30 year maturity, 10 year grace, 2 percent interest); Canada (50 year maturity, 10 year grace, 0 percent interest); Germany (30 year maturity, 8 year grace, 5 percent interest); Italy (10 year maturity, 2 year grace, 6.5 percent interest).

TOTAL U.S. ASSISTANCE TO INDIA IN FISCAL YEAR 1972

Mr. PASSMAN. The first country we will consider under the Development Lending title is India for which the fiscal year 1972 program is $220 million, an increase of $45 million over the current fiscal year 1971 program. What is the total U.S. assistance planned for India in fiscal year 1972 from all spigots?

Mr. MACDONALD. The total proposed economic assistance for India in fiscal year 1972 is $414.8 million. This consists of $230.1 million in AID loans and grants, $140 million in Food for Peace loans (title I) and $41.7 million in Food for Peace grants (title II), and approximately $3 million for Peace Corps costs. In addition, the proposed Military Sales under the Department of Defense is $5 million which makes for a grand total of $419.8 million.

TOTAL U.S. AID TO INDIA SINCE 1946

Mr. PASSMAN. What has been the total U.S. aid to India from all spigots since the inception of the foreign aid program?

Mr. MACDONALD. The total U.S. assistance to India from the inception of the program through fiscal 1970 has been $7,482.2 million in economic assistance and ——— in military assistance. Through fiscal year 1971, it will be $7,904.7 million in economic assistance and ——— in military assistance.

INDIA SPENDING FOR MILITARY

Mr. PASSMAN. Could you tell us how much India spends on her military complex per year and translate that into a percentage of GNP?

Mr. MACDONALD. India's defense expenditures for its fiscal year ending March 31, 1971 totaled $1,778 million equivalent, 3.4 percent of GNP.

DOES FOREIGN AID RELEASE MONEY FOR MILITARY SPENDING

Mr. PASSMAN. Isn't it true that if we provide the dollars or commodities that a country needs, then that releases to them a larger portion of their own resources to spend on programs they want, such as military?

Mr. MACDONALD. It is true that a country has military, consumption, and development aims requiring imports which must be financed in some way and that giving the country aid earmarked for development could enable it to devote more of its free foreign exchange earnings to what it sees as its military and consumption requirements. However, we provide development assistance to those countries that demonstrate an ability to use it effectively and the effective use of aid requires the application of large amounts of domestic resources to development. These resources must be taken from alternative uses within the economy. The country must forego current consumption, including military consumption in order to undertake its development effort. Thus our economic aid tends to induce countries to channel more of their internal resources into economic development than might otherwise be the case.

AID TO INDIA FROM COMMUNIST COUNTRIES

Mr. PASSMAN. What type of aid is India receiving from Communist countries?

Mr. MACDONALD. Soviet economic aid to India is almost 100 percent in loan form and 100 percent project oriented. Their loans bear interest at 2.5 percent with repayment over 12 years. The loans are repayable in rupees which are used for purchases of Indian goods.

Soviet aid began in 1955 with a credit of 122 million rubles—equivalent to approximately $136 million—for the Bhilai steel plant, and since that time has been concentrated on public sector basic and heavy industries and development projects under the 5-year plans. Total Soviet economic aid to date amounts to the equivalent of $1.6 billion. Major Soviet-aid projects include the Bhilai and Bokaro steel

plants, heavy machine building plant at Ranchi, coal mining machinery plant at Durgapur, heavy electrical plant at Rampur, oil refineries at Baraum and Koyali, powerplants at Korba, Neyveli, Sargarauli, Bhakra, and lower Silera, oil exploration at Cambay and other areas, drugs projects, and so forth. There have been a few outright grants including agricultural machinery for central state farms—equivalent to $3.5 million—equipment for the Indian Institute of Technology, Bombay—equivalent to $750,000—plus vaccine for the smallpox eradication program and some equipment for a medical school.

Bloc country economic aid to India—that is, from Rumania, Poland, Czechoslovakia, and Yugoslavia—amounts to $400 million to date and follows the Soviet pattern closely, concentrating on a few projects in public sector industrial development. The only exception has been Czechoslovakia, which has channeled a proportion of its loans to the private sector and has provided some technical assistance to the Machine Tools Technology and Design Institute at Bangalore.

———.

GAO REPORT ON FOREIGN CURRENCY ACCOUNTS FOR INDIA AND PAKISTAN

Mr. PASSMAN. In a GAO report dated April 21, 1971, the following statement is made:

> Our followup review of the U.S. disbursing officer's foreign currency accounts in India and Pakistan has shown that some sales of U.S. owned foreign currency continue to be improperly recorded in the accounts containing currencies eligible for conversion to dollars, and that these accounting errors could result in a loss of potential benefits to the United States amounting to $4.3 million as of September 30, 1970.

Would you please comment on this statement?

Mr. MACDONALD. The Treasury and State Department have taken actions that should preclude future loss of this kind to the United States. The following letter from Mr. John E. Petty, Assistant Secretary of the Treasury, to Congressman Chet Holifield explains these actions.

(The letter follows:)

Hon. CHET HOLIFIELD,
Chairman, Government Operations Committee,
House of Representatives,
Washington, D.C.

DEAR MR. CHAIRMAN: Pursuant to section 236 of the Legislative Reorganization Act of 1970, we are submitting to you a statement of action being taken by the Department of the Treasury, in conjunction with the Department of State, on the recommendations contained in the letter from the General Accounting Office to the Secretary of the Treasury, dated, April 21, 1971 (B–146749), copies of which were forwarded to your committee. In that letter, the General Accounting Office provided a followup review of problems arising from the way the U.S. disbursing officer has charged certain Public Law 480 accounts in India, Pakistan, and other countries where the United States has excess foreign currency holdings.

The General Accounting Office made three recommendations which may be summarized as follows:

1. Clarify instructions to disbursing officer in excess currency countries;
2. Require disbursing officers to restore to 104(j) accounts in India and Pakistan, amounts which GAO claims have been misclassified; and
3. Review transactions since September 30, 1970.

We appreciated the information in the previous GAO report, "Review of U.S. Disbursing Officers Foreign Currency Accounts in India," that some sales of accommodation exchange should have been classified in the 104(a) account rather

than 104(j). Appropriate action was taken as a result to restore $447,000 in rupees to the 104(j) account from which they are available for sale to American tourists and nonprofit organizations.

The followup report of April 21, 1971, appropriately called our attention to the need for further action in this area. The GAO points to a misunderstanding, in the field, of the instructions relating to the proper accounts to be charged in the sale of accommodation exchange in certain excess currency countries. Accordingly, we are pursuing, in conjunction with the Department of State, a clarification of these instructions to the disbursing officers. In the light of the clarification, the embassies are being asked to draw up lists of organizations and organizational affiliations to whom currencies may be sold without charging the limited amounts available under section 104(j) provisions of Public Law 480 sales agreements, so that disbursing officers may make the proper classification. There are, however, technical problems involved in deciding the extent to which any particular purchase of accommodation exchange falls under 104(a) or 104(j). We will be discussing these problems with GAO as soon as field comments are received.

The message also contains instructions to the disburing officers in India and Pakistan to review the General Accounting Office findings in the light of this interpretation of the earlier guidelines (Department of State Circular Airgram 12001, dated November 7, 1968). They are to make this necessary adjustments in their accounts or report back on problems. They are also to review transactions since September 1970.

I should also point out that remedial action has already led to a reclassification of about approximately $800,000.

We failed to find the basis in the GAO followup report for the finding that no action was taken on their earlier recommendation that the Treasury Department conduct reviews in other excess currency countries to determine if sales were being improperly recorded. A survey of other excess currency countries was made, in fact, as recommended. However, this review was applied only to those excess currency countries where 104(j) provisions in Public Law 480 sales agreements limited the amounts that could be sold. This principle was indicated to the GAO by a Department of State letter, dated October 17, 1969. These countries were Pakistan, Ceylon, and Israel, in addition to India. Each of the U.S. Embassies in these countries was informed of the GAO investigation, was asked to review its own practice, and to undertake corrective action if necessary. In the remaining countries where currencies may be sold under section 104(j) (Guinea, Morocco, Tunisia, and the U.A.R.), all currencies available from Public Law 480 sales agreements may be used for any authorized purpose, including sales under either 104(j) or 104(a). A misclassification between these sales would not affect the balance of payments adversely. The situation in Tunisia is complicated by the fact a few of the more recent agreements have limitations on 104(j) sales while others do not. The Disbursing Officer is being instructed to see that availabilities from agreements without limitations are used first.

The Embassies have been asked to report on the action taken so that we can keep this problem under continuing review.

Sincerely,

JOHN R. PETTY.

NAXALITE TERRORISM AND UNEMPLOYMENT IN INDIA

Mr. PASSMAN. In the Wall Street Journal of April 5, 1971, an article appeared entitled "India Drifting Toward Chaos." Under this article the following statement was made:

> The Naxalite terrorism in West Bengal is spreading fast in Bihar, Andhra, and Orissa, and if unabated, will engulf the major part of India soon. Unemployment is more than 16 million, and the educated unemployed are the powder kegs. There are 63,000 engineers waiting for jobs, countless arts and science graduates are pouring into the job market when there is no work.

Would you please comment on this article?

Mr. MACDONALD. I would be happy to. We don't think that India is about to disintegrate into a reign of terror. The Indian police and army have arrested many of the Naxalite leaders and have generally

been able to kep the movement under control. The Naxalites still have a disturbing potential for urban terror, however, and their ideology will become more attractive if unemployment is not reduced, if social progress lags and if the administrative machinery of Calcutta and West Bengal encounters problems.

While the figures on the extent of unemployment and underemployment are not very reliable, this is a big problem and requires the highest priority attention. Prime Minister Gandhi won an overwhelming victory campaigning in a large part on this and related issues. The Government of India's recent budget, sent to Parliament last month, shows a responsiveness to this problem. Finance Minister Chavan's budget presentation to the Lok Sabha stated that "The Government's broad objective is to insure employment to at least one person in each family in all parts of the country." To move towards this objective, the budget calls for expanded expenditures on public works projects. This will include new roads, land reclamation and development, and also drainage projects. Besides this, the nationalized banks will further expand credit, especially in rural areas. This should help to foster self-employment and other small-scale businesses. Combined, these policies should improve necessary infrastructure, impart work experience discipline, and widen the private sector through credit expansion. As you can see, the intention of these policies is not only to increase employment per se but also to aid economic growth through the productive use of the unemployed.

REPAYMENT OF LOANS BY INDIA

Mr. PASSMAN. Do you feel that India is going to be able to repay all these loans that we are providing her?

Mr. MACDONALD. Yes. India has always honored her debt commitments and has made her payments of interest and principle on time. I would like to point out that India has met her debt commitment during the times when she was facing acute economic strains and low foreign exchange reserve levels. Our recent debt rescheduling in no way implies Indian inability or unwillingness to make loan repayments. The rescheduling was undertaken at the initiative of the consortium of nations assisting India in order to even out the terms of assistance over the past few years. In other words, nations such as Japan, which had been offering aid on rather hard terms, rolled over considerably more past debt than nations like the United States and the United Kingdom, whose terms were generally softer.

INDIAN FARMERS FERTILIZER COOPERATIVE LIMITED DEVELOPMENT LOAN

Mr. PASSMAN. On page 73, in connection with the Indian Farmers Fertilizer Cooperative Limited Development Loan, I note that the loan was authorized in July of 1969 but as of this date no loan agreement has been signed nor have any disbursements been made. Would you please comment on this delay?

Mr. MACDONALD. The loan agreement was signed on June 18, 1971. A change in the financing plan occurred subsequent to the authorization of the loan. The original plan was formulated on the basis of foreign exchange project costs of approximately $48 million. AID

was to finance $15 million and the balance—$33 million—was to come from private U.S. financial institutions. U.S. commercial interest rates were rising at that time and by late 1969, when the cost of money reached its zenith, the Government of India determined it could not undertake the project utilizing commercial loans. Under the revised financial plan, total foreign exchange costs are lower than originally projected due to India's increased capability to manufacture capital equipment used in fertilizer plants. The total estimated foreign exchange cost of the project is now $37.8 million. AID increased its original authorization of $15 million by $6 million for a total of $21 million. The supplementary loan was authorized June 11, 1971.

The Government of India obtained a noninterest bearing development loan from the United Kingdom for 7 million pounds sterling—$16.8 million equivalent—to finance the urea and most of the cost of the complex plant as well as off-site facilities. The United Kingdom loan agreement was also signed June 18. Contracts have been signed for the ammonia plant (M. W. Kellogg Co., United States), urea plant (Humphreys and Glasgow, United Kingdom) and the NPK unit (Dorr-Oliver, United States); $18.3 million has been committed and letters of credit have been opened.

Mr. PASSMAN. I notice that this same loan is scheduled to be a two-step loan whereas they will reloan the money and provide a 4½-year grace period with a 15-year life of the loan and the interest will be 8½ percent for these two periods. Would you please comment on this large interest rate charged for the money that is reloaned?

Mr. MACDONALD. There is a fundamental distinction between the terms under which AID lends to countries and the terms under which AID will authorize the borrower to relend to revenue-producing enterprises. Revenue-producing enterprises can normally bear, if permitted to service the loan in local currency, the domestic rate generally applicable to projects of a similar nature, whereas the country to which AID lends cannot reasonably be expected to service the dollar repayments on regular terms. The terms of the loan to the Indian Farmers Fertilizer Cooperative are similar to those available to such enterprises by Indian developmental lending institutions.

TOTAL AID PROPOSED FOR PAKISTAN IN FISCAL YEAR 1972

Mr. PASSMAN. The next country we will consider under the development lending title is Pakistan for which the fiscal year 1972 estimate is $110 million, an increase of $30 milion over the current fiscal year 1971 program.

Would you provide for the record a table showing the total amount of U.S. aid which is scheduled to be provided to Pakistan in fiscal year 1972 from all spigots, listing each spigot separately?

Mr. MACDONALD. I will be pleased to do so.

(The information follows:)

Proposed U.S. aid to Pakistan—Fiscal year 1972

[Millions of dollars]

Aid:	
Development loans	$110.0
Technical assistance	8.0
Supporting assistance—Public safety program	.3
Family planning	.3
Total	118.6

Proposed U.S. aid to Pakistan—Fiscal year 1972—Continued

[Millions of dollars]

Public Law 480:	
Title I	$93.4
Title II	8.6
Total	102.0
Total economic assistance	220.5
Military assistance:	
Grants	(1)
Loans	5.0
Total military assistance	5.0
Total economic and military assistance	225.5

[1] Classified.

U.S. AID TO PAKISTAN

Mr. PASSMAN. Would you also list for the record the total amount of U.S. aid provided to Pakistan from all spigots since the inception of the foreign aid program?

Mr. MACDONALD. Yes, sir.

(The information follows:)

Total U.S. aid provided to Pakistan from 1946 through 1971

[Millions of dollars]

Aid:	
Loans	$1,496.1
Grants	677.4
Total	2,173.5
Food for peace:	
Title I	1,269.7
Title II	190.1
Total	1,459.8
Peace Corps	7.3
Other official development assistance	67.8
Export-Import Bank long-term economic loans	102.3
Total	3,810.9
Military assistance:	
Grants and loans	(1)
Other military assistance grants	7.8

[1] Classified.

PAKISTAN'S SPENDING FOR DEFENSE

Mr. PASSMAN. Would you please indicate how much Pakistan has spent for defense during the last year and relate that as a percentage of GNP?

Mr. MACDONALD. Pakistan's defense budget for the fiscal year ended June 30, 1971 totaled $652 million equivalent, 3.6 percent of GNP.

AID TO PAKISTAN FROM COMMUNIST COUNTRIES

Mr. PASSMAN. What aid is Pakistan receiving from Communist countries, with particular emphasis on Red China?

Mr. MACDONALD. Between 1954 and 1970 Pakistan received $647 million equivalent in economic aid commitments from Communist countries. Of this $307 million was aid from Communist China, $200

million committed in 1970 as aid for the new Five Year Plan (fiscal year 1971–75). This commitment made Communist China Pakistan's largest single nonconsortium aid donor. However, a new commitment this past January of about $200 million from the Soviet Union has restored the U.S.S.R. to the position of major nonconsortium aid donor. Its aid commitments now stand at over $500 million.

China's latest credit commitment is interest free and calls for repayment in 20 years including 10 years of grace. Projects that may be covered include expansion of the heavy machinery plant at Taxila, a bridge over the Brahmaputra River, a project for hardrock mining, a limestone and cement plant and a prefabricated housing development. A large portion of the commitment will go for commodity imports; the first loan signed, for $70 million, provides free foreign exchange for untied procurement of commodities.

STEEL MILL IN KARACHI BEING BUILT BY RUSSIA

Mr. PASSMAN. In a document put out by the Pakistan Embassy, I noted that it made the following statement:

> The Soviet side agreed to render economic and technical assistance to Pakistan and the construction of a steel mill in Karachi with a production capacity of about 1 million tons of steel a year.

Would you please comment on this assistance provided by Russia?

Mr. MACDONALD. The Russians signed an economic credit agreement January 22 of this year providing about $200 million equivalent for a steel mill to be built near Karachi and produce basic shapes such as billets, plates, sheets and strips for pipes. The plant, scheduled for completion in 1976, will employ about 10,000 workers. Although there is little likelihood that local sources of either iron ore or coking coal may be developed economically and therefore the mill will have to import both raw materials, it is claimed the mill will be able to produce its basic shapes at prices competitive with current imports.

CRISIS IN PAKISTAN

Mr. PASSMAN. Could you tell the committee what the current situation is in Pakistan with relationship to the internal crises between East Pakistan and West Pakistan?

Mr. DAVIES. At the moment, although the Pakistan Army has asserted its control over virtually all of the areas of East Pakistan previously held by dissident elements, the situation is far from settled. Fighting reportedly is still taking place in new localities. The heavy flow of refugees from East Pakistan continues, albeit at a rate considerably less than during peak periods several weeks ago. The overall condition of the East Pakistani economy has improved gradually, but disruptions in the road, railway, and water transport systems and high rates of absenteeism have impeded distribution and industrial production. Efforts by the Government to enlist the support of individuals elected to the National and Provincial Assembly on the ticket of the now banned Awaimi League reportedly have met with small success. Positive developments, however, include President Yahya Khan's June 28 announcement that he intends to follow through with his plan to turn the Government over to civilian representatives and the reiteration of his call for Pakistani refugees "regardless of caste, creed, or religion" to return to their homes.

Mr. PASSMAN. Do you think the United States should still allow the shipments of U.S. military equipment to be provided to Pakistan even though the contracts were agreed to prior to the 1967 ban on such shipments before the internal crisis is settled?

Mr. DAVIES. Our policy on military supply to Pakistan has been based on the judgment that it is desirable for the United States to continue to supply limited quantities of military items to Pakistan to enable us to maintain a constructive political relationship. We have also wanted to insure that Pakistan is not compelled to rely exclusively on other sources of supply. The policy can be summarized.

In 1965 when hostilities broke out between India and Pakistan, the United States placed an embargo on the supply of all military equipment to both countries. All grant assistance was terminated and none has been resumed except for modest military training programs.

In 1966 the embargo was modified to permit the sale to both countries of nonlethal end items such as communications, medical, and transportation equipment.

In 1967 the policy was further modified to permit the sale of ammunition and spare parts for those items of military equipment, such as aircraft and tanks, provided by the United States prior to the 1965 Indo-Pakistan conflict. A one-time exception to the continuing embargo on lethal equipment was announced in October 1970. This authorized the sale to Pakistan of 300 armored personnel carriers and about 20 aircraft.

The Government of Pakistan purchases munitions list items either through the foreign military sales (FMS) program or commercially from the manufacturer or distributor. Items under the FMS program are purchased either from stocks which are under direct Department of Defense control or from the Defense Department's commercial contractors. All equipment either obtained commercially or delivered under the FMS program to Pakistan Government representatives in the United States must be licensed for export by the State Department's Office of Munitions Control before it may be exported.

There are also items which are common to military as well as civilian use (such as certain automobile and truck spare parts) which are not on the munitions list, but which may require a Department of Commerce license.

In light of the outbreak of fighting in East Pakistan on March 25–26, we have taken certain interim actions with regard to military supply for Pakistan. While no formal embargo was imposed, the following interim actions were taken in early April:

(A) A hold was put on delivery of FMS items from Department of Defense stocks; no such items have been released to Pakistan since then.

(B) The Department of State's Office of Munitions Control has suspended the issuance of new licenses and renewal of expired licenses (valid for 1 year) for items on the munitions list—for either FMS or commercial sales.

(C) We have held in abeyance any action on the one-time exception arms supply offer announced last October; no item in that offer has

been delivered to Pakistan or its agents, and nothing is scheduled for delivery.

By early April, when these interim actions were taken, the Government of Pakistan or its agents had obtained legal title to, and were in possession of, some items still physically in the United States. In addition, DOD commercial contractors under the FMS program, and other commercial suppliers, continued to utilize valid licenses issued before the actions taken in early April. Some of these items, legally the property of the Government of Pakistan, have been shipped to Pakistan from U.S. ports and it is likely that additional military supplies, under valid licenses, will be shipped in the future.

Our overall military supply policy toward Pakistan continues under close review.

CHOLERA EPIDEMIC AMONG EAST PAKISTAN REFUGEES

Mr. PASSMAN. Have they got the cholera epidemic under control that has been running rampant through the refugees produced by this internal crisis?

Mr. MACDONALD. The cholera epidemic—which took the lives of several thousand refugees in early June—was halted effectively by the massive efforts of the GOI and foreign donors. In this effort the United States purchased the transport for 300 tons of medical supplies—vaccine, rehydration fluids, medicines, water treatment tablets, hypodermic syringes, and so forth. We also financed $315,000 in additional medical supplies through the World Health Organization. Operation "Bonny Jack," the U.S. airlift of refugees, also enabled us to transport urgently needed medical supplies to India. One million doses of cholera vaccine were moved on the U.S. airlift craft.

REABSORPTION OF REFUGEES BY EAST PAKISTAN

Mr. PASSMAN. What is being done by the Pakistan Government to reabsorb these refugees that are now presently located in India?

Mr. DAVIES. President Yahya appealed on May 18 and June 21 for refugees in India to return to East Pakistan. The June 21 statement says that all Pakistanis could return regardless of caste, creed, or religion. In addition the Government of Pakistan has announced that 23 reception centers will be established along the border areas to receive refugees returning home. Food, medicine, and a small amount of cash will be provided for each refugee. Ten of the camps are reported in operation. The Government of Pakistan has announced that 50,000 of the over 6 million refugees have returned to East Pakistan.

WHY LOANS DEFERRED UNTIL JUNE

Mr. PASSMAN. I notice that a good many of the development loans listed on pages 78 and 79 of the justifications were authorized during June of a particular fiscal year and most of the time in the latter part of June. Would you please comment on why these loans were deferred until the last month of the fiscal year?

Mr. MACDONALD. Better than 85 percent of the loan program for Pakistan has been allocated for program loans. These loans tend to

be obligated closer to the middle of the fiscal year, but this depends on when appropriations are available to the Agency. Project loans tend to be obligated later in the fiscal year, ofttен in June. Allthough we often develop projects all of the time and considerable time is required to have projects proposed ready for approval—the detailed engineering and economic analysis have been completed, we are unable to obligate the projects because funds are not available. There is also some uncertainty about how much we can actually lend to a country until the Agency knows final Agency deobligation totals. This is known only by June.

KARNAFULI HYDROELECTRIC LOAN

Mr. PASSMAN. On page 78, in connection with the Karnafuli hydroelectric unit No. 3 development loan, I note that this loan was authorized in June of 1967 and the loan agreement was signed in December of 1967 at an authorized level of $1,500,000. However, as of this date no funds have been disbursed from this loan. Would you please comment on this delay in disbursements?

Mr. MACDONALD. You will note that this loan is designated as 391–H–081–A, which indicates it is an amendment increase of $1.5 million to an earlier $3.8 million loan, 391–H–081. Both loans, totaling $5.3 million, have been committed and funds are currently being disbursed under the $3.8 million earlier loan. As of June 30, 1971, approximately $3.4 million had been disbursed. As soon as the funds under 391–H–081 are fully disbursed, the funds under the 391–H–081–A will be disbursed.

Construction at the site of the equipment was proceeding satisfactorily up until March of 1971. However, all contractor personnel have been evacuated and construction activities suspended. Allis-Chalmers continues to manufacture the equipment which will be completed in the near future. Precisely when it will be possible to install the equipment is now most uncertain.

EP/WAPDA LOAN

Mr. PASSMAN. Also on page 78, in connection with the EP/WAPDA consultants loan, I note this loan was agreed to in February of 1968 at an authorized level of $2,400,000 but as of this date only $709,000 has been disbursed. Would you comment on this delay in disbursements?

Mr. MACDONALD. EP/WAPDA has been slow in submitting proposals for consultants to be financed from this loan. Only two consulting services contracts have been financed to date: one for general consulting services by the International Engineering Co. of San Francisco, and a second for a powerplant operators training program by Commonwealth Associations, Jackson, Mich. As of March 1971 EP/WAPDA had submitted five additional proposals for a wide range of activities requiring consulting services which would utilize approximately $1.5 million of the loan funds. Consideration of these proposals is being held in abeyance because of the civil strife in East Pakistan.

SEED POTATO MULTIPLICATION DEVELOPMENT LOAN

Mr. PASSMAN. On page 78, in connection with the seed potato multiplication development loan, I note this loan was authorized in June of 1968 at an authorized level of $420,000, but as of this date only $21,000 has been disbursed. Would you please comment on this delay in disbursements?

Mr. MACDONALD. The loan had a condition that funds could not be disbursed for the purchase of equipment and materials until there was evidence that Pakistan had made arrangements to obtain the services of a U.S. horticultural adviser for a 2-year period. It proved exceedingly difficult to recruit such an adviser, but an acceptable candidate was found in September 1970 and invitations for bids for equipment and materials was advertised with a bid closing date of March 15, 1971. Due to the disturbances in East Pakistan at the time, the bid closing date was suspended and the project is held in abeyance.

GROUND WATER SURVEY DEVELOPMENT LOAN

Mr. PASSMAN. On page 79, in connection with the ground water survey development loan, I note this loan agreement was agreed to in October 1969 at an authorized level of $1,500,000, but as of this date no disbursements have been made. Would you please comment?

Mr. MACDONALD. Although the loan agreement was signed in October 1969, the conditions precedent were not met until May 1970. A participating agency service agreement with the U.S. Geological Survey for a team of three advisers was signed in June 1970. The three advisers were recruited and the last member arrived in Pakistan in November 1970. Therefore, the full team worked for only 2 months during calendar year 1970. However, since the invoices for these 2 months were not processed prior to December 31, 1970, no disbursements are shown for this loan. The U.S. Geological Survey has now billed and received payment for $28,000, and other billings are in process.

SALINITY CONTROL AND RECLAMATION PROJECT

Mr. PASSMAN. On page 79, in connection with the salinity control and reclamation project development loan, I note this loan was authorized on June 26, 1970, but as yet no loan agreement has been signed. Would you please comment on this delay?

Mr. MACDONALD. This loan has been deauthorized, and the funds deobligated. The initial proposal for this loan originated from the West Pakistan Department of Irrigation and Power (DIP) which was a centralized organization at the time the proposal was submitted and subsequently authorized. Since that time West Pakistan was subdivided into four new provinces and DIP responsibilities have been decentralized. The Punjab Provincial Office of DIP was delegated responsibility for implementing the loan. It became evident that there would be a substantial delay in implementation, since the new provincial officers have to familiarize themselves with the project. Consequently, it was agreed to deobligate the loan. If the GOP determines at a later date it is possible for the project to be implemented AID will reconsider the project on its merits.

TOTAL U.S. AID PROPOSED FOR TURKEY IN FISCAL YEAR 1972

Mr. PASSMAN. The next country we will consider under the development lending title is Turkey for which the fiscal year 1972 estimate is $40 million, a decrease of $25 million below the current fiscal year 1971 program.

What is the total U.S. assistance scheduled to be provided to Turkey in fiscal year 1972 from all spigots?

Mr. MACDONALD. ———

TOTAL U.S. ASSISTANCE TO TURKEY SINCE 1946

Mr. PASSMAN. What has been the total U.S. assistance to Turkey since the inception of the foreign aid program from all spigots?

Mr. MACDONALD. U.S. assistance to Turkey from 1946 to 1971 has been $5,652.5 million. This breaks down into economic assistance of $2,420.1 million and military assistance of $3,232.4 million.

POLITICAL SITUATION IN TURKEY

Mr. PASSMAN. Could you please tell the committee briefly what is the present political situation in Turkey?

Mr. DAVIES. Turkey currently has a nonparty, reform government which undertook as its first priority to restore law and order. This Government, headed by Prime Minister Nihat Erim, took office following the mid-March resignation under military pressure of the Justice Party (JP) government of Suleyman Demirel. The Demirel government had not been successful in ending terrorist violence by extreme leftists and clashes between extremists of the right and left, nor had it instituted a number of reforms felt by many to be essential to Turkey's continued development. After the Erim government had been in office about a month, the continuation of terrorist violence led to the declaration of martial law in 11 of Turkey's 67 provinces, those containing Turkey's largest cities and two with concentrations of Kurds. Most of the terrorists, including those who kidnapped and murdered the Israeli Consul General as well as the group which kidnapped American airmen in February and March 1971, have now been apprehended and are being tried by martial law tribunals. Martial law is scheduled to expire July 26. Meanwhile, the Erim government is introducing in the Parliament a number of reform bills, including one which would modify up to one-third of the articles of the existing Constitution to strengthen the executive branch and its ability to govern effectively.

LOANS BY THE UNITED STATES TO CUKUROVA DEVELOPMENT BANK

Mr. PASSMAN. On page 82, you indicate that we have provided loans to the Turkish Industrial Development Bank and now the Cukurova Development Bank. How is the United States able to audit these funds to insure that large interest rates are not charged by these banks?

Mr. MacDonald. We have not yet made a loan to the Cukurova Bank, so my answer will be drawn from our experience with loans to the Industrial Bank.

All interest rates including those charged to borrowers for Industrial Bank are regulated by the Government of Turkey. In 1970 the Government increased the rates on long-term loans to 12 percent pa. TSKB is permitted to retain 2½ percentage points and the remaining 9½ percent are paid by TSKB to the Turkish Government. As to auditing of the interest rate, AID relies on an annual audit by an internationally recognize certified public accounting firm.

FAMILY PLANNING AND RURAL HEALTH SERVICE DEVELOPMENT LOAN

Mr. Passman. On page 83, in connection with the family planning and rural health service development loan, I note this loan was authorized in June of 1966 at an authorized level of $2,100,000, but as of this date only $151,000 has been disbursed. Would you please comment on this long delay of disbursements?

Mr. MacDonald. A significant condition precedent to vehicle procurement was a requirement for the Ministry of Health to obtain the services of consultants to advise and assist the Ministry develop a maintenance program for the vehicles. Subsequent to the arrival of the consultants, Tibbets-Abbet-McCarthy-Stratton, it was determined no vehicles would be procured pending an improvement in the Ministry's overall vehicle maintenance program. With the consultants' assistance the Ministry has reorganized and upgraded its entire maintenance program.

Additional delays were encountered due to an unsuccessful attempt (pursuant to Turkish law) to have the vehicles procured and assembled in Turkey. The first group of 100 out of a complete order of 528 vehicles have cleared customs and have been distributed. Forty-two percent of the loan proceeds have been disbursed as of May 31, 1971. The loan is expected to be fully disbursed by December 31, 1971.

MIDDLE EAST TECHNICAL UNIVERSITY DEVELOPMENT LOAN

Mr. Passman. On page 83, in connection with the Middle East Technical University development loan, I note this loan was agreed to in October 1967 at an authorized level of $4,500,000. But as of this date, only $133,000 has been disbursed. Would you please comment on this delay?

Mr. MacDonald. The very slow drawdown on this loan—total disbursements as of May 31, 1971, were $357,567 or 8 percent as against no disbursements this time last year—is due to the inexperience of METU staff with AID procurement regulations, the initial lack of a centralized procurement staff, and changes in personnel once the staff was established, and the general unsettled conditions at the school.

INDUSTRIAL DEVELOPMENT BANK

Mr. Passman. Also on page 83, in connection with the Industrial Development Bank, I note that this is a two-step loan and the relending terms are as follows: They have a 3-year grace period, a 15-year life

of the loan, and 9½-percent interest rate for both periods. Would you please comment on this large interest rate being charged on the second-step loan?

Mr. MacDonald. The interest rate of 12 percent (9½ percent for the Turkish Government and 2½ percent for the TSKB) was decreed by the Turkish Government in 1970 on advice of the IMF at the time of the devaluation of Turkish lira.

INDUSTRIAL INVESTMENT AND CREDIT BANK DEVELOPMENT LOAN

Mr. Passman. On page 83, in connection with Industrial Investment and Credit Bank development loan, I note this loan was agreed to in September of 1969 at an authorized level of $5 million, but as of this date no disbursements have been made. Would you please comment on this delay in disbursements?

Mr. MacDonald. The loan agreement No. 277–H–087 related to the Industrial Investment and Credit Bank was signed September 17, 1969. Several months were needed for completion of conditions precedent of the loan by the Bank and they were finally met on March 2, 1970. IICB extended its first subloan in October 1970 and by the end of April 1971 completed seven subloans for a total of $1,775,000. Due to long delivery periods disbursements have been delayed but they are expected to start shortly.

EREGLI SINTERING PLANT LOAN

Mr. Passman. On page 84, in connection with the Eregli sintering plant development loan, I note this loan was agreed to in November of 1968 at an authorized level of $12,500,000, but as of this date only $909,000 has been disbursed. Would you comment on this delay in disbursements?

Mr. MacDonald. Implementation of this project was delayed approximately 1 year due to difficulty in finalizing a prime contract for the sinter plant. Since the signing of this contract, design and construction have proceeded on schedule. Orders for plant equipment have now been placed. It is expected that disbursements will reach 55 percent by December 1971.

LAND RECLAMATION DEVELOPMENT LOAN

Mr. Passman. On page 85 under Afghanistan, in connection with the land reclamation development loan. I note this loan was approved on June 21, 1967, but the loan agreement was not signed until May 13, 1968, at an authorized level of $4,600,000 and as of this date no disbursements have been made. What accounts for this long delay?

Mr. MacDonald. This project involved disruption of existing farms to permit land leveling and the consolidation of scattered land holdings into more efficient farm units. The people to be displaced had to be educated as to the objectives of the project and the ultimate benefits to be derived in order to obtain their cooperation. This required considerably more time than originally expected. The Government of Afghanistan has successfully conducted an extensive campaign to educate the people in the project area and they have agreed to cooperate. It was also determined necessary to modify existing Afghan laws and regulations for fixing the price and the sale of water and water rights,

and the utilization of lands with titles in dispute. These laws were modified in March 1971. Invitations for bids for equipment, materials and supplies have been prepared and procurement will begin in the very near future. We expect the project to go forward now without further delay.

KAJAKAI HYDROELECTRIC PLANT LOAN

Mr. PASSMAN. Also on page 85, in connection with the Kajakai hydroelectric plant development loan, I again note this loan was authorized on June 21, 1967, but the loan agreement was not signed until May 13, 1968, at an authorized level of $12 million but as of this date only $205,000 has been disbursed. Would you please comment on this delay?

Mr. MACDONALD. No disbursements have been made except for services rendered by the International Engineering Company (IECO), San Francisco, Calif. Selection of IECO to undertake the engineering, design, and preparation of specifications for equipment to be purchased under this loan was made in October 1968. Lengthy negotiations between the Government of Afghanistan and IECO delayed the contract signing until August 1969. IECO completed the design report and cost estimates in May 1970, and determined that the foreign exchange costs of the project were $15 million due to price escalation costs of equipment. Since only $12 million was authorized, AID advised the Government of Afghanistan that IECO should not prepare the IFB's until it was satisfactorily determined how the foreign exchange short fall would be covered.

In October 1970, the Government of Afghanistan informed AID that it would provide the required foreign exchange for the project from its own foreign exchange or from loan funds from the Asian Development Bank. On this assurance, AID authorized Government of Afghanistan to instruct IECO to commence work on preparing draft IFG. IFB's were issued in July 1971, and bids will be opened the first week of September.

LAND INVENTORY LOAN

Mr. PASSMAN. Also on page 85, in connection with the land inventory development loan, I note this loan was authorized on June 29, 1967, but the loan agreement was not signed until June 17, 1968, at an authorized level of $400,000 but as of this date no disbursements have been made. Is this another case of the development loan being authorized before the actual program is ready to commence?

Mr. MACDONALD. After the loan agreement had been signed, an unforeseen administrative dispute arose within the Royal Government of Afghanistan between two ministries having concurrent jurisdiction over land registration (Ministry of Interior) and land taxation (Ministry of Finance) as to which Ministry would be responsible for the project. Consequently, we informed the Government that in view of the dispute we would not authorize disbursement under the loan until the issue was resolved. The issue was finally settled in early 1971, when the Ministry of Finance was given responsibility for the project. Procurement of the commodities is now underway; all bids have been received and are being evaluated. Contract awards will be made and disbursements begun in the near future.

TELECOMMUNICATIONS SYSTEMS IMPROVEMENT LOAN

Mr. PASSMAN. On page 88, under Jordan, in connection with the telecommunications systems improvement development loan, I note this loan was agreed to in July of 1966, at an authorized level of $6,300,000, but as of this date only $140,000 has been disbursed. Would you please comment on this delay in disbursement?

Mr. MACDONALD. Implementation was delayed because of the 1967 war and its aftermath and by civil strife in 1970. An award has now been made for the prime supply-installation-training contract. The contract for engineering supervision is expected to be signed soon.

Mr. PASSMAN. Mr. Hathaway?

DEVELOPMENT PROSPECTS IN THE NESA REGION

Mr. HATHAWAY. I would like you to supply for the record if you would your prognosis on each of the countries you have testified on today, as to what our aid commitment is going to be in the future, what time we could look forward to not furnishing any more grant aid, at least, or any kind of aid.

Mr. MACDONALD. Would you like this supplied or my comment now?

Mr. HATHAWAY. Perhaps it would be better for the record because we have a vote on the floor.

Mr. MACDONALD. We do have some prospective new aid graduates down the way and I would be pleased to submit a statement for the record on that.

(The information follows:)

FUTURE AID REQUIREMENTS

Development loans are being extended to three countries in the NESA region—India, Pakistan, and Turkey. In the case of Pakistan the situation is clearly too uncertain at this time to make any meaningful projections of future aid requirements. The Government of Turkey expects to be able to end their need for concessional loans by 1975. There is good reason to think Turkey can meet that target, and we anticipate U.S. development loans will phase down accordingly. India has set a target of reducing its dependence on net aid to zero in 10 years. Aid would still be required to help finance India's external debt service payments on previous aid, but the net flow would be zero. India's future aid requirements are naturally more difficult to foresee, compared with the Turkish situation. The continued health of Indian democracy will depend in part on the country's ability to achieve adequate growth in per capita income. Economic growth is the primary objective, and whether or not India can achieve the 10-year zero net aid target will depend on the adequacy of growth over the decade and the volume of assistance during that period. A higher level of U.S. and consortium assistance in the next few years would strengthen India's capability to meet that target, with growth, and would reduce the total aid requirement in the longer run.

Mr. PASSMAN. Did you say "aid graduates"?

Mr. MACDONALD. "AID graduates," I suppose is a more accurate term.

Mr. PASSMAN. Mr. Shriver?

Mr. SHRIVER. I think we had better vote, but I do have quite a few questions.

Mr. PASSMAN. Let's take a recess

(Recess.)

Mr. PASSMAN. The committee will come to order.

Mr. Shriver?

Mr. SHRIVER. Thank you, Mr. Chairman.

Mr. MacDonald, glad to have you again before our subcommittee in a different assignment this time.

It was my opinion that you did an excellent job as our Director of AID in Vietnam, and it was a most difficult assignment.

ECONOMIC ASSISTANCE AND A POLITICAL SETTLEMENT IN PAKISTAN

Mr. Davies, we were talking earlier about Pakistan, and the press reports said that an 11-nation aid consortium for Pakistan decided last week to postpone indefinitely any new economic assistance to that country. Yesterday, a State Department spokesman, Mr. Bray, denied this in testimony before a Senate committee.

Would you tell us whether the consortium made such a decision or not?

Mr. DAVIES. The members of the consortium discussed informally whether it could move ahead before there was political order in East Pakistan. Our spokesman made clear that we should not use AID to secure a political solution. We would not associate ourselves with any decision to condition our economic assistance to Pakistan on a political settlement. At this meeting we made clear we would not use aid as a lever to secure a political solution. We are prepared to provide economic aid when developmental grounds are established or reasonable prospects for their reestablishment seem clear.

Mr. SHRIVER. Notwithstanding the large numbers of refugees, some 6 million going into India and causing a tremendous burden upon that country?

Mr. DAVIES. As I said earlier, Mr. Shriver, we do have these three principal objectives of our policy: First, to get relief to the refugees; second, to help bring about conditions which will permit their return; and third, to help avoid tension between India and Pakistan from rising to unacceptable levels. We do believe that we have had some influence on the situation through maintaining our political dialog in Islamabad and Delhi. We do believe that the advice and counsel that we have offered is listened to in Pakistan because we have not used the withholding of our aid as a threat.

Mr. SHRIVER. You continue economic assistance to Pakistan?

Mr. DAVIES. When economic conditions warrant going ahead, sir.

TOTAL ASSISTANCE TO PAKISTAN

Mr. SHRIVER. How much was contributed in all forms of aid to Pakistan in the past year, aid to refugees included?

Mr. DAVIES. I can give you that.

Mr. SHRIVER. We had that storm aid and then more recently contributions for those who left and went into India.

Mr. DAVIES. I can speak to the question of aid for the refugees in the present crisis and provide the other for the record.

In sum, here is what we have done: We have now authorized over $70 million to assist India in meeting the refugee burden. This is for direct refugee relief. We are already providing enough food to feed 1.2 million refugees. With the new assistance announced last week we will increase this shortly. We are also providing an airlift for a very crowded corner of India where the East Pakistanis have gone for ref-

uge in order to alleviate the congested condition there. We are providing cholera vaccine. The last figure I saw was 1 million doses flown in on the aircraft provided for Tripura-Assam airlift. We are watching the situation very closely both in East Pakistan and in India to see what we can do to be helpful and alleviate distress.

Can you speak to the other part of that?

Mr. MacDonald. I think you have covered it.

Mr. Shriver. He has not covered the economic assistance.

Mr. MacDonald. We have had an economic program to Pakistan consisting of both technical assistance and development loans. Our technical assistance program including family planning in fiscal year 1971 was about $7 million. Our activities under agreed projects have continued except in circumstances in which it has been possible to continued except in circumstances in East Pakistan in which it has not been possible to continue. Our technical assistance activities have gone on essentially unaltered in West Pakistan.

In addition, a flow of commodities under the AID-financed program loans committed in earlier years has continued.

Mr. Shriver. How much is it?

Mr. MacDonald. The old loan balance was $99.5 million and of that amount about $36 million arrived in Pakistan. Since March 26th, the flow has been directed almost exclusively to West Pakistan. I say almost exclusively to West Pakistan because, as you know, the program loan operates through commercial channels of trade and commerce and East Pakistan importers have not been applying for licenses.

Five million dollars is on the high seas in addition to the $36 million which has arrived.

Mr. Shriver. That is $5 million of economic assistance?

Mr. MacDonald. Out of the $99.5 million balance, $36 million has arrived, $5 million is on the high seas, $38 million is in issued letters of credit but not yet shipped. The balance, $20 million, has not yet had letters of credit issued. Our policy has been not to interrupt assistance under past loans, Mr. Shriver.

But we have not undertaken any new commitments with the exception of special assistance provided to help the Pakistanis with their food situation, and to help them stave off famine and suffering in the months ahead.

Ten days ago we signed a $1 million agreement authorizing the Pakistanis to go out and contract for boats with which to move grain and thus compensate for reduced railroad capacity to which I referred earlier this afternoon. We have under consideration another $1 million grant to the Pakistan Government to get additional boats, to enhance their ability to move food and other essentials from the ports up river. We are proposing to obligate an additional $4.7 million of special contingency funds that were appropriated last fall after the cyclone disaster in East Pakistan to cover the costs of low-cost housing and cyclone shelters, and the repair and rehabilitation of coastal embankments.

Other than for those transactions we are not entering into new aid commitments and won't and can't because the conditions in East Pakistan are not suitable for the proper use of economic assistance at the moment.

Mr. Shriver. What does this all come to? For the past year how much aid have we furnished to Pakistan?

Mr. MacDonald. In fiscal year 1971 AID obligated just about $16 million. This excludes Public Law 480 and some relief supplies provided to UNICEF for Pakistan. The flow of commodities to which I referred earlier was from previous years' appropriations. We have not made any new commitments to finance imported commodities in fiscal year 1971.

SOVIET-ISRAELI RELATIONS

Mr. Shriver. Mr. Davies, there are rumors Israel and the Soviet Union may reestablish relations which were broken off at the time of the 6-day war. Could you comment on that?

Mr. Davies. Mr. Shriver, we have no firm evidence to bolster the press claims that there have been these contacts. We note that Victor Lovis was in Israel, as the press reported this morning, and he is, I believe, Jewish and would have an interest in Israel. Whether he actually discussed increased contacts, we don't know. The Israelis have not filled us in on this.

ARAB-UNITED STATES RELATIONS

Mr. Shriver. Are there any Arab countries we do not have diplomatic relations with as a result of that war?

Mr. Davies. Yes, sir.

Mr. Shriver. What are they?

Mr. Davies. They are Iraq, Syria, United Arab Republic, Yemen, Algeria. We have now reestablished relations with Mauritania.

Mr. Shriver. Is that the only one?

Mr Davies. The only state where we have reestablished is Mauritania. We do have interest sections in Cairo; that is, American-staffed units in Cairo and in Yemen.

TURKISH ACTIONS TO CURB THE FLOW OF HEROIN

Mr. Shriver. Would you discuss further the actions that Turkey is is taking to curb the flow of opium or heroin into the United States?

Mr. Davies. Yes, sir. The previous administration of Prime Minister Demirel entered into an agreement with us by which jointly we would seek to explore the possibility of replacing poppy culture with other forms of agriculture. We have loaned $3 million for this purpose and for acquisition of equipment to the Turkish control program.

In addition to that, the Government of Turkey has permitted agents from the Bureau of Narcotics and Dangerous Drugs to work with the Turkish gendarmerie in trying to apprehend smuggling, smugglers and strengthen control measures.

On June 21, the National Assembly favorably voted on a bill which would enforce licensing of anyone growing poppies. Before the restriction has always been on a regional basis. That is, farmers in 27 Provinces 3 or 4 years ago were authorized to plant poppies but there was no control over acreage or the number of farmers involved.

This number of Provinces has moved down from 27 to seven and will be four with the upcoming announcement on July 1.

Mr. Shriver. Progress is being made?

Mr. Davies. More than that. This year for the first time there has been a very militant campaign to apprehend smugglers and to buy

up the crop. In the first quarter of 1971, the amount of gum opium taken was almost twice that taken throughout 1970.

Before July 1, the Government must make its announcement on Provinces on which planting is authorized and other matters. I have undertaken as soon as we have copies of the decree to provide a full report for the record for the committee.

Mr. SHRIVER. There has been legislation introduced here to halt foreign aid to countries which do not halt the drug flow. I presume that you wouldn't favor this kind of legislation, especially since there is progress being made here in those countries to stop it?

Mr. DAVIES. We believe there has been considerable progress, particularly under the present Government of Prime Minister Erim. We look to much further progress. The Turks are not addicted. They don't smoke opium and, as you know, heroin is produced in factories in south France primarily. There is a political problem for the Government in trying to stamp out the growing of poppies which has been a practice in Turkey for centuries. This Government has said publicly that its objective is eventually to eliminate illicit production of opium as a contribution to solving the international problem.

Mr. SHRIVER. Mr. MacDonald, on page 4 you mentioned exports from Turkey. What are these?

Mr. MACDONALD. Most growth in exports has been that of fruits and vegetables. They have been doing a booming business in the last 2 or 3 years and we hope to see them expand their share of the European market.

INDIAN FERTILIZER PRODUCTION AND U.S. EXPORTS

Mr. SHRIVER. On the 18th of June of this year AID announced a $21 million loan to India for fertilizer production plants. On page 9 of your statement you say that India fertilizer production nearly tripled during the last 4 or 5 years with the help of our foreign aid, thus reducing the country's dependence on fertilizer imports. How much of the U.S. fertilizer exports to India have been reduced during this period?

Mr. MACDONALD. I am not sure that I have the figures that would answer that with me. India's requirement for fertilizer is very large and has been growing as a consequence of the success they have had with the green revolution and the need for very large increases in fertilizers and pesticides and other agricultural inputs. I don't have the exact figures, production capability of this plant, which incidentally is a plant that will be opened and operated by the Indian cooperatives. I would be pleased to insert that in the record.

Mr. SHRIVER. Do that, and include whether you anticipate further reductions in U.S. fertilizer exports to India as a result.

(The information follows:)

U.S. FERTILIZER EXPORTS TO INDIA

U.S. fertilizer exports to India have been reduced approximately 50 percent over the past 4–5 years. We are still financing nearly $50 million in the fertilizer annually under AID nonproject loans. We expect this figure to decline gradually over the next few years as Indian domestic production further increases. The IFFCO fertilizer plant in Gujarat State will produce 500,000 MT of nitrogen phosphate/potassium (NPK) fertilizer annually when it is fully operative.

GROWTH IN NONTRADITIONAL EXPORTS IN INDIA

Mr. SHRIVER. A World Bank press release dated June 18 stated that growth in earnings for India from nontraditional exports made up for setbacks in tradition exports such as jute manufactures. What would they be referring to as nontraditional exports?

Mr. MACDONALD. Light manufacturing, electrical equipment, switching equipment, and other manufactured products, Mr. Congressman.

MECHANIZATION AND FARM LABOR

Mr. SHRIVER. You observe on page 10 the trend toward mechanization in farming in India is having an effect on farm labor. That has occurred in this country, too.

How much of the request could be considered as going for labor-saving devices and practices?

Mr. MACDONALD. How much of our request to you?

Mr. SHRIVER. Yes.

Mr. MACDONALD. We cannot quantify it. We hope it is minimal. I think you would be interested to know that in the aid to India consortium meeting last week that considered the state of India's economy, its development prospects and aid requirements, there was a consensus around the table acknowledged by the Indian delegation that India needed to do more to put adequate prices on imports of mechanized equipment so as not to increase the problem that they have of unemployment by creating a disincentive to the employment of people. The Indians are very much aware of this problem and they were urged to adopt proper pricing policies on mechanized equipment.

U.S. FUNDING OF THE WORLD BANK

Mr. SHRIVER. On page 5 you say that other donors and the World Bank provide well over half of the total concessional aid in the NESA region with the United States contributing the rest.

How much of the development budget of the World Bank would be considered as coming from U.S. resources? That was covered probably in Mr. Passman's remarks.

Mr. MACDONALD. I believe it is about 30 percent.

Mr. PASSMAN. Off the record.

(Discussion off the record.)

INDIAN FERTILIZER TAX

Mr. SHRIVER. Last year we discussed the 10-percent excise tax placed on fertilizer that we furnish to India. I do not believe the American people know the Indian farmers must pay this tax on items we send them to support their green revolution. Has this situation changed any since we had our discussion?

Mr. MACDONALD. I believe it is still in effect.

Mr. SHRIVER. Do you know how much income that raised for the government of India?

Mr. MACDONALD. Not off hand. This is a revenue device to provide funds which in turn can be used in their development programs.

Mr. SHRIVER. Yes, but we are giving them the fertilizer, in reality, and they put a tax on what we give them.

Mr. MACDONALD. If I may say, we are lending the money.

Mr. SHRIVER. Lending? Do you think we will get it back?

Mr. MACDONALD. I would hope so.

Mr. PASSMAN. Is that the development loan program?

Mr. SHRIVER. It is aid in the form of fertilizer.

Mr. MACDONALD. That is the lesser of the two points I invite you to consider.

Many areas of Indian agriculture, particularly in the Punjab, are quite affluent.

We think it is important for the Indians to proceed to apply taxes to affluent elements of their economy in order to finance public and publicly supported development programs.

I do not think a 10-percent excise tax on fertilizer is necessarily to be rejected out of hand.

Mr. SHRIVER. I think in the long run we are paying it.

Mr. MACDONALD. Oh, yes, we are providing the financing for the transfer of the fertilizer itself there is no question about that, Mr. Shriver.

AMOUNT OF MILITARY PURCHASES BY NESA COUNTRIES

Mr. SHRIVER. Would you tell us or provide for the record the amount of military purchases by country in your region for the latest year available.

Mr. MACDONALD. I would like to provide that for the record.

(The information follows:)

VALUE OF MILITARY IMPORTS BY NESA COUNTRIES IN 1969 [1]

[In millions of dollars]

	Total
Afghanistan	2.0
India	99.9
Israel	76.3
Jordan	54.6
Pakistan	56.8
Turkey	4.7

[1] Value of imports from current countries deleted.

Mr. SHRIVER. Break it down as to whether such supplies were purchased from Communist countries or the free world?

Mr. MACDONALD. To the extent we have knowledge of that, yes.

REDUCED PERSONNEL IN NESA

Mr. SHRIVER. Have you reduced personnel in your region during the past year?

Mr. MACDONALD. Yes. We have been on the decline now for several years.

Mr. SHRIVER. You might put in the record that decline for the last 3 years.

Mr. MACDONALD. Yes, sir.

(The information follows:)

DECLINE OF U.S. NATIONALS IN NESA OVERSEAS PROGRAMS FOR THE LAST 3 YEARS

	June 30, 1969	June 30, 1970	June 30, 1971
Direct	332	320	269
Pasa	88	68	74
Contract	429	347	295
Total	849	735	638

Mr. PASSMAN. Would the gentleman yield at this point?

Mr. SHRIVER. Certainly.

Mr. PASSMAN. I think we established earlier that there is an increase in personnel. You have three types of personnel: You have the personnel known as direct hire, you have the personnel known as contract hire, and you have the personnel financed out of the international organizations; is that correct?

Mr. MACDONALD. Yes, sir.

Mr. PASSMAN. I would assume you want the total personnel?

Mr. SHRIVER. Yes.

Mr. PASSMAN. Because when you reduce your direct hire and increase your contract hire, it becomes much, much more expensive. The committee is going to insist on knowing how much is indirect hire, how many are financed out of international organizations, and how many are direct hire.

Mr. MACDONALD. We have been on the decline, speaking in a gross sense.

Mr. PASSMAN. Put it in the record.

I repeat that the total personnel has increased, not decreased, and that was testified to earlier.

Mr. MACDONALD. I will provide the NESA region data and they do show a decline.

Mr. PASSMAN. Even when you include international organizations?

Mr. MACDONALD. I shall provide that, if I can.

Mr. PASSMAN. I say, do you want to rest on that answer?

Mr. MACDONALD. I would like to check that.

Mr. PASSMAN. When you include international organizations, there could be an increase.

Mr. MACDONALD. There could be.

Mr. PASSMAN. Thank you.

PERFORMANCE OF INDIAN BANKS

Mr. SHRIVER. Last year Mr. Williams said performance remained to be seen with regard to the nationalized situation of the Indian banks. What can you tell us in this regard this year?

Put that in the record.

(The information follows:)

NATIONALIZATION OF INDIAN BANKS

As was stated last year by the Indian Government, nationalization was undertaken because it was felt that the principle domestic commercial banks were not expanding into the rural areas of the country fast enough and that there was too much commercial control exercised through the banking system by India's major industrial families. Since nationalization there has been a substantial move by the banks to extend their services to the rural areas. In the year since nationalization the 14 nationalized banks have increased the number of rural branches by over 40 percent. Commercial bank agriculture credit has increased dramatically also during the same period.

The question of whether the major industrial families now have less control is hard to pin down. I would think that the nationalized banking system would be more responsive than the previous system to recent Indian Government efforts to expand credit to small scale industries and newly established industries. Based on results so far I would say that nationalization is meeting the Indian Government's objectives.

JAPANESE ASSISTANCE IN NESA

Mr. SHRIVER. Has Japan increased its assistance to the countries in your region this year?

Mr. MACDONALD. The contributions of other countries have been going up.

Mr. SHRIVER. Japan?

Mr. MACDONALD. Japan I think is among them.

Mr. SHRIVER. How much?

Mr. MACDONALD. Let me check that, Mr. Shriver.

Mr. SHRIVER. Do you have any record how much Japan does in the way of trade with your area?

THE CONSORTIUM ON PAKISTAN MEETING IN PARIS

Mr. MACDONALD. I do not have that in these papers. While we are waiting to find the page, could I make reference to an earlier statement and amplify it in just a small way. I refer to Mr. Davies' discussion about the consortium on Pakistan that met in Paris. The press has not made clear that that was a very informal get-together of the heads of delegation who happened to be in Paris for the formal Indian consortium meeting.

It met with the Chairman of the combined World Bank-Monetary Fund team that had been to East Pakistan and was en route home. The team had not yet had an opportunity to consult with its superiors, Mr. McNamara and Mr. Schweitzer. So it was a very informal get-together. They made no formal presentation nor did they do more than seek attitudes. We will be receiving a report in the next week or so.

THE NATURE OF JAPANESE ASSISTANCE

I am sorry, sir, we do not have the individual countries broken out. Bilateral has gone up from 1969, a little bit, 1 percent; 1970; about 5 or 6 percent in 1971.

I will get you the Japanese figures you asked for.

(The information follows:)

JAPAN'S TRADE AND AID WITH INDIA PAKISTAN AND TURKEY

[Millions of dollars]

	1967	1968	1969	1970
Exports to India	138	139	96	103
Imports from India	259	293	321	390
Trade balance	−121	−154	−225	−287
Aid to India [1]	40	64	32	32
Exports to Pakistan	82	116	107	138
Imports from Pakistan	38	57	38	42
Trade balance	+44	+59	+69	+86
Aid to Pakistan [1]	26	41	23	36
Exports to Turkey	17	12	9	
Imports from Turkey	27	16	13	
Trade balance	−10	−4	−4	
Aid to Turkey	17			2

[1] Net disbursements of loans plus debt refinancing, if any.

Mr. PASSMAN. Would you yield?

Mr. SHRIVER. Certainly.

Mr. PASSMAN. There was a witness testifying before the committee earlier and he put the Japanese in as one of the contributors of aid to a particular country. I think that year we had given $1 billion to South Vietnam. That was the minimum. We finally wound up that out of the total amount the Japanese had put in was $19 million and $12 million of that was for very short-term, high-interest rate, high-profit-type contracts.

I would assume in your area most of this is the regular loan that the Japanese make to these people?

Mr. MACDONALD. Yes.

Mr. PASSMAN. Usually the prevailing interest rate is charged? And it is on reasonably short terms?

Mr. MACDONALD. Japan's loans to India are at 4.7 percent interest with 19 years maturity and 4 years grace.

Mr. PASSMAN. Yes. That is the maximum, though, is it not, the terms?

Mr. MACDONALD. Yes.

Mr. PASSMAN. So in reality this is about the normal commercial type of deal or loan that Japanese would enter into with any nation?

Mr. MACDONALD. The figures I gave you are the terms of Japanese aid to India.

Mr. PASSMAN. Which is just about the normal terms under any circumstances, and the interest rate is about normal?

Mr. MACDONALD. Right. Maybe a little lower.

Mr. PASSMAN. I imagine the profit is abnormal since they do give the terms, is that not about right?

Mr. MACDONALD. I would say the Japanese are making a profit; yes, sir.

Mr. PASSMAN. Thank you very much. I just want to keep the record straight, because some nations make a high-profit, high-interest, short-term loan, to put that against our bilateral and concessionary loans, I just must keep the record so that I understand it.

Mr. MACDONALD. I agree; there is no question that the quality of the aid of some others is not like ours.

Mr. PASSMAN. You are very fair. Let the record show that we are the Santa Claus and not those people.

Thank you, Mr. Shriver.

CROP LOSSES DUE TO PESTS IN NESA

Mr. SHRIVER. I have just one more question that results from looking over last year's hearings, where I asked Mr. Williams about crop losses due to pests. An answer was inserted, at my request, stating that rough estimates of crop losses due to pests amounted to at least 30 percent of agricultural production in the United States annually, while loss in developing countries in your region is 23 percent of crop production; 23 percent. That is pretty hard to believe that it would be that much higher in our country. I am wondering if the statistics are right. Do you see that in last year's testimony?

Mr. MACDONALD. I do not have that before me, Mr. Shriver. I would have the same question.

Mr. SHRIVER. It says here, according to FAO estimates, preharvest losses to food and industrial crops due to insects and diseases in 11 development countries in the Near East region are equivalent to 23 percent of the crop production.

Mr. MACDONALD. These are very hard estimates to come by. We have spent quite a bit of time even finding such an estimate. It is a high figure. I would be happy to look at it again, Mr. Shriver, and give you comment on it.

Mr. SHRIVER. Yes. It would seem to me it would save money not to send pest control money, and that is what we are doing, if it is that big of a loss after we do it.

Would you check those statistics?

That is all I have.

(The information follows:)

CROPS LOSSES DUE TO PESTS IN NESA

We have no new information on crop losses in the United States. On closer examination of the FAO figures cited for last year for the 11 developing countries in the Near East region, the 23 percent losses were described as "pre-harvest." This figure does not include harvesting and postharvest losses. Total grain losses from these countries would certainly be higher than 23 percent and would exceed losses in the United States. Because of the magnitude of the problem and because of the increasing concern on the part of the Government of India, we are providing modest amounts of assistance—advisory services and rupee support.

Mr. PASSMAN. Thank you, Mr. Shriver.

UNIVERSITY OF THE AMERICAS SCHOLARSHIPS FOR U.S. CITIZENS

Before yielding to Mr. Roybal, I would like to address this question to the Controller, and I would like to have a letter on it.

We are giving some thought now to funding the University of the Americas, in Mexico. There is a very strong feeling among members of this committee that if we are going to enter into that type of a grant, that a certain portion of that grant should be for scholarships for these individuals who may be domiciled on the border, especially the underprivileged. Now, we have heard it two ways: That you can and you cannot do it.

I would assume it is a question of interpreting the law. I would think that we could use some of the grant for scholarships because we have so many of these programs where we send Americans abroad and bring those abroad here, I believe in the exchange programs, so-called Fulbright scholarships. Is that not right?

Mr. FLINNER. Yes.

Mr. PASSMAN. So I do not know why, if they can interpret the law where you have that kind of arrangement under one part of the bill that you would not want that right under another. So we want an official ruling from the attorneys immediately.

In case it is not favorable, we will have time to appeal it to higher authority. Could you get that for us?

Mr. FLINNER. Yes.

Mr. PASSMAN. We want it on a friendly basis, we are not quarreling. There are very strong feelings about that point.

Mr. Roybal, I yield to you.

CUTTING ASSISTANCE TO COUNTRIES GROWING POPPIES

Mr. ROYBAL. Did I understand you to imply that you would oppose cutbacks in foreign aid to countries that insist on producing the poppy?

Mr. DAVIES. I think to protect our own health, we would have to look at it. In my judgment, Turkey has been taking those measures which will prove to be effective in controlling it. I do not think you were here when I went through the steps that they have taken, but on June 21, they passed a very strict licensing bill under which any farmer who plants, will have to have a license from the Government so they can control production on an indvidual basis, rather than on a regional basis.

Mr. ROYBAL. That is exactly what I am afraid of, because we have such a law here controlling the production of dangerous drugs. Yet our own pharmaceutical drug companies produce four times more dangerous drugs than can be used in the United States. These dangerous drugs are taken out of the country then, as evidenced by the fact 2 years ago at a hearing on narcotics in Los Angeles, a report was given to us that 6 tons of dangerous drugs were confiscated at the border and that more than 95 percent of those drugs were manufactured in the United States.

So the fact that these steps are being taken is, to me, not very impressive, because those who deal in the trafficking of narcotics are not the law-abiding citizen of any particular nation. The profit is too great. To many it is worth taking the risk.

What I would like to see, more than just a unilateral action by the Turks or any other country, is an agreement between the United States and the country in question on a Department of State level, so that both countries try to prevent the production of the poppy.

Now, the fact that the Turks are not addicted to narcotics does not mean that they will not be in the future, if this would continue, even though generations have shown that they are not. I think the matter of narcotics is not an American problem. It is the problem of humanity. I think something has to be done at these sources.

Mr. DAVIES. As a father, I share your view completely.

NEW TURKISH POLICIES TO CONTROL OPIUM PRODUCTION

I will undertake, after July 1, to provide the committee with a full report on the new Turkish decree. The new government of Prime Minister Erim has taken very forceful actions, including a statement along the lines of the one that you have just made, made publicly by the Prime Minister, that because of the humane problem here, Turkey must take action in this field to control or eliminate this item.

Mr. ROYBAL. With that you have to have, I suppose, the participation and substitution of crops. To have such a law passed is good and well. We have very strong laws here in the United States. I think the main example of that is the one I have given you with regard to the production of dangerous drugs. However, with the new act that was passed last year, a lot of that is going to be corrected, but we have had that problem here in the United States for too long.

It seems to me we should definitely negotiate with these countries so that, together, we can do something about these problems. If they are

not willing to negotiate, I think we should be real tough on them and deny them our help whether it is Turkey or any other country.

I realize the strategic location of Turkey, but the people in my district are really worried as many sociologists, working particiularly in the field of narcotics control, are putting the blame on Turkey. They say that from Turkey it goes to various other countries, to Northern France, where it is actually refined into heroin, brought to the U.S., and finally into the home. Parents are really concerned about this thing, and voice an anti-aid attitude.

It is almost a complete reversal of the attitude 3 years ago, and all of this is due to the problem of narcotic addiction. This is man's biggest problem, not only in the United States but throughout the world. I do not know of any parent that is not really concerned.

Mr. PASSMAN. Will the gentleman yield?

Mr. ROYBAL. Yes.

Mr. PASSMAN. Do you know in my own home town of Monroe, La., and in the twin cities of Monroe and West Monroe, La., in recent weeks there have been several arrests among the juveniles in grade school. I think there is one instance where some young man, was passing out samples at the school.

It is so frightening. I discussed the matter with Dr. Ingersoll, the Director of the Bureau of Narcotics and Dangerous Drugs. I said, while I do not like to make promises, if you will accept an invitation to be the principal speaker at a meeting, I will call in my congressional district, we have an arena, indoors, that will seat 8,000 and I promise you I will fill it. I am working with principals of all the schools, both grammar, high schools, colleges, two universities, the press, the entire news media. We hope to have at least 200 school buses moving these children into this auditorium-arena to hear this man's address. They tell me he is very convincing with his statistics.

It has never been my privilege to hear him make a talk. I am going to a great deal of trouble to get this man down there to address, I hope, 8,000 school children and parents and let the man point out the dangers of narcotics. It may be that we can accomplish something by it.

It is really a frightening situation to recognize just what is going on here in America. When you read the statistics about the costs of this in New York City alone per year, I think we are going to have to have more than the $100 million that the President asked for concerning narcotics.

Mr. ROYBAL. No doubt about it.

Mr. PASSMAN. I think this is going to have to be a crash program.

I think these judges are going to have to deal realistically with these pushers, especially the people brought up a second time. If you can go to the source of supply as Mr. Roybal suggested, that may be the only way we are going to stop it, because most of it comes in from other countries, does it not? The drugs that we consume in this country, practically all of them are smuggled into this country?

Mr. DAVIES. Certainly the heroin comes from abroad.

Mr. PASSMAN. That is the dangerous one, is it not?

Mr. DAVIES. Yes, heroin is dangerous.

Mr. PASSMAN. I yield back.

(Discussion off the record.)

FAMILY PLANNING FACILITIES IN INDIA

Mr. ROYBAL. On page 8, you state that last year aid provided India with $20 million to help finance an expansion of the family planning program. You go on to say that this assistance has helped accelerate the momentum in construction of family planning facilities.

What do you mean by family planning facilities and what kind of program do they have?

Mr. MACDONALD. It permitted the Indians to increase the number of clinics to which their women and their men can go for help in limiting their families. There has been a substantial increase in the physical facilities that are available.

Mr. ROYBAL. In other words, do they have community health centers that these people can go to?

Mr. MACDONALD. Yes, sir.

Mr. ROYBAL. The reason I ask is that I saw a community birth control center in Latin America several years ago and I think that a mistake was made by the AID people when they advertise it as a birth control clinic. Latin Americans are not going to go into a place that is advertising birth control. If it was a "well baby clinic" that place would have been packed.

I would like to know what technique you use in India that is in keeping with their own particular social and religious beliefs.

Mr. MACDONALD. I think, Mr. Congressman, the Indians have found that they do not have the kinds of inhibitions that you have referred to within Latin American society. It is remarkable how widely understood the population problem is in India among the general population. There is not the same kind of sensitivity there.

Mr. ROYBAL. There is not the same thing you would find in Latin America?

Mr. MACDONALD. Nothing comparable to Latin America or, indeed, to other countries in the NESA area. For instance, in Turkey there has been a great deal more sensitivity to and less determined commitment by the Government to the prosecution of a vigorous population/family planning program than you will find in either India or Pakistan. I suppose there are a couple of reasons. One is that India and Pakistan got started on a program much sooner. Another one is that their poverty forces them to a realization of how important this is. As a consequence, their population programs are a major plank in the 5-year economic development plans that they have formulated.

Mr. ROYBAL. I have not looked into family planning in Latin America for the last 4, maybe 5 years. What I saw 5 years ago was not the failure of the program so much as it was the failure of the technique that was being used by those who wanted to institute the program.

What can be successful in one country I suppose can be a failure in another. What I saw 5 years ago was a failure of our program simply because it was not being presented properly.

Do you know whether or not that has changed?

Mr. MACDONALD. I am sorry that I am not really conversant with the program in Latin America. I would hesitate to say.

Mr. ROYBAL. It is interesting to know that the Indians differ in their approach to the problem.

The next question would be: Why is there that difference? Here is another poverty section of the world with high density of population, probably with many of the similar problems, but still there is a difference.

CONVEYING THE FAMILY PLANNING PROGRAM TO THE AVERAGE INDIAN

Mr. MACDONALD. I didn't mean to suggest that the family planning program is conveyed to the average Indian family as purely a population control program; it is not. It is intimately linked up with a maternal and child care program and in point of fact we are considering helping the Indians undertake a much larger nutrition program in the hope that the result will be healthier children with a drop in infant mortality over time and which in turn would naturally reduce the high fertility rates that pertain today when families find they are losing two out of their five children from disease before they become 2 years old.

Mr. ROYBAL. What do you mean by the construction of a family planning facility? You don't mean those facilities that deal with family planning as such but facilities that include community health?

Mr. MACDONALD. Yes. Both, actually, Mr. Congressman. Some of the additional facilities would be exclusively for family planning clinics but others are an expansion of the maternal-child welfare-nutrition establishments.

Mr. ROYBAL. It seems to me that the proper technique would be to set up not a family planning center but a health center. That is, "well baby," pre- and postnatal care and instruction.

Mr. MACDONALD. That is the way the Indians are moving. They are putting more emphasis on the postpartum aspect of this thing.

Mr. ROYBAL. It means it is successful because it is broader than the one program?

Mr. MACDONALD. We are hoping it will be successful. To be candid with you, there is no decline in the birth rates yet in India or Pakistan. We don't have any evidence that will permit us to predict when that is going to start taking effect. To confess, we don't really know what really motivates people to have larger or smaller families. We are trying to do some research on this through university research contracts that we have. We do think that the approach that you suggested which combines a family planning effort with other closely related ones is sensible. It makes sense and we are trying to encourage countries to take that approach.

TOTAL FAMILY PLANNING ASSISTANCE TO INDIA

Mr. ROYBAL. How much money has been spent in India in the last 5 years or the number of years the plan has been in operation?

Mr. MACDONALD. On our contribution to this family planning?

Mr. ROYBAL. Yes.

Mr. MACDONALD. We contributed $20 million last year. Since fiscal year 1967 when our program started we have contributed about $6.2 million in addition to the $20 million.

Mr. ROYBAL. Would it be correct to assume that in the last 10 years the United States has put in $26.2 million?

Mr. MACDONALD. For India since fiscal year 1967, yes, sir.

Mr. ROYBAL. India alone?

Mr. MACDONALD. Yes, sir.

Mr. ROYBAL. Other countries have matched that?

Mr. MACDONALD. Our contribution to the family planning programs in other countries has been less. Of course, there are no countries that can match India's population. The next one after India's 550-some million is Pakistan with 130 million, so the magnitude of the problem is a lot different. There is need for fewer clinics and family health centers.

PROGRESS IN FAMILY PLANNING IN INDIA

Mr. ROYBAL. With $26.2 million you may not be able to statistically show there is a decline in the birth rate. Can you show that the life expectancy of those who are served by these clinics has increased any?

Mr. MACDONALD. Well, that would have a positive effect on population figures. Life expectancy adds to our so-called population problem. What we do know is that 10 million Indian families of fertile years are practicing birth control methods and limiting their families. That is a significant inroad.

Mr. ROYBAL. They are making some progress?

Mr. MACDONALD. Yes. Were it not for their effort, the population increase would be much greater than it is today. We are hopeful that it will turn down soon.

Mr. ROYBAL. I was getting the impression that $26.2 million was being spent there with no progress at all.

Mr. MACDONALD. No, sir. We believe we are slowing the momentum and we hope in a few years to see an absolute decline in birth rates.

Mr. ROYBAL. It is going to take a matter of perhaps another 10 years or more?

Mr. MACDONALD. We hope less than that, in countries like India and Pakistan, where I have suggested the nature of the problem is well understood and where the effort is fairly well developed. It will take a longer number of years in places like Afghanistan and Nepal, where the definition of the problem has not been established yet, the nature of the advice we are giving those countries, sir, is in the demographic area, the census area to help them collect data to find out how much of a problem they have and what sort of problem they have. Whereas in India and Pakistan they are specifically and directly working on the fertility problem.

Mr. ROYBAL. If a pilot project could be started in some small town, say in India, where the family planning techniques would be used together with the "well baby clinic," postnatal and prebaby clinic and general community health facilities, and that pilot plant would be carried on for a period of 7 years, this would be a demonstration project that could be used not only in India but other countries.

Has such a thing been attempted before?

Mr. MACDONALD. There is a great deal of exchange of information about comparative experience, Mr. Congressman—a great deal of exchange. As you know, the Swedes are extremely active in their technical assistance on this front. The Population Council and Pathfinder Fund and a number of international agencies.

There is a demonstration facility and program in the Punjab of the sort you described.

Mr. ROYBAL. I can see the vastness of the problem. To go into a large city and to initiate such a program would almost result in no progress at all.

I am glad I don't have the job of doing that.

Thank you.

Mr. MACDONALD. Thank you, sir.

Mr. PASSMAN. Mrs. Reid?

GAP BETWEEN EAST AND WEST PAKISTAN

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. MACDONALD. In his June 28 address President Yahya Khan reiterated his intention to transfer power to elected civilian representatives following a return of "a reasonable amount of normalcy" in East Pakistan, hopefully within 4 months. He noted that in the recent elections the people of East Pakistan had voted for provincial autonomy and announced that the constitution now being drafted by a panel of experts would be a federal one granting the provinces "maximum autonomy." Although President Yahya's expression of willingness to restore civilian rule and to honor what he considers to be a popular demand for greater provincial autonomy are positive signs, the overriding immediate prerequisite for easing tensions is an end to armed hostilities to be followed by some form of political accommodation taking into account the sentiments of the people of East Pakistan. As long as the shooting and military operations—by both sides in the conflict—continue, the easing of tensions will be difficult.

NATIONS ASSISTING INDIA, PAKISTAN, AND TURKEY

Mrs. REID. What other nations besides the United States are involved in providing assistance to India, Pakistan, and Turkey?

Mr. MACDONALD. There are 13 free-world countries in the Turkey consortium including the United States. There are 12 in the India consortium and 10 in the Pakistan consortium. Belgium, Canada, France, Germany, Italy, Netherlands, Sweden and the United Kingdom are members of all three consortia. Japan is a member of the India and Pakistan consortia, and Austria and Denmark are members of the India and Turkey consortia. Norway and Switzerland are members of the Turkey consortium only.

COMPARISON OF INCREASE IN FOOD PRODUCTION WITH INCREASE IN POPULATION IN INDIA AND PAKISTAN

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. MACDONALD. Both countries have been doing extremely well in this regard. India's population increased 2.6 percent per year between 1967 and 1970 while its rice production went up 4.3 percent per year and its wheat production 10 percent per year. Pakistan's figures for this period are similar: a 2.7 percent annual rate of population growth, 3.8 percent annual increase for rice, and 10 percent for wheat.

U.S. LOANS TO INDIA

Mrs. REID. How much have we loaned India under the Development Loan Program—and how much has been repaid?

Mr. MACDONALD. Loan disbursements of $5,508,902,881.56 were made to India as of March 31, 1971. Principal repayments of $327,826,187.43 and interest of $619,666,686.44 were received under these loans as of the same date.

U.S. OWNED RUPEES

Mrs. REID. How much does the United States own in Indian rupees and for what purpose can this be used?

Mr. MACDONALD. As of December 31, 1970 there were slightly more than $1 billion equivalent in U.S.-owned rupees. This is made up of $284.8 million equivalent of Public Law 480 U.S.-use rupees, $185.8 million equivalent of Public Law 480 country-use rupees and $532.1 million equivalent of non-Public Law 480 rupees.

The Public Law 480 U.S.-use rupees are mainly used to meet U.S. Government rupee obligations in India. In addition, exchange facilities are provided for U.S. Government employees, tourists, and businessmen and for various voluntary organizations operating in India. We can also grant U.S.-use rupees for development under the Mondale-Poage amendment.

Country-use rupees are made available to the Government of India in the form of grants and loans for economic development projects. Rupees are set aside for Cooley loans to private U.S. and Indo-U.S. firms that are investing in India. Rupees which are provided to the Government of India for economic development purposes are used for projects in a number of fields such as rural electrification, family planning, health, education, and agriculture research. The largest single rupee undertaking of the past few years was an allocation of $140 million (equivalent) for state-run and cooperative electrification projects in rural areas of India.

Non-Public Law 480 rupees are used to meet official U.S. Government expenses in India.

PRIORITIES IN NESA

Mrs. REID. What do you see as the country priorities overall in the area for which you are responsible?

Mr. MACDONALD. 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.

ENCOURAGEMENT TO FOREIGN PRIVATE INVESTMENT IN NESA

Mrs. REID. What encouragement are the countries in this area giving to foreign private investment?

Mr. MacDonald. The Governments of India, Pakistan, and Turkey encourage foreign private investment, particularly in high priority areas in which local businessmen cannot provide the necessary know-how and capital. The Governments of India and Pakistan 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 the Governments lend to firms with foreign equity participation.

NESA COUNTRIES DELINQUENT ON LOANS

Mrs. Reid. Are all of the countries in your area up to date in their service charges and interest payments on past development loans?

Mr. MacDonald. No, the following NESA countries were delinquent in payment of their principal and interest installment due under loans, serviced and administered by AID, as of March 31, 1971:

Syria
United Arab Republic

U.S. SANCTIONS AGAINST GREECE

Mrs. Reid. Have U.S. sanctions against Greece had any effect in moving that government toward its pledge of restoring representative government?

Mr. Davies. The United States has taken no sanctions as such against Greece. Soon after the coup of April 21, 1967, a partial suspension of military aid to Greece was established in order to show our concern for the extra-constitutional assumption of authority in Greece. This selective suspension was applied to heavy equipment such as aircraft, tanks, and naval vessels. The remainder of the military assistance program continued. The partial embargo was lifted on September 22, 1970. The decision was made entirely on security considerations.

Greece plays an important role in the southern flank of the NATO alliance and offers to the alliance and to the United States access to facilities which are vital to the credibility of the alliance deterrent in the critical area of the Eastern Mediterranean. Our policy toward Greece has been based on the achievement of two goals, the preservation of the important security relationship between the United States and Greece, and the restoration of representative government in Greece. We believe the latter goal can best be achieved by private and continued exercise of what influence the United States enjoys with the current Greek regime to urge it to take as rapidly as possible those steps necessary to the restitution of constitutional guarantees and the reestablishment of a government based on the will of the people. We believe that this policy has had some success. We regret it has not had more. We have been disappointed at the pace at which the Greek Government has moved toward the implementation of its Constitution. We will, of course, continue to take every appropriate opportunity to urge the Government of Greece to move more expeditiously toward the attainment of its self-proclaimed objectives, the restoration of constitutional representative government in Greece.

SOVIET AID TO EGYPT

Mrs. REID. What type of aid does the Soviet Union give to Egypt—are they investment grants or loans?

Mr. MACDONALD. Soviet economic aid to Egypt is in the form of concessional loans: Interest rates of 2½ percent and repayment schedules of 8 to 12 years. Total economic assistance extended by the Soviet Union to Egypt from 1954 to 1970 was over $1 billion. A new economic and technical cooperation agreement was signed in Moscow in March 1971 which contains an aid package reportedly worth approximately $400 million to the Egyptians. We believe about $200 million of this are new credits and the other $200 million are unused credits previously extended.

CLEARING THE SUEZ CANAL

Mrs. REID. Would Egypt need financial assistance to clear the Suez Canal, and if so, where would it come from?

Mr. DAVIES. Egypt would no doubt need financial assistance to reopen the Suez Canal. The U.S. Government has no plans to pay for a reopening of the Suez Canal. As you know, Israel and the United Arab Republic are currently exploring the possibilities for reaching an agreement to reopen the canal as a first step toward an eventual peace settlement. The United States, at the request of both sides, is helping to facilitate these negotiations. If the canal can be reopened as a result of these efforts, it is expected that the necessary funds for clearance operations would be available from the world shippers who would use the canal.

REFUGEE SITUATION IN THE NEAR EAST

Mrs. REID. What is the present status of the refugee situation in the Near East?

Mr. DAVIES. At the end of 1970 there were 1,436,829 Palestinian refugees from the 1948–49 Arab-Israeli war registered with UNRWA, located as follows:

East Bank of Jordan	517,136
Occupied West Bank of Jordan	269,996
Gaza (Israeli occupied)	312,922
Lebanon	176,896
Syria	159,879
	1,436,829

Since July 1967 UNRWA has also supplied limited emergency assistance to over 200,000 additional persons (not registered refugees) in East Jordan displaced from the West Bank and from Gaza as a result of the June 1967 war.

We believe that the Arab refugee problem is likely to be solved and UNRWA's program terminated only as a part of an overall settlement of the Arab-Israeli dispute. The interrelationship of the various elements of a Middle East peace settlement, including a just settlement of the refugee problem, was recognized in U.S. Security Council Resolution 242 of November 22, 1967.

PAKISTAN SITUATION

Mrs. REID. Could you give us an estimate of how you see the Pakistan situation at the moment?

Mr. DAVIES. At the moment, although the Pakistan Army has asserted its control over virtually all of the areas of East Pakistan previously held by dissident elements, the situation is far from settled. Fighting reportedly is still taking place in a few localities. The heavy flow of refugees from East Pakistan continues, albeit at a rate considerably less than during peak periods several weeks ago. The overall condition of the East Pakistani economy has improved slightly but disruption in the road, railway, and water transport systems and high rates of absenteeism have greatly impeded food and raw material distribution and industrial production. Efforts by the government to enlist the support of individuals elected to the National and Provincial Assembly on the ticket of the now-banned Awami League reportedly have met with scant success. On June 28 President Yahya Khan announced that he plans to follow through with his plan to turn the government over to civilian representatives in due course and the reiteration of his call for Pakistani refugees "regardless of caste, creed, or religion" to return to their homes. Fifty thousand refugees have returned to East Pakistan of the 6 million who fled.

SOVIET ATTITUDE TOWARD U.S. PEACEMAKING IN MIDDLE EAST

Mrs. REID. What is the general attitude of the Soviet Union toward our becoming a kind of peace broker in the Middle East?

Mr. DAVIES. The Soviet attitude to America's becoming a peace broker in the Middle East is ambivalent. Moscow wants a voice in the settlement of the conflict in the Middle East, but recognizes that its leverage is more limited than that of the United States, particularly as the United States can talk to both sides in the conflict. The U.S.S.R. would be exceedingly unhappy at the prospect of a settlement arranged under the sole auspices of the United States, reckoning that such a settlement could redound substantially to the credit of the United States, and work against Soviet interests in the area. On the other hand, the Soviet recognize the risks for their now substantial position in the area of a resumption of general Arab-Israel hostilities in which their Arab friends could again suffer defeat; they remain committed to the existence of the State of Israel; and they realize that the Middle East is one area in which the possibility of a U.S.-Soviet confrontation remains possible. They would probably hesitate to obstruct any moves Cairo wished to make in favor of a settlement. On balance the Soviets would probably end up insisting upon and obtaining a substantial voice in any interim or final settlement.

SCHOLARSHIPS FROM THE UNIVERSITY OF THE AMERICAS

Mr. PASSMAN. Gentlemen, before adjourning the committee I would like to mention to the Comptroller a request I made earlier, whether or not the University of the Americas, could fund scholarships for U.S. students of the type that I referred to. Are there not some U.S. students attending AUB that get a stipend or some subsistence from the United States?

Mr. MACDONALD. No American students on scholarship to my knowledge. Not under this AID program.

Mr. PASSMAN. That is under the American hospitals and schools abroad program.

This is another question that I would like to ask Mr. Comptroller. Could the University of the Americas themselves provide scholarships for these U.S. students. Do you get the question?

Mr. FLINNER. Yes, sir. Not necessarily using the 214 funds.

Mr. PASSMAN. We want it both ways. These are the two main questions.

Could the University of the Americas, itself, provide scholarships for these underprivileged Americans down on the border or would that be in violation of any contract we may have with them?

Mr. FLINNER. Yes, sir.

Mr. PASSMAN. This will be the second question. If the first one is favorable, I don't need an answer on this one. If the first one is not favorable we would pursue this one. Do you understand?

Mr. FLINNER. Yes, sir.

Mr. PASSMAN. Thank you very much, gentlemen. That concludes the examination on this area, unless reasons shall arise to call you back.

Mr. MACDONALD. Thank you, Mr. Chairman.

Mr. DAVIES. Thank you, Mr. Chairman.

Mr. PASSMAN. I hope that you have a very pleasant evening.

Mr. MACDONALD. Thank you, Mr. Chairman.

Mr. DAVIES. Mr. Chairman, thank you very much.

Mr. MACDONALD. We were pleased to have the opportunity to present our program to you.

Mr. PASSMAN. The committee will adjourn until tomorrow.

STATEMENT OF THE SECRETARY OF STATE

THURSDAY, JULY 1, 1971.

WITNESSES

HON. WILLIAM P. ROGERS, SECRETARY OF STATE, DEPARTMENT OF STATE

HON. JOHN A. HANNAH, ADMINISTRATOR, AGENCY FOR INTERNATIONAL DEVELOPMENT

DAVID M. ABSHIRE, ASSISTANT SECRETARY FOR CONGRESSIONAL RELATIONS, DEPARTMENT OF STATE

THOMAS R. PICKERING, DEPUTY DIRECTOR, BUREAU OF POLITICO-MILITARY AFFAIRS, DEPARTMENT OF STATE

CHRISTIAN CHAPMAN, DIRECTOR, OFFICE OF MILITARY ASSISTANCE AND SALES, BUREAU OF POLITICO-MILITARY AFFAIRS, DEPARTMENT OF STATE

ALLAN R. FURMAN, DEPUTY DIRECTOR, OFFICE OF LEGISLATIVE AFFAIRS, AGENCY FOR INTERNATIONAL DEVELOPMENT

CHARLES FLINNER, CONTROLLER, AGENCY FOR INTERNATIONAL DEVELOPMENT

PETER R. KNAUR, SPECIAL ASSISTANT FOR CONGRESSIONAL RELATIONS (MA&S), OFFICE OF THE ASSISTANT SECRETARY OF DEFENSE (ISA), DEPARTMENT OF DEFENSE

Mr. PASSMAN. The committee will come to order.

We shall continue our examination on the budget request for the foreign assistance program for fiscal year 1972. Today we shall depart

from the regular questioning on specific sums, and deal a little more with policy.

We are very fortunate to have with us today the Honorable William P. Rogers, Secretary of State, and several of his assistants, and also Dr. John Hannah, the AID Administrator.

Thank you very much, Mr. Rogers, for taking time out from your busy life to appear before the committee.

I assume you have a statement to make to the committee?

Secretary ROGERS. Yes, Mr. Chairman.

Mr. Chairman, earlier this year I issued a report to the Congress and the American people on the course of our foreign affairs over the past 2 years. In the introduction I indicated that we were seeking for America a realistic perception of our place in the world and a national style reflecting both a confidence in our strength and an awareness of our limitations. Our search has proceeded from the fundamental premises that the United States must play an active and responsible role in world affairs, but that it should not seek a preponderant one.

Nowhere is this policy more clearly expressed than in the new foreign aid legislation which the President submitted to Congress in April. The new directions we are proposing in our foreign assistance are basic to our overall foreign policy.

I believe the American public supports the emphasis we are placing, through the Nixon doctrine, on the primary responsibility of each nation for its development and security. In the developing world, where economic resources are limited and political structures often vulnerable to outside pressures, the transition toward fuller responsibility cannot be made overnight. If we in the United States want to assist that transition, we will have to be prepared to provide the development and security assistance that can help make it happen. Our new legislative proposals underline our continuing commitment to developing countries. At the same time, they establish a more realistic framework for an assistance program designed to recognize—and to encourage—the increasing capabilities of others.

In my testimony today, I would like to underline three points:

First, the organization and emphasis of our foreign assistance programs should be reformed as proposed by President Nixon in his message to Congress of April 21, 1971; we would hope the legislation could be passed in this session of the Congress.

Second, if the legislative committees and the Congress wish to give further detailed examination to these proposals, as we understand to be the case, we hope that early action will be possible on the International Security Assistance Act. In the meantime we would hope to begin promptly with the reorganization and rationalization of security assistance if the amendments contained in H.R. 8961 recently introduced by the chairman of the House Foreign Affairs Committee are adopted.

Third, while we are in the process of recasting our foreign assistance programs, our assistance during fiscal year 1972 should be continued at the level requested by the administration—$3.3 billion.

THE NEED FOR A NEW FOREIGN ASSISTANCE PROGRAM

In 1968, the Congress called for a review of our foreign assistance effort. In response to that request and to his own desire for a thorough

review, the President appointed the Peterson task force. Our proposed revision of the administration and concepts of our foreign aid are substantially based on its recommendations. We believe they accord with changes in the world situation and that they will improve our capabilities to meet these changes.

First and most important, the proposed legislation would separate our bilateral development assistance and security assistance programs. Both development assistance and security assistance are essential components of our foreign policy, but their purposes, while often related, are different. Development assistance supports our long-range goals of peaceful economic and social change in developing countries, where two-thirds of the earth's population lives. Security assistance, which would include military and economic aid directly related to security and poltical considerations, is designed to strengthen the self-defense capability of a limited number of friendly countries whose security is important to our own interests. By administering the programs separately, we would be able to define objectives, fix responsibilities, and assess progress more clearly than has been possible in the past. Thus we would be better able to ensure that our assistance programs flow directly from our overall foreign policy.

Second, the President's proposals would make best advantage of the progress which has been made in many developing countries themselves. Past assistance has been particularly effective in developing the human resources of these countries. Most of the recipient nations have today a strong cadre of well-trained administrators and private sector managers who are capable of playing the central role in solving their own development problems. Our new aid program is designed to respond more fully to the initiatives and needs of developing countries, rather than to seek to determine the needs ourselves.

Third, our proposals would place increasing reliance upon multilateral organizations to design and administer development programs. This is commensurate with the increasing importance of other donors, the greater sophistication of the recipients, and the strengthened capability—both present and anticipated—of the international organizations.

Fourth, the administration's proposed legislation would concentrate our future bilateral assistance on countries of special interest to the United States and on projects and programs with which we are best able to assist.

To help accomplish these objectives, we have also accepted the Peterson task force's recommendation that our bilateral development assistance be administered by two new organizations. The International Development Corporation (IDC) would administer our bilateral lending program in accordance with sound business standards in the pursuit of long-term development goals. The International Development Institute (IDI) would focus U.S. scientific, technological, and managerial knowledge on the problems of development.

I hope the Congress will give the legislation embodying these proposals favorable consideration this year.

CHANGES IN SECURITY ASSISTANCE

The administration recognizes, however, that there are great pressures on the Congress and that this comprehensive new legislation

requires careful analysis and review. We hope that it will be possible nonetheless to move ahead on a major feature of the President's program—the need for reorganization of security assistance—as proposed in the International Security Assistance Act. Since this proposal centralizes responsibility for direction of our security assistance program without making drastic changes in existing legislation, it is our hope that Congress will find it possible to take action on this measure more quickly. The new bill proposes a major administrative change within the State Department to assist the Secretary of State in exercising his responsibility for the continuous supervision and general direction of security assistance programs. It provides for a coordinator for security assistance in the State Department at the Under Secretary level. To assist him, we have already established a specialized planning and analysis staff. Studies prepared by this staff in the State Department would serve to guide and direct the planning of our future security assistance programs. The staff would coordinate the development of program assistance memorandums on an interagency basis to clarify U.S. goals and compare the cost and effectiveness of alternative programs designed to meet our objectives.

LEVELS OF ASSISTANCE FOR FISCAL YEAR 1972

I would like to turn now to our request for $3.3 billion for the fiscal year 1972 programs. Every administration since World War II has supported foreign assistance to the less developed world. To continue to do so corresponds both to our moral standards and our political interests. The leaders of developing countries have expressed concern about what they fear to be America's flagging interest in their development. To correct this misapprehension, I urge that this committee approve the full amount of funds we have requested.

SECURITY ASSISTANCE

Our total request for new obligational authority for security assistance in fiscal year 1972 is nearly $2.1 billion. Of this total, $705 million is for military grant assistance, $510 million for credit sales, and $778 million for economic supporting assistance. The security assistance request also includes $100 million for the President's contingency fund.

These funds are essential for the success of the Nixon doctrine. Over 60 percent—a total of $1.3 million—is for East Asia, from which this administration has withdrawn over 360,000 troops since January 1969.

We propose $565 million for Vietnam, and $201 million for Laos, Cambodia, and Thailand, all in economic supporting assistance intended to help these countries assume their own defense responsibility and to permit the continued reduction of the U.S. military presence. In Vietnam, we also will provide funds to finance general imports to sustain the economy in order to offset the reduction in U.S. military expenditures.

Most of the rest of our security assistance request—$617 million—is for the Near East-South Asia region. The bulk of this is to help preserve the balance of military power in the Middle East while continuing our efforts to promote a negotiated peace.

ECONOMIC DEVELOPMENT ASSISTANCE

Our bilateral economic development assistance programs, for which we are asking $1.2 billion, differ considerably depending upon the level of development of the country or area for which they are designed and upon the nature of our interests.

In Africa, income levels are among the lowest in the world and the need for external assistance is great. The European donors, whose interests in the area have historically been greater than ours, will continue to provide most of the resources, but it is in the U.S. interest to continue our moderate level of support. The leaders of the new African nations want to diversify their sources of support. They feel, and I concur, that U.S. talents and resources can make a valuable contribution to their development, particularly in agriculture and education. Many of the projects included in the proposed $160 million program for fiscal year 1972 are multidonor activities, reflecting our increasing cooperation with other donor and international organizations in Africa.

In Latin America growth in per capita gross national product has exceeded 3 percent in each of the past 3 years. Important gains have been made in education; for example, high school enrollment almost trebled from 1960 to 1969. Electric power production almost doubled. Agricultural production increases have been substantial.

While progress has been impressive, acute problems remain. Unemployment is high; income distribution is inequitable; and high population growth rates and migration are multiplying already intractable urban problems. Programs to treat these problems are increasingly being financed by international institutions.

In recent years the World Bank and the Inter-American Development Bank together have lent three to four times as much as AID. At the same time, our bilateral programs totaling $405 million play an important and innovative role, particularly in education and agriculture.

We propose to continue our bilateral assistance to six countries in the Near East and South Asia at a level of $407 million. All face common obstacles to social and economic growth—rapid population increase, which threatens to consume the fruits of economic development, high illiteracy rates, and persistent malnutrition.

Our proposed program is designed to assist in solving these central problems. Heavy emphasis is placed on agriculture and education. U.S. assistance, through new seed varieties, fertilizer, and modern technology, has provided the basis for a Green Revolution. Now a broad base of technology and skills must be created to sustain the revolution. The rapidly growing population in the region has also created more pressure to increase and broaden educational opportunities. In response to these needs, about 35 percent of our technical assistance program in fiscal year 1972 will be for education and manpower training projects. Our proposed $6.4 million for population programs addresses the basic need for more knowledge to understand population problems and more skilled manpower to manage operating programs.

East Asia today is a vivid contrast between the wartime economies in Indochina and the promising development economies in the rest of the area. Japan, now the third most productive economy in the world,

is a leader in providing economic assistance; the Republic of China, an AID graduate, no longer receives concessional economic assistance; and Malaysia and Singapore are self-sustaining. Consequently, the United States now provides development assistance to only three countries in the area: Indonesia, Korea, and the Philippines. For these three countries, we are asking for $173.8 million for fiscal year 1972.

Our bilateral aid to the three countries concentrates on agriculture and on training the people necessary to adapt and spread improved technology. We also support Government policies to promote greater agricultural production and to distribute equitably the resulting increases in income. Unfortunately, many of the benefits of economic growth in East Asia are offset by rapidly expanding populations. In recognition of this fact, over one-third of our technical assistance funds for East Asian countries in fiscal year 1972 will be spent on population and health programs.

We requested just over $10 million for privately sponsored nonprofit American schools and hospitals in the developing world. It is my understanding that this amount has been substantially increased in H.R. 8961 now before the House Foreign Affairs Committee to provide funds for additional institutions. We endorse this increase. This sum still represents a small but vital contribution to the budgets of these outstanding demonstrations of the high standards of education and medicine in the United States.

Our development assistance request includes $168 million for international organizations including the U.N. development program, the Indus Basin development fund, the U.N. Children's Fund and UNRWA, the Palestine refugee agency. The Congress has consistently recognized the importance of the U.S. contribution to the programs of these organizations. They have the potential to pool the world's knowledge and expertise to solve development problems. Moreover, through them we are able to support a number of high priority objectives which require worldwide efforts, such as drug control, population, and the care of refugees.

CONTINGENCY FUND

Flexibility is an important characteristic of foreign policy, and it is particularly necessary in meeting unforeseeable needs. To meet natural disasters and emergency security requirements, the President must have an adequate contingency fund. We already anticipate that the fiscal year 1972 funds will be needed to support international drug control efforts and to assist the Pakistani refugees now in India. Thus. I hope the Congress will appropriate the full $100 million requested for the fiscal year 1972 contingency fund.

CONCLUSION

Mr. Chairman, in conclusion I want to reemphasize the importance of foreign assistance as an element of our foreign policy. For the people and the governments of the less-developed world, economic development transcends all other questions. If we hope to obtain their cooperation—as well as to realize our purposes and our policies—we must convince them that we care about the world in which their

children will grow up. If we fail to make this gesture today, the consequences will affect our children as well as theirs.

Therefore, I respectfully urge the members of this committee to give full support to a continuing assistance program at the levels we have requested.

TROOP REDUCTIONS IN VIETNAM

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

I would like to say before yielding to the other members for questions that this is a nonpartisan committee. We do not consider politics here. I have paid a lot of high compliments to Democrats and I have given Democrats the dickens on this committee. We all have our own views. My views are possibly a little different from those of others. I may be a little more on the enthusiastic side as to what our President is doing, but I do want to say this: I am a great admirer of the President, and also of you, Mr. Rogers. Particularly, I have observed closely your Vietnam policy. I was reviewing the record last evening. As I read the record, when Mr. Nixon became President he required about 90 days to get the machinery in action to start removing our troops from Vietnam.

I ran across a figure which stated there were 543,000 troops in Vietnam at the time Mr. Nixon assumed command. I believe that figure now is down to about 248,000 as of last night.

Secretary ROGERS. It is about 243,000, Mr. Chairman.

Mr. PASSMAN. It is a fantastic job in my opinion.

As I look at the cost it would appear that the costs have dropped from about $30 billion down to about $15.7 billion. Is that correct?

Secretary ROGERS. That is correct, Mr. Chairman.

Mr. PASSMAN. For my part it is a very, very commendable record. The very fact that every day more troops are coming out and the cost is lessening is sufficient for me to support the President and support you, Mr. Secretary, in your combined efforts to conclude this conflict which is really very unpopular with the American people.

Before getting into the questions I have I will yield to Mr. Shriver.

Secretary ROGERS. Thank you for your statement, Mr. Chairman.

JAPANESE CONTRIBUTIONS TO THE DEFENSE OF ASIA

Mr. SHRIVER. I, too, want to welcome you before the committee again.

Earlier this week the press reported that the Japanese had wanted to take on the defense of Okinawa following return of the Islands from the United States. Do you see this as the beginning of a return by Japan to contributing more to their own defense and the defense of the entire area?

Secretary ROGERS. Yes. I think there was a tendency in that direction. Because of constitutional restrictions I think Japan has to proceed with a certain amount of care because it does not want to violate those provisions, but I think it is increasing its total budgetary support for defense purposes, and I think the developments in Okinawa will be consistent with that policy.

AN EXPLANATION OF THE WAR IN VIETNAM FOR PRIMARY SCHOOL CHILDREN

Mr. SHRIVER. I recently read of a publication put out by the State Department entitled "An Explanation of the War in Vietnam for Primary School Children." Are you aware of that?

Secretary ROGERS. In a general way but not very specifically. I have forgotten when that report was prepared but I think it was some time ago. I do not have the date of it.

Mr. SHRIVER. It is not classified?

Secretary ROGERS. No, it is not.

U.S. MILITARY EQUIPMENT FOR PAKISTAN

Mr. SHRIVER. There has been some news censorship in East Pakistan but all reports from there indicate a real bloodbath has been carried on by the Pakistan Army. You have been quoted as saying that the Pakistan Army is armed largely with American arms. Is this correct?

Secretary ROGERS. I am not aware of that statement on my part. I think we have said in the State Department that some of the arms they are using were provided by the United States because we were the principal supplier of arms to Pakistan several years ago.

As you know, our arms shipments have been limited in past years. Since the difficulty in East Pakistan we have not issued any further export licenses for armaments so that——

Mr. SHRIVER. There are two ships now on their way to Pakistan with arms, including ammunition.

Secretary ROGERS. That is right.

Mr. SHRIVER. Will you try to stop them?

Secretary ROGERS. No, at the moment we have not made any decision to that effect. Those ships were carrying arms that were authorized prior to the time of the difficulty in East Pakistan and title had passed to Pakistan. At the moment we have no plans to put on an embargo.

We are limiting any further shipments and we have not granted any export licenses since the trouble in East Pakistan.

PAKISTAN REFUGEES IN INDIA

Mr. SHRIVER. There are many refugees apparently who have gone into India, some 6 million I understand.

Secretary ROGERS. That is right.

Mr. SHRIVER. The Indian Foreign Minister told the Press Club earlier this month that the flow of refugees had reached 100,000 a day, which is a tremendous burden for that part of India where they are going.

Secretary ROGERS. That is right.

Mr. SHRIVER. I know we are contributing toward feeding them, but what are we doing about trying to solve the problem of stopping that migration and getting them back into Pakistan?

Secretary ROGERS. I think your question indicates a frame of mind that is typically American in that we immediately think about solving every problem in the world. Essentially this is a problem of Pakistan and it is a difficult problem. It is a problem created, to begin with, by

the unnatural geographical division of the country. India has prevented Pakistan from flying over India so that the transportation is very difficult from one section of Pakistan to the other.

As you know we have not had an arms supply program for either Pakistan or India. For a while we were the principal arms supplier for both countries.

Mr. SHRIVER. We are supplying arms; two shiploads this week.

Secretary ROGERS. If you will look at the facts in that situation, those were actually small amounts of arms or equipment for material we previously supplied, but it was not a new program at all but just a replacement program in small amounts.

To get back to your question of what we are doing—first, we are providing principally humanitarian support. Secondly, we are trying to get the United Nations involved because that is one of the purposes of the United Nations. We have provided support to the U.N. High Commissioner for Refugees. He has been there and made an inspection. We have consulted with both the Pakistanis and Indians. We have urged the Paks to try to work out a political solution.

President Yahya made a speech yesterday where he outlined a proposal for a political solution. So we are doing all we can both in a humanitarian way and a helpful way to bring about a solution. We don't want to take on the burden of solving the problem ourselves alone. We think it is unwise to do that.

U.S. SHIFT FROM BEING ARMS SUPPLIER

Mr. SHRIVER. Except if we are supplying arms we are participating in their internal affairs.

Secretary ROGERS. As I said, we have stopped all arms shipments as far as export licenses are concerned.

Mr. SHRIVER. That is what I wanted to know. You said they were limited. You have stopped them.

Secretary ROGERS. We stopped issuing any more export licenses for providing any direct military assistance from the Pentagon. Shipments under export licenses that were previously granted—where title had passed—were continued. That is what is included in those two shipments.

Mr. SHRIVER. We have invested a lot of money in India and Pakistan.

Secretary ROGERS. Both countries.

Mr. SHRIVER. Some accomplishments were apparent, and Dr. Hannah testified to this regarding their ability to help themselves. That is the reason for my questioning.

Secretary ROGERS. Let me say on that subject—here is a case where at one time we were the principal arms suppliers of both Pakistan and India. We changed our position. We stopped supplying arms.

There have been some resupplies for the equipment they already have but we are not now the principal suppliers for either country. We have helped them both. We have done a great deal there.

This is a very serious conflict which is of long standing. We regret it very much and we are trying to do all we can to try to help bring the place together but it is beyond our ability to solve all these problems. I think that is one of the mistakes we might have made in the past. We

immediately say—let us solve everybody's problem. I think this problem is one which has to be solved by the parties concerned with the support of the United Nations.

Mr. SHRIVER. I am in agreement with that and commend you for the change in policy.

Thank you, Mr. Secretary.

Mr. PASSMAN. Thank you, Mr. Shriver.

MILITARY AND ECONOMIC ASSISTANCE AS INTERCHANGEABLE

I shall consume about 30 seconds of my time and state for the record that it has been testified before this committee time and time again that all nations, large or small, insist on maintaining some type of military posture. Is that correct, Mr. Secretary?

Secretary ROGERS. Yes, it is.

Mr. PASSMAN. If you furnish a nation military assistance, that releases to them what they earn or can take out of their own economy to carry out these domestic programs that all countries want.

By the same token, if you provide them with large amounts of economic aid to pay for the commodities they need to import, then that releases to them their own resources to equip their country militarily. Is that true?

Secretary ROGERS. Yes.

Mr. PASSMAN. I think that is true. Look at the Russian Mig plant in India for example. It would be just as good to give military equipment as to give them money to pay for the commodities so they can use their own resources to build up a military. I do not want to quarrel with you but a third grader can understand that. It would not make a particle of difference to me which you gave them—if you release them of one responsibility they have the other.

Dr. Long?

SOVIET-ISRAELI RELATIONS

Mr. LONG. Mr. Secretary, I also want to compliment you. I think you are one of the men in the administration in whom I have confidence. I am glad to see you there, Mr. Secretary.

Secretary ROGERS. Thank you very much, sir.

Mr. LONG. Should the reported Soviet interest in resuming diplomatic relations with Israel be taken seriously?

Secretary ROGERS. Our attitude on the question of diplomatic relations between the Soviet Union and Israel is as follows: We would favor it. We would think it would be a helpful development. ———.

(Discussion held off the record.)

Mr. LONG. If diplomatic ties are reestablished do you see any chance that the Soviets will allow more Jews to emigrate to Israel?

Secretary ROGERS. Certainly we would hope so.

Mr. LONG. Of course we all hope so. I wondered what you thought about it.

Secretary ROGERS. It is difficult to predict on that, Dr. Long. As you know, this year there have been a larger number of Jews permitted to emigrate.

Mr. LONG. Is it not true those were mostly from satellite countries rather than from the Soviet Union itself?

Secretary ROGERS. That may be so but there has been an increase from the Soviet Union itself.

Mr. LONG. ———.

Secretary ROGERS. ———. I think they are quite aware of the fact that their unwillingness to permit people to leave the Soviet Union is a tough position to maintain, because the Jewish community in the world has caused so much interest in this and given it such visibility.

Mr. LONG. ———.

Secretary ROGERS. ———.

ADMINISTRATION EFFORTS TO IMPROVE THE PLIGHT OF RUSSIAN JEWS

Mr. LONG. What are the plans of the administration for making any public statements ———? Can you describe our diplomatic efforts to improve their situation in that country?

Secretary ROGERS. We have taken many actions. I can list those for the record later on if you like.

Mr. LONG. I would appreciate it if you would.

(The information follows:)

ACTIONS TAKEN TO IMPROVE THE SITUATION OF SOVIET JEWS

The U.S. Government is doing what it can to help influence Soviet behavior on the issue of Soviet Jewry. Publicly, we have made our views known in every appropriate forum: that is, Secretary Rogers' personal statement on October 12, 1970, to the Youth Mobilization for Soviet Jewry; statements by Dr. Helen G. Edmonds, U.S. Representative, at the United Nations General Assembly on December 9 and 10, 1970; President Nixon's message to American Jewish leaders on January 11, 1971; the speech of Mrs. Rita Hauser, U.S. Delegate, to the United Nations Human Rights Commission on February 26; public reaffirmation of the President's statement by Secretary Rogers to Jewish leaders on May 26; and policy statements by the Department's press spokesmen on February 24 and May 27.

Privately, diplomatic channels are not being neglected. In addition to action by the Secretary in December 1970, with regard to the Leningrad death sentences, Ambassador Beam on February 19 presented to Soviet Deputy Foreign Minister Kuznetsov our official representation list of Soviet residents, including many Jews, who have been denied Soviet permission to join relatives in the United States. Secretary Rogers presented a similar list to Soviet Foreign Minister Gromyko in October 1970, underscoring the importance the U.S. Government attaches to the right of free movement and reunification of families.

Secretary ROGERS. We have taken many steps, particularly in the case of the death sentences. We were very active, and I think our activity was helpful in having them reduced.

Also in the case of emigration we have ——— pointed out the fact it would be helpful from their standpoint and that of the rest of the world to permit more Jews to leave Russia. ———.

(Discussion off the record.)

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

U.S. CAMBODIAN POLICY—AN ANALOGY

Mr. PASSMAN. As I yield to the next member, I was defending the policy of my Government on the Cambodian situation. I used the expression that if you are going to get rid of the flies you have to destroy the manure pile, so a paper in an editorial commended me for my statement and used it as I had stated it. It sounds vulgar but it

is a pretty accurate statement, is it not—if you are going to get rid of the flies you have to destroy the manure pile. Is that not about what you did in Cambodia?

Secretary ROGERS. I am just grinning over your analogies, Mr. Chairman.

Mr. RIEGLE. Mr. Secretary, I want to begin by commending you for your personal efforts with respect to the Middle East. I know it is a tough problem and I know you have worked hard on it. I think we all appreciate that.

Secretary ROGERS. Thank you.

Mr. RIEGLE. ———

(Note: Certain classified material was deleted.)

Mr. LONG. I think a great deal could be accomplished.

Mr. PASSMAN. At this time I yield to Mr. Roybal.

Let us move on because we are operating under different rules than previously. I will not delay the other members any longer than we have already.

AGREEMENT WITH TURKEY TO ERADICATE GROWTH OF POPPIES

Mr. ROYBAL. Mr. Chairman, I will go to another subject. May I state that one of the things that you should be complimented for, Mr. Secretary, is the help you gave and your participation in the agreement with the Government of Turkey to totally eradicate the growth of poppies. That has been a subject matter under discussion by this committee, and I think everyone in the committee expressed the opinion that Turkey and other countries should be induced to eradicate the production of poppies.

We do not have any of the details with regard to the agreement with the Government of Turkey. Can you give us some of the details now?

Secretary ROGERS. Yes, sir. The question you asked I think relates to one of the most important developments in the foreign affairs field. As you can see here this morning, no one seems to be particularly interested in it except you at the moment.

It is a major breakthrough.

Gentlemen, we are talking about the decision on the part of the Turkish Government to discontinue the growth of poppies. To me that is one of the most significant things that has happened in a long time.

Mr. PASSMAN. That is right.

Secretary ROGERS. Here is a nation which has been the major supplier of heroin to the United States over the years, probably 80 percent, some people say 60 but more like 80 percent, of the heroin coming into this country originated in Turkey. They had a perfect right to grow it. They use it for legitimate purposes. No Turkish people use heroin. They use the poppy for other products, seed, oil, and other things of that kind. They are permitted to grow it under the Single Convention of 1961. They have had thousands of farmers over the years grow it. It is part of their lives.

Turkey, after the discussions we have had with them, and because there is a new Prime Minister, has undertaken to totally eradicate the growth of poppies beginning in 1972. He cannot do it faster than that because the constitution requires a year's notice. He is licensing and controlling the growth of poppy and he will buy it all up at a premium

price this year which we hope will greatly limit the supply to this country, and after that we hope it will cut it off almost completely.

Mr. PASSMAN. Off the record.

(Discussion held off the record.)

Mr. ROYBAL. This is the most important current event which has taken place in my opinion in a long time.

Secetary ROGERS. I think so, too.

Mr. ROYBAL. Will you continue, please, Mr. Secretary?

Secretary ROGERS. When I was in Turkey I talked to the new Prime Minister who is a very impressive man, a man of real character. He undertook this action after consulting with us. We told him we would try to help him financially. We have not made commitments on it but we told him we would try to assist as we were able.

He has taken this action at considerable political risk to himself because there will be a lot of opposition and a lot of Turkish people cannot understand why we are so sanctimonious about it when our people use the drug and their people do not.

From my standpoint this is a milestone in international cooperation. I am happy to salute the Prime Minister of Turkey and Government of Turkey. I think in the long run it will be a great boon for Turkey.

NEGOTIATIONS WITH OTHER NATIONS INVOLVED IN POPPY PRODUCTION

Mr. ROYBAL. Two questions involved in this thing are of concern to me now. Will another nation jump into the picture and supply heroin to the United States now?

Secretary ROGERS. That is a very good question.

Mr. ROYBAL. Are we negotiating with any other nations which may be supplying the rest of the 20 percent?

Secretary ROGERS. That is a very good question. Yes, we are negotiating with all the nations which are involved in the production of poppy. Some of them, such as India, have managed to keep it pretty well controlled in the past. The other nations, and the principal one is Burma, although some is grown in Thailand and some in Laos will be more difficult because the Government does not have much control over the provinces that grow poppy, particularly in Burma. ———.

Mr. ROYBAL. Are there not six countries altogether, that is besides Turkey?

Secretary ROGERS. Yes, but those countries probably will not be the ones which are involved in illicit traffic of drugs. Some of them are Eastern European countries. There is Iran, Greece, Turkey, Bulgaria, Yugoslavia, and I believe the Soviet Union. I think those are the six. Their production has been reasonably well controlled. The uncontrolled ones have been in Turkey, Burma, and up in the triangular area where Burma, Laos, and Thailand come together. Those are rural areas controlled by local people. The government has little control over them.

INDUCEMENT FOR CROP SUBSTITUTION

Mr. ROYBAL. There has been some report that the United States has made an offer of $750,000, for the substitution of crops to one particular province in Turkey. Is there any truth to that?

Secretary ROGERS. I will have to check that. In the last several years we have provided some money for the elimination of the growth of

poppy in some provinces. I am not quite clear on the amount we have provided.

Mr. ROYBAL. It is part of the program of inducement to offer assistance in the substitution of crops?

Secretary ROGERS. Yes.

Mr. ROYBAL. This is the same thing which will happen in other countries with which you negotiate?

Secretary ROGERS. I would be pretty careful about that with other countries. We do in the case of Turkey because they are the principal supplier. Secondly, it is traditional for them. One of the provinces is named after the poppy. It has been a traditional crop of the country.

As I say, they do not have the problem at all, so in a sense they are cutting it off to solve our problem at the expense of their own farmers. That is a difficult thing for a government to do, so we are very anxious to work with them during this transitional period.

I do not believe it will blossom out into a major problem in other areas of the world. We certainly would not subsidize or help some of the nations I have referred to here.

Mr. ROYBAL. What about the supply of drugs from Mexico and some of the Latin American countries? Is that a problem at the present time?

Secretary ROGERS. Yes, it is a problem but not of the same magnitude as the Turkish problem. We worked closely with Mexico. Importation from Mexico is largely marihuana. There is some heroin smuggled through there but they do not grow much.

(Discussion held off the record.)

INCOME FROM POPPY GROWTH IN TURKEY

Mr. PASSMAN. Thank you, Mr. Roybal.

I have been tremendously interested in observing Mr. Roybal's line of questioning of all the witnesses about this terrible thing that we are confronted with, which is the use of narcotics, and it reaches down to children now.

Could you give us an estimate, Mr. Secretary, if not now, subsequently, on just what the growing of poppies in Turkey means to the farmer and the economy? Do you have any estimates on that?

Secretary ROGERS. Yes; we do. We figure that the income that the farmer in Turkey derives from the growth of poppies is in the neighborhood of $5 million a year.

Mr. PASSMAN. That is a very minor consideration. I just wonder if you would pursue, either you or some of your assistants, this matter with the Turkish Government. It may be they would rather have the cash income in advance and probably ahead of the 1972 crop. You have to look to the 1972 crop as well as the 1971 crop, do you not?

Secretary ROGERS. Mr. Chairman, we have done this at great length. I think that the results have been very gratifying. Legally they cannot stop the growth of poppies beginning in 1971 because they are required under the law to give a year's notice.

What they are doing, they have just passed a law in the Turkish Assembly, which hasn't passed the Senate but they think it will, which will provide for the licensing and control of the crops they grow from this year to next year. At that time they are going to buy up the crop at

a premium price, at 110 percent of the market price and hope to stop the illicit traffic.

Mr. PASSMAN. It will accomplish the same thing. They will buy it up to destroy it.

Secretary ROGERS. Except the policing isn't very good. They are going to do a better job than they have done, as long as they grow the poppy, but it is not possible for them to police very well.

POSSIBILITY OF NEW GROWERS OF POPPY

Mr. LONG. I get the impression the poppy is not hard to grow.

Secretary ROGERS. Right.

Mr. LONG. I would guess the main reason it is concentrated in Turkey is they can produce it more cheaply. As soon as you put them out of business it is going to open up a vacuum in the supply, raise the price of poppies, and you are going to find poppies grown in all kinds of places where they were never grown before. I will be surprised if closing down the supply in Turkey is going to solve the world problem in poppies.

Secretary ROGERS. I don't think it will, but it will be a giant step forward. Most of the nations have signed the International Convention dealing with the growth of poppies. Obviously it is hard to police. It is like our moonshining in this country. Further, the whole history of traffic in heroin has been built up over the years. If you knock out the major source of supply, it is going to be a lot more difficult.

Mr. LONG. Of course there is another theory on how to deal with it, and that is take the profit out by having the Government supervise the administration of heroin or heroin substitutes, so that you wipe out the criminal element.

Mr. PASSMAN. Mr. McEwen.

Mr. MCEWEN. Thank you, Mr. Chairman.

Mr. Secretary, this is my first year on the committee and it is nice to have you before us.

On the subject of what has been accomplished with Turkey, let me say briefly I am delighted at the progress that has been made. I share Dr. Long's concern that it may break out in some other source as long as there are reputed billions of profits involved in the heroin trade.

"VIETNAM PAPERS" AND RELATIONS WITH OTHER GOVERNMENTS

Mr. Secretary, we have all been concerned of late and a great deal of attention has been given to the question of classification or declassification by the press of the Vietnam papers. Am I correct in assuming that you and those in your Department have given some study to these documents as they relate particularly to our relations with other nations?

Secretary ROGERS. Yes.

Mr. MCEWEN. I noted in the press that the Minister of External Affairs of the Government of Canada has been subjected to some questioning from the back bench with regard to Canada having provided some emissary on some proposal or message from our Government to Hanoi. I wondered if you would care to comment on that aspect of the papers and their relation to other nations, Canada and others?

Secretary ROGERS. I think maybe it would be wise not to comment on any particular country.

We have had some governments talk to us formally about the problem expressing their concern, others expressing it informally.

It does present a serious problem for us. We are not sure how we are going to handle it. The governments have told us very frankly that conversations they have with us from now on will have to be very guarded. Somehow we have got to provide some system to give them some protection.

Just to give you an example, suppose we talk to a government, and we do this all the time, about conversations that they have had, say, with the People's Republic of China or with Rumania or someone else, because we are anxious to find out all we can about different problems in the world and the attitudes of other governments.

Suppose the governments we have asked first report the conversations, and they give us a frank appraisal of the situation. They do that in the interest of trying to help the United States and to make our foreign policy more sensible based on all of the information that is available.

If they think that information which they disclose to us is going to be in the press or it is going to be stolen by somebody and put in his book or stolen by somebody and sold to an author, they are going to be very careful about what they tell us. I don't blame them.

We have one of the documents that is involved which is the report from our Ambassador in the Soviet Union, Lewellyn Thompson, when he was there, and we said, "Please give us your assessment of the situation as it presently exists." So he sends back a report in which he assesses the Soviet strength, what we know about their strength and their weaknesses, his assessment of the situation as he saw it, sends it all back to us. That has become public knowledge.

Mr. RIEGLE. What was the date of that?

Secretary ROGERS. I have forgotten the date.

Mr. MCEWEN. Is this contained in the so-called Vietnam papers?

SECURITY AND THE ORDERLY CONDUCT OF AFFAIRS

Secretary ROGERS. Yes. I don't want to reargue the case, I am just pointing out the problems.

One problem is how we deal with other governments, how do we handle that? How do we give them reasonable assurance what they tell us is not going to be made public?

How are we going to deal with our ambassadors, or for that matter our top employees, when we say give us your best judgment on this and that if they feel they are going to be second-guessed? In other words, quite often what you want is a range of views. You don't necessarily expect a man to have the best judgment on Tuesday, it may be a new problem. But if that is all going to leak out, each person is going to be very careful about what he tells you and what he writes on paper.

It hasn't anything to do with freedom of the press, it is just orderly government, how do you handle it?

If I get a serious problem—take the SALT talks. We are in a very important stage in those talks. There are a lot of different views on

where we should come out and how we should negotiate. If everybody who advises us has to say to himself, I have to be careful because you may look pretty silly next Thursday, he is going to be awfully careful about what he puts on paper. On the other hand, it is a great help to us who have to make decisions to get a range of views. We don't expect everybody to be right. How do you handle it?

Talking about the SALT talks, suppose we have a culprit, just an outright culprit who wants to make a lot of money, or a disgruntled employee who doesn't like his boss and hasn't been promoted and doesn't like what they are doing. Suppose he takes all the documents and takes them home and sells them to the guy who writes books. That can destroy the SALT talks.

We have assured the Russians we won't do that. We have said that isn't going to happen, we won't make these things public. Suppose we can't catch the fellow who stole all the papers. What do we do?

As I say—you raised the question—I hope you understand I am not trying to reargue the case, but these are serious problems we have to face up to as a government. We have to figure out an orderly way to conduct our affairs. We have to read the opinions carefully. I haven't had a chance to read them. I understand there are nine different opinions. We want to read them carefully and see where we go from here. How are we going to run the Government, how are we going to run the State Department.

NEED FOR A VARIETY OF VIEWS AND ULTIMATE RESPONSIBILITY

Mr. McEwen. Mr. Secretary, speaking for myself, and I presume it would be for all of us on this committee, we certainly don't consider this reargument. My question was directed, as I found your replies to be directed, to the future. What is this going to mean? I think you have touched on two very essential points—the confidence of other governments to furnish us with information that could be helpful to us, helpful to the world, that we act and react from the greatest fund of knowledge we can possibly have. And then the freedom within our own Government.

For instance, at the time when the decision had to be made on Cambodia, I can picture within our Government a man might decide to be the devil's advocate and take the side we shouldn't go in, and argue it. He might not have a hard firm position but felt he had reasons that should be advanced and considered.

I think it is important that there be a confidence that anyone in our Government, when called upon to offer advice, gives their critique of the situation feeling they can do this without exposing themselves and their views, because ultimately whoever it is that they are advising makes the decision and assumes the responsibility of that decision. If it is the President by Executive order, that is his responsibility and that stands in the record.

I am indeed interested in your reply on this and the seriousness, looking to the future, not rearguing the present case, but in the future what this is going to mean internally within our Government and in our relations with other friendly governments.

Mr. Long. Will the gentleman yield?

Mr. McEwen. Yes.

GOVERNMENT BY LEAK

Mr. LONG. It strikes me, Mr. Secretary, this doesn't really introduce anything new. It is the facts of life of government. We have always been a government by leak. This may be a somewhat more massive leak than we have ever had in the past.

I sat one evening at the British Ambassador's where McNamara and James Reston and Dean Rusk were also guests, and they talked about this problem of leak all evening. That was a year and a half ago. There is an old saying "the ship of state is the only known vessel that leaks from the top." I don't see, whatever decision has been made on these papers, you have altered this. People have always taken into their hands to leak things for various reasons, noble or ignoble.

Secretary ROGERS. I think there are two things that should be pointed out. One, we are not talking about oral leaks now. We are not talking about where somebody tells something he shouldn't tell.

Mr. LONG. I am talking about the leaking of documents.

Secretary ROGERS. In leaking of documents there are always some I suppose, and I guess that is inevitable. But when it is known that person is permitted to steal, if you will, if you like another word, purloined or whatever, take everything he wants to out of the Government and putting it in a bag, everything he can find, and sell it to a writer of a book or magazine or a newspaper with impunity as far as the magazine or the author is concerned, all he has to do is protect himself so he doesn't incriminate himself. He can sell it, make a lot of money. He can do it to get even with somebody he doesn't like. It is going to be very difficult to convict people.

Suppose he steals 1,000 documents and they are published in an exclusive interview or exclusive story and he is indicted for stealing the papers but they have all been published. It is going to be difficult to get a jury to convict him. The paper had the right to publish it, why charge the man. Xerox can give all the papers back. Here are your papers. How do you handle that?

Mr. RIEGLE. That is not happening, is it? Is that a widespread problem in the administration?

Secretary ROGERS. It hasn't been; but I am talking about the problem we face in the future.

LEAKS CAUSING DIFFICULTY OPERATING WITH OTHER GOVERNMENTS

First, let me say the examples I have just given you about foreign governments and employees expressing their views really might not involve military secrets at all. It might not have anything to do with military secrets, and it might not create an imminent danger. It won't cause the Government to fall, it won't cause a loss of life, but it is going to make it very difficult for us to operate with other governments.

LEAKS CAUSING DIFFICULTY OPERATING WITHIN HOUSE

Second, it is going to make it very difficult for us to operate within our house. I mean newspapers don't do it. I was a lawyer for newspapers. They don't tell everybody what the board of directors said,

they don't put out when they are thinking of buying another paper, they don't let the employees leak the plans to buy another paper and let the competitive paper have it.

In other words, it is very difficult to conduct business if you can't deal with anybody in confidence for a period of time. It is that simple. How do you handle that?

PROBLEMS PUNISHING THIEVES OF STOLEN DOCUMENTS

Mr. McEwen. I am pleased to hear this analysis you have made. Let me say at this time I view it as very similar to when the Secretary of State comes before this subcommittee. I think we should do everything possible to encourage full and frank discussion, and that includes protecting from any embarassment or anything that would be damaging as a result of it. I think that just as you as Secretary of State encourage friendly nations to give us all the intelligence they can, we in this subcommittee should encourage frank and full discussion and have it on the understanding that no one is going to be embarassed by it; nor is security going to be jeopardized.

For myself I just conclude by saying I was somewhat shocked to see newspapers that, if you will, bleed from their every pore at the invasion of an individual's privacy by a wiretap, even if he is a member of organized crime, to see these same champions of these privacies and liberties suddenly becoming a fence for stolen documents.

I quite agree with your observation concerning just what do you do with the culprit after the publisher, under the right of the public to know, is commended for having published what was stolen. How do you punish the thief? He was essential to this commendable operation.

Thank you, Mr. Chairman, and thank you, Mr. Secretary.

Mr. Passman. Thank you, Mr. McEwen.

Mr. Galifianakis?

BREAKDOWN OF TYPES OF SECURITY ASSISTANCE

Mr. Galifianakis. Thank you very much and welcome again, Mr. Secretary. I would like to add my own thanks for your efforts in a tough job. It brings to mind, with all of the discussion that preceded here, I guess democracy is the worst form of government except for all others that have been tried. So invariably we come back to that.

I would like to ask one question for the record. On page 8 there is a reference to $565 million for Vietnam and $201 million for Laos, Cambodia and Thailand. I would like to have the record break down what type of security assistance those funds represent.

Secretary Rogers. We will put it in the record.

(The information follows:)

Proposed security assistance funds for Cambodia, Laos, Thailand, and Vietnam (fiscal year 1972)

[In millions of dollars]

Cambodia:	
Commercial import program	109.5
Program support costs	.5
	110.0

Proposed security assistance funds for Cambodia, Laos, Thailand, and Vietnam (fiscal year 1972)—Continued

[In millions of dollars]

Laos:	
Economic stabilization program	18.2
Project activities: Refugees, health, rural development	20.7
Program support costs	11.7
	50.6
Thailand:	
Project activities: Rural security and development, health, education, administration	37.4
Program support costs	2.6
	40.0
Subtotal	201.0
Vietnam:	
Commercial import program	300.0
Economic support fund	150.0
Land reform	15.0
Project program	90.0
Administration costs	4.0
Program support costs	6.0
	565.0
Total	766.0

DRUGS IN SOUTH VIETNAM

Mr. GALIFIANAKIS. Also I am keenly interested in the statements that have been made relative to inducing Turkey to discontinue its growing of poppies. We also apparently have a source of supply in South Vietnam of marihuana and other narcotics.

The way it first came to my attention was a couple of years ago when a Marine lieutenant had sent out a squad on a reconnaissance mission, they drew fire and they killed some people who turned out to be South Vietnamese. They were terribly discouraged by the consequence of their actions.

The platoon leader reported to me, what had happened was that the fellows reached such a point of despair, they started on the hard drugs and those hard drugs came from South Vietnamese at a rather high price.

I was wondering what was being done by our own Government to investigate that?

Secretary ROGERS. I am glad you asked the question. We are making a major effort and have been for some time on all fronts, not only Turkey. It is true as you have indicated, and some of the public reports have indicated, that the drug problem in Vietnam has taken on a very menacing tone, because the heroin which is produced from the poppy, particularly that grown in the Burma area is very pure, it is about 96 percent pure, and they don't have to use it through their veins, they can either smoke it or snuff it. It is reasonably inexpensive. Apparently you can become an addict merely by snuffing it.

What we have done is to make a major effort with the Government of Vietnam. We have made a lot of arrests there. We have closed a lot of sources of supply to American soldiers, for example pharmacies and other places where they traditionally bought it.

There is a very large educational program going on. You may have noticed we are giving urinalysis to all of our Armed Forces there to determine if we can, the extent of the habit.

(Discussion off the record.)

COOPERATION OF THE SOUTH VIETNAMESE

Mr. GALIFIANAKIS. Do you find the South Vietnamese Government cooperative in this problem?

Secretary ROGERS. Very much so. They are cooperative first, because they wish to cooperate with our Government and, second, because they are concerned about their own people. Their people don't use heroin either, and they are concerned they may by example get interested, and they feel it would be very serious indeed if the South Vietnamese Armed Forces started using this which they don't now. So they are actively and aggressively pursuing it.

The drugs themselves in South Vietnam do not come from South Vietnam; they come principally from Burma and to some extent from the northeast part of Thailand and a little bit from Laos, but mostly from Burma.

NATURE OF THE FINAL SETTLEMENT IN INDOCHINA

Mr. GALIFIANAKIS. My question has to do with sort of an advise and consent proposition. I heard this morning that the Vietcong made another peace proposal, one that has to do with the periodic exchange of American prisoners if we made withdrawal by the end of the year.

Since the matter of media is also at issue, I have been asked to comment about it and also to comment about what we envision in the next 2 years as a settlement of our involvement in Indochina which would relate to South Vietnam and Cambodia and Laos and Thailand, but more specifically it would be an insight of how we envision the termination of our involvement there.

Will it in fact end up much the same way as South Korea, or does it truly reflect the proposals that are being considered by you and the President and others? Do they really envision total disengagement of American troops? Can you help me?

Secretary ROGERS. I am not sure that I can give you much information that you probably don't already have. I certainly can't go much beyond what the President has said.

We are still hopeful that the negotiating process might be successful.

REACTION TO THE LATEST VIETCONG PROPOSALS

Mr. GALIFIANAKIS. What would be your reaction to the latest proposals?

Secretary ROGERS. I haven't really had time to study it. We got it just this morning, and it came to my office as I was leaving so I haven't had the chance to study it.

We are a little concerned that the Vietcong seem to make all of these proposals publicly. We encourage them, if you have any serious proposals make them in private and let's discuss them. You get the idea this is just for propaganda advantage and not a serious offer.

I wouldn't want to give you the idea we are not going to study the proposal. As I say, I am somewhat discouraged by the fact every time they have something like this, they make it in the public forum. But we would hope there still is a prospect of successfully negotiating, and we are going to continue to work to that end.

The fact that there has been no progress to date doesn't necessarily suggest that it is impossible, because the Communists traditionally never give at all, make any concessions, until they are ready to negotiate. So we hope it is possible.

In the absence of a negotiated settlement, we are going to continue the Vietnamization program as announced. The President will announce further withdrawals at the end of the year, and we hope the elections will be fair and impartial, that the Government of South Vietnam will continue to be a free government.

POSSIBILITY OF DISCUSSIONS RELATED SOLELY TO PRISONERS OF WAR

Mr. GALIFIANAKIS. You don't really have anything going at Paris, do you, of any real consequence other than a symbol that there is an effort to negotiate?

Secretary ROGERS. I think it is a fair statement that there has been no serious negotiation at Paris from the outset. There have been all kinds of discussions about what might have happened and so forth. The fact is there has been no serious negotiating process.

Mr. GALIFIANAKIS. Speaking of propaganda, which apparently they do with a high degree of effectiveness, even to the point of disturbing our people emotionally and otherwise, would you be willing to recommend to the President that he might, with the usual attendant publicity when the President is about to speak to the Nation and the whole world listens—suppose that the President made an offer and said, "I would like to move we now dispense with all subject matter at the Paris peace talks, and I am instructing Ambassador Bruce and the Secretary of State to concentrate on one subject matter only and all other matters to be dispensed with, and that is the mutual exchange of prisoners of war."

I recognize what your response would be as to what they would say to that—you haven't set the deadline, et cetera. But what in your opinion would be the efficacy of such publication by the President which would offset some of the propaganda that apparently is fairly effective and keeps us disturbed? Would you consider making such a recommendation to the President?

Secretary ROGERS. We have made that proposal that we have discussions related solely to prisoners of war.

Mr. GALIFIANAKIS. I meant where the President himself said I am instructing publicly to the world so that the world now recognizes that our Government has a keen interest in starting serious negotiations, and the best evidence of serious negotiations is the actual mutual exchange of prisoners. What if the President would do that with all the attendant publicity that goes with a Presidential pronouncement?

Secretary ROGERS. In fact he has done that. Maybe not in exactly the form you suggest, but the President has suggested, and done it on national television, that we exchange all of the prisoners that we and

the South Vietnamese have for our prisoners. I have forgotten the ratio but it is 10 to 1 or more.

Mr. GALIFIANAKIS. He said it in terms of as one of many points, but it never has been a focal single item, the point I am trying to make. And perhaps, you know, it really borders on something that maybe the United Nations, if it really had the muscle to flex, could suggest that ought to be the point. I would hope you would at least consider maybe the modus operandi by which that clarion call could be made.

Secretary ROGERS. I will do that. If you read the interview that Chalmers Roberts had with Xuan Thuy on the question of prisoners, you will see they don't really have any interest in anything except using the prisoners as a pawn for the political settlement they want.

We have tried about everything it is conceivable to think of and we have discussed the matter with everybody in the world. When I say everybody, I mean everybody we can think of that might be helpful from the Pope on down. We are just quite convinced there isn't any interest on the part of the other side to have any such exchange.

I think sometimes when we keep doing this it appears to the rest of the world it is a grandstand play. They say, "You know perfectly well it is a nonstarter. Why have the President go on television and make a big production of it again." We have done everything you can think of practically.

FUTURE RELATIONSHIPS WITH CAMBODIA

Mr. GALIFIANAKIS. I was wondering what you envision our relationship with Cambodia would be? I know what it is for the moment in terms of assistance. What do you see our long-term relationship with Cambodia?

Secretary ROGERS. It is always difficult when you talk about in the long term because it is tough to predict events. We continue to hope that we can give reasonable support to Cambodia, that it will continue to be a stable Government. It still maintains a nonalined status in the sense it has diplomatic relations with the Soviet Union and so forth. We would hope it would continue to be a neutral nation not overrun by North Vietnam.

Mr. GALIFIANAKIS. I liked your earlier statement and pronouncement, which I think is a very silent foreign policy, that this Government can't do all that it would like to do, that it ought to do what it could reasonably do and do well in our mutual interests.

I would hope our involvement would not get so intricate we try to solve even their political problems, which apparently we have been very hard at for the past decade trying to influence the form of government.

Secretary ROGERS. I think that Cambodia presents a considerably different problem in that it was used as a base area to attack our troops in South Vietnam. So our interest in Cambodia was not just a passing interest in protecting a neutral nation. It was hopefully to continue a stable government in Cambodia that would not permit Cambodia to be used as a base area to attack American troops.

ACCESS TO INFORMATION FOR DECISIONMAKING

Mr. GALIFIANAKIS. Dean Rusk, former Secretary, said he was unaware of the Pentagon papers. Were you privy to that information?

Secretary ROGERS. No, I was not. I am not as surprised as Dean Rusk was though because they were collected and worked on while he was Secretary of State. The study was completed before I became Secretary of State.

Mr. MCEWEN. Will the gentleman yield?

Mr. GALIFIANAKIS. Yes.

Mr. MCEWEN. I wonder if these shouldn't be labled the "McNamara papers" rather than the Pentagon papers. There have been many people in and out of the Pentagon. These seem to be Mr. McNamara's.

Mr. GALIFIANAKIS. That is all right with me. The Pentagon has its own problems right now. I guess in the whole episode of what has come out in the newspapers, my problem for the moment is not so much the problem of what is publishable under the first amendment. The first amendment is loud and clear. I have had a terrible feeling of exclusion by the administration on valuable information which I need to exercise the wisdom of the vote. I don't really have facts I can even process. I have to speculate oftentimes and I am for a strong national defense, but I have found that our involvement in Southeast Asia has weakened our overall defense posture. I have found it exceedingly difficult to gather salient facts. I wonder if you have had the same frustration in your responsibility?

Secretary ROGERS. No, I don't have any feeling of inadequacy on gathering the facts. I think the Government is so large and complex and the problems are so great and we are involved all over the world that keeping all the facts at your fingertips is a little difficult.

I find that in the course of a day I have to do what I used to do in law school and have a cram course because you just can't remember all the facts. But I can collect them.

It is interesting, as I was saying earlier in the session this morning, no matter where trouble breaks out in the world, immediately the United States is called upon to solve that problem. People come in and ask right away what are you going to do to solve the problems in East Pakistan, and where are the planes that are flying in the food, and how much medicine do you have. You know you are not sure. It wasn't our problem, we didn't cause the trouble. We weren't behind it, we didn't know it was coming. So I think as Americans we have to realize that while we are the most powerful nation in the world, we have tremendous problems we have to cope with. I don't believe that the inadequacy that any human being naturally feels is because he doesn't have access to the facts, although it is difficult to collect them.

STATE DEPARTMENT INFORMATION CLASSIFYING SYSTEM

Mr. GALIFIANAKIS. Are you a classifier of materials or do you do it by request? Is your office vested with authority to classify materials?

Secretary ROGERS. Yes, but we have a regular system in the Department. We have thousands and thousands of documents.

Mr. GALIFIANAKIS. Thank you very much.

Mr. PASSMAN. Mr. Secretary, time is running out. We have a very great committee here. Occasionally we disagree but we do so without being too disagreeable. It is obvious we are not going to have a meeting of minds on all of these matters.

FINANCIAL PROBLEMS OF THE UNITED STATES

I think we have troubles with our finances as well as with our foreign policy. You don't disagree with that observation do you?

Secretary ROGERS. I certainly don't.

Mr. PASSMAN. I think we could have gotten 20 to 1 a year ago we would have had a small surplus for the fiscal year that closed yesterday. I think we may be dropping the curtain on a real deficit of some $30 billion. But if we are going to deal with the so-called unified budget, which means taking the excess in trust funds to offset the total outgo, then it is going to be about $22 billion. I wonder if that causes you some concern also?

Secretary ROGERS. Yes, it does.

Mr. PASSMAN. When we think in terms that there is some 50 billion U.S. dollars floating around over the world that are in excess of the Nation's and foreign banks' need to meet their commitments in commerce, that causes you some concern also, does it not?

Secretary ROGERS. The way you put it; yes.

Mr. PASSMAN. I don't know of any other way to put it.

We notice our U.S. trade position is continuing to worsen and in all probability will continue to worsen until we can stop sending out more dollars than we bring home. We had one little agency before us yesterday, and we asked a passing question of "What does the Peace Corps contribute to our balance-of-payment situation?" They said $20 million. So we all know that it is several times the $20 million that creates the overall situation we are in, does it not?

Secretary ROGERS. Yes.

ALL SPIGOTS OF ASSISTANCE

Mr. PASSMAN. Dr. Hannah, who I consider one of our most alert and possibly the most outstanding AID Director we have ever had, waited several years to straighten me out on what we meant by AID. I read in the paper that the President requested $2.2 billion for AID, and I would disagree with him about the inaccuracy of the figures.

Dr. Hannah said that doesn't mean foreign aid, that is an abbreviation of the agency I head up, the Agency for International Development. I guess you concur in his thinking there?

Secretary ROGERS. I certainly do.

Mr. PASSMAN. The total request for foreign aid and assistance is $13,517,628,000 for the fiscal year, which is $1,400,000,000 over the request for the same programs a year ago.

I deal pretty much with the figures rather than the policy because that is primarily my responsibility as chairman to try to understand the many requests. I am not condemning all spigots but this is the grand total when you pick up all spigots in the budget.

Very much to my disappointment, my very fine clerk tells me now there are other smaller spigots I didn't pick up, and that would add

millions because they scatter these programs out. Even my friend John Rooney's committee has a little stuff scattered in there, too.

Mr. ROONEY. What kind of stuff?

Mr. PASSMAN. You finance some of your exchange programs do you not, students and so on?

Mr. ROONEY. Surely.

Mr. PASSMAN. That is foreign aid.

Mr. ROONEY. That is not little stuff, that is big stuff.

Mr. PASSMAN. How much?

Mr. ROONEY. Forty-plus millions.

Mr. PASSMAN. You see.

Mr. LONG. Will the gentleman yield?

Mr. PASSMAN. Yes.

Mr. LONG. The chairman has performed a very valuable contribution in compiling that comprehensive list of aid in all of the spigots.

AID AND THE BALANCE OF PAYMENTS

Considering our foreign balance-of-payments situation, I am wondering if it would be possible for the AID people or State Department to give us some sort of specimen as to what could be done in those AID programs to reduce it through our AID budget alone, trimming it, what have you, to solve our balance-of-payments problem or at least remedy it.

Mr. PASSMAN. I would like, of course, something put in the record, but that is just like asking the defendant to get his brother put on the court to hand down the penalty. I have the facts and they have never gone behind my facts. Every fact I put out I make them verify on a single issue basis, and we finally get these conclusions. I have the answer, it has been testified to before, and that is give away less money. That is one way to do it.

Mr. LONG. Which items would have the most beneficial effect? I would like to see their feelings, or to what extent they feel it is impossible.

Mr. PASSMAN. We will have them put something in the record for when we mark up the bill.

(The information follows:)

AID AND THE BALANCE OF PAYMENTS

AID operations make a modest contribution to improvement of the U.S. balance of payments; in fiscal year 1970 this contribution amounted to $81 million. Only 13 percent ($240 million) of our total expenditures of $1,907 million were for procurement of foreign goods and services. These expenditures abroad were more than offset by $321 million in net receipts from interest and amortization on outstanding loans.

Mr. LONG. I wanted to follow through on a previous statement of yours I thought was good.

The President has impounded about $12 billion worth of domestic funds and hasn't impounded anything on foreign aid. Our situation in balance of payments is at least as crucial and at least as touch and go as the domestic inflation problem. I would like to see the administration thinking in terms of impounding foreign aid funds in the same way they have been impounding domestic funds.

ARRIVING AT THE TOTAL COST OF FOREIGN AID

Mr. PASSMAN. A very excellent statement. The question has been asked, How do you arrive at the total cost of foreign aid?

We pick up the net amounts. As for any repayments we go directly to the AID records. Isn't that true?

Mr. FLINNER. Yes.

Mr. PASSMAN. And we pick up your figures with respect to the net disbursements?

Mr. FLINNER. Yes, that is right.

Mr. PASSMAN. No. 2, we take the interest that we have paid on the money that we have borrowed to give away, and from that annual interest we subtract the amount of interest that we receive from foreign governments. I believe that is true, too, isn't it, Mr. Controller?

Mr. FLINNER. Yes, sir.

Mr. PASSMAN. So when we show the interest—Dr. Long, this should be of interest—we let the AID people furnish us with the amount of interest they have received and we subtract that from the interest we paid so as to get the net. We have no desire to ever mislead the public or put anything in the record not completely accurate.

We shall in the very near future prepare this statement, Mr. Secretary—I hope one copy comes to your attention—showing total net cost of foreign aid and assistance since its inception in 1946. And the figure is going to be over $211 billion. That is a net cost of foreign aid and assistance.

IMPORTANCE OF THE CONTINGENCY FUND

I have a question about one item of this $13 billion plus, and that is the $100 million for the President's contingency fund. You mentioned its importance in your statement. Would you care to elaborate just briefly?

Secretary ROGERS. There are so many things that happen in the world that require some money available at the President's discretion, like disasters, things of that kind, that we think it is important. We would hope the committee would authorize it. I am sure the President would not misuse that discretion.

Mr. PASSMAN. I believe that is true. In previous years, like Dr. Hannah stated, there is an asking price always and a taking price. Do you subscribe to that formula that he so graciously helped me work out?

Secretary ROGERS. Reluctantly.

Mr. PASSMAN. Thank you. It is the facts of life and Dr. Hannah put it on the line, and you don't disagree with him I am sure?

Secretary ROGERS. No, I don't.

Mr. PASSMAN. On contingencies they requested more than they got and we gave them more than they needed because they would wind up with unobligated funds. We will be very considerate of this amount because you specifically referred to that in the record.

UNTYING U.S. AID

Mr. PASSMAN. Could you please tell the committee what progress has been made on the untying of U.S. aid to foreign countries?

Secretary ROGERS. In October 1969 President Nixon determined that the Latin American countries would be eligible sources for procurement for AID loans in Latin America. In his message to the Congress of September 15, 1970, he announced that most of the free world developing countries would be eligible sources of procurement under AID loans.

So far the volume of offshore procurement in the developing countries has totaled only slightly more than $1.5 million. There has not yet been enough experience to determine the total annual impact, but procurement in the developing countries is likely to remain modest since the capacity of these countries to supply the types of equipment and commodities financed by AID is limited. Other laws and regulations, such as the requirement for 50–50 shipping, were not affected.

In his September message, the President also stated that we had begun talks with other aid donors, who are members of the Development Assistance Committee, to explore the possibility of a reciprocal untying of aid among the industrialized countries. Discussions in the DAC have focused on the technical aspects of a draft agreement which would establish a system under which the suppliers of the donor countries would have a fair and equitable opportunity to bid on the aid-financed procurement contracts of all members. Discussions have been underway for a year. The draft agreement is not yet completed; a number of technical issues remain yet to be resolved. Moreover, it is not certain that all DAC members would be willing to adhere to such an agreement after a draft has been completed.

NIXON DOCTRINE

Mr. PASSMAN. Could you also tell the committee what progress has been made in this past year in implementing the Nixon doctrine?

Secretary ROGERS. As the President stated in his report to the Congress on foreign policy, the Nixon doctrine "is a means to fulfill our world responsibilities on a sustained basis by evoking both the contributions of our friends and the support of our own people." Its benefits are to be discerned in a lower U.S. profile abroad, relations of greater equality and reciprocity with our allies, and movement toward more normal relations with our adversaries.

The most visible evidence of implementation is to be found in the progressive reduction in the U.S. military presence overseas. The burdens of combat in Vietnam were transferred to local forces at an accelerated rate as 175,000 U.S. forces were withdrawn since June 30, 1970. In Korea we have moved toward a more supportive role, withdrawn one American division—20,000—and removed U.S. forces from the DMZ—except for a narrow strip in the joint security area where the Military Armistice Commission meets—for the first time since 1953. Assistance supplied to the Republic of Korea for purposes of modernizing their armed forces will contribute to their future self-reliance. Elsewhere in East Asia troop reductions and base consolidations have lowered the U.S. presence by approximately 10,000 in Japan, 10,000 in Thailand, and 9,000 in the Philippines.

In Europe our troop levels have been maintained, and we believe resistance to suggestions for unilateral reductions have set the stage

for substantive negotiations between NATO and the Warsaw Pact on mutual balanced force reductions.

In the foreign assistance field the administration's approach reflects Nixon doctrine principles. The new foreign assistance program presented to the Congress thus emphasizes multilateral lending institutions, a differentiation of security and development assistance efforts, and the creation of new institutions to encourage private investment, refine the conceptual tools for an assault on poverty, and promote more effective technical assistance.

While bolstering the strength of allies, we have also attempted to remove obstacles to normalized relations with the People's Republic of China and have made substantial progress in negotiations with the Soviet Union in the strategic arms limitations talks. We are hopeful that our efforts to Vietnamize the war is providing inducements to the Communists in Vietnam to seek a negotiated solution of the Indochina war.

NATIONALIZATION

Mr. PASSMAN. Perhaps we should talk on the subject of nationalization or seizure of U.S. property. The particular countries I have in mind are Chile, Ecuador and Bolivia.

When these countries seize or nationalize U.S. property, why doesn't the United States suspend assistance until a fair settlement is made?

Secretary ROGERS. As you know, under section 620(e) of the Foreign Assistance Act, the President is required to suspend assistance to the government of any country which expropriates U.S. property in that country and which fails within a reasonable time to take appropriate steps to discharge its obligations under international law toward the owner of the property.

On the other hand, suspending assistance before the country has had a reasonable time to come to an agreement with the U.S. owner may reduce rather than improve the chances of the owner obtaining a fair settlement. This would be to the detriment of the U.S. investor and also to the U.S. Government whenever OPIC investment insurance against expropriation had been maintained by the investor.

Mr. PASSMAN. I notice in a Washington Post article of June 25, 1971, that Secretary of the Treasury Connally had the U.S. Director to the World Bank (IBRD) abstain 2 weeks ago on a $6 million loan to Bolivia because of the slow settlement of a particular nationalization case. If this can be done through an international organization, why don't we adopt the same practice with respect to our bilateral aid program?

Secretary ROGERS. Let me add to the statement I have just made, that we have a clear policy which reflects our great concern over unduly slow settlements of nationalization cases.

PAKISTAN

Mr. PASSMAN. Would you tell us what the present situation is in Pakistan?

Secretary ROGERS. At the moment, although the Pakistan Army has asserted its control over virtually all of the areas of East Pakistan previously held by dissident elements, the situation is far from settled. Fighting reportedly is still taking place in a few localities. The flow of refugees from East Pakistan into India continues, albeit at a rate considerably less than during peak periods several weeks ago. The overall condition of the East Pakistani economy has improved gradually, but disruptions in the road, railway, and water transport systems and absenteeism from work have impeded distribution and industrial productivity, respectively. Efforts by the government to enlist the support of individuals elected to the National and Provincial Assembly on the ticket of the now-banned Awami League reportely have met with limited success. Positive developments, however, include President Yahya Khan's June 28 announcement that he plans to follow through with his aim of turning over power to elected representatives of the people and the reiteration of his call for Pakistani refugees "regardless of caste, creed, or religion" to return to their homes. President Yahya's announced intention to have greater provincial autonomy incorporated into the new constitution now being drafted appears to reflect popular sentiments in East Pakistan.

MILITARY EQUIPMENT FOR PAKISTAN

Mr. PASSMAN. I note in a Washington Post article of June 23, 1971, that several shiploads of U.S. military equipment have recently been sent to Pakistan. It is stated in the article that this equipment had been ordered prior to the 1967 ban on arms sales to Pakistan and therefore does not violate this ban. Don't you think we should hold up all shipments of military goods until the internal situation is brought under control?

Secretary ROGERS. The following is a full statement of our current military supply policy for Pakistan and the interim actions we have taken in light of the civil strife in East Pakistan.

In 1965 when hostilities broke out between India and Pakistan, the United States placed an embargo on the supply of all military equipment to both countries. All grant assistance was terminated and none has been resumed except for modest military training programs.

In 1966 the embargo was modified to permit the sale to both countries of nonlethal end items such as communications, medical and transportation equipment.

In 1967 the policy was further modified to permit the sale of ammunition and spare parts for those items of military equipment, such as aircraft and tanks, provided by the United States prior to the 1965 Indo-Pakistan conflict. A one-time exception to the continuing embargo on lethal equipment was announced in October 1970. This authorized the sale to Pakistan of 300 armored personnel carriers and about 20 aircraft.

This policy on military supply to Pakistan has been based on the judgment that it is desirable for the United States to continue to supply limited quantities of military items to Pakistan to enable us to maintain a constructive political relationship. We have also wanted to ensure that Pakistan is not compelled to rely exclusively on other sources of supply.

The Government of Pakistan purchases munitions list items either through the foreign military sales (FMS) program or commercially from the manufacturer or distributor. Items under the FMS program are purchased either from stocks which are under direct Department of Defense control or from the Defense Department's commercial contractors. All equipment either obtained commercially or delivered under the FMS program to Pakistan Government representatives in the United States must be licensed for export by the State Department's Office of Munitions Control before it may be exported.

There are also items which are common to military as well as civilian use (such as certain automobile and truck spare parts) which are not on the munitions list, but which may require a Department of Commerce license.

In light of the outbreak of fighting in East Pakistan on March 25–26, we have taken certain interim actions with regard to military supply for Pakistan. While no formal embargo was imposed, the following interim actions were taken in early April:

(*a*) A hold was put on delivery of FMS items from Department of Defense stocks; no such items have been released to Pakistan since then.

(*b*) The Department of State's Office of Munitions Control has suspended the issuance of new licenses and renewal of expired licenses (valid for 1 year) for items on the munitions list—for either FMS or commercial sales.

(*c*) We have held in abeyance any action on the one-time exception arms supply offer announced last October; no item in that offer has been delivered to Pakistan or its agents, and nothing is scheduled for delivery.

By early April, when these interim actions were taken, the Government of Pakistan or its agents had obtained legal title to, and were in possession of, some items still physically in the United States. In addition, DOD commercial contractors under the FMS program, and other commercial suppliers, continued to utilize valid licenses issued before the actions taken in early April. Some of these items, legally the property of the Government of Pakistan, have been shipped to Pakistan from U.S. ports and it is likely that additional military supplies, under valid licenses, will be shipped in the future.

Our overall military supply policy toward Pakistan continues under close review.

It has been our belief that we should not terminate entirely our military sales program with Pakistan, but should be in a position to resume a modest and selective program at an appropriate time on the basis that military sales constitute an important element of our overall bilateral relationship with the Government of Pakistan. Suspension of sales would have a strongly adverse impact on our bilateral relations with Pakistan at a time when we want to maintain a constructive dialog with the Yahya government to encourage it to proceed along lines of political accommodation and economic reconstruction.

U.S. BALANCE OF PAYMENTS

Mr. PASSMAN. According to the Washington Post of May 18, 1971, we recorded the highest quarterly balance-of-payments deficit in our history in the first 3 months of 1971 which was $5.5 billion. With this

situation facing us and the recent crisis of the U.S. dollar in Europe, don't you think we should reduce our foreign aid spending overseas?

Secretary ROGERS. It is estimated that AID operations will result in a direct inflow of $79 million in fiscal year 1971. Out of total expenditures of $1,928 million, expenditures abroad will amount to $272 million. This outgo of dollars will be more than offset by $351 million in receipts from interest and amortization payments on outstanding loans. Consequently the AID program in fiscal year 1971, which includes the period mentioned in your question, has had a very modest beneficial effect on the U.S. balance of payments. While the future impact of AID operations on the U.S. balance of payments cannot be predicted with great accuracy, it is clear from past experience that this impact will be minor compared to other factors affecting the balance of payments.

COMMUNIST CHINA/UNITED STATES RELATIONSHIP

Mr. PASSMAN. Would you please comment on our recent improvement of relations with Communist China and indicate what the United States has done to improve this relationship?

Secretary ROGERS. For your reference, I am providing the following brief chronology of moves initiated by this administration toward relaxation of tensions with the People's Republic of China.

(The information follows:)

July 23, 1969.—American tourists were permitted to buy up to $100 of Chinese-made goods for noncommercial purposes provided that the goods were imported in accompanied baggage.

It was announced that the United States would automatically validate passports of persons in six categories for travel to the People's Republic of China. The categories were Members of Congress, journalists, members of the teaching profession, scholars and students, scientists and medical doctors, and Red Cross representatives.

December 19, 1969.—Foreign subsidiaries of American companies were permitted to sell nonstrategic items of foreign manufacture and conduct financial transactions (except U.S. dollars) with the People's Republic of China.

U.S. companies were permitted to buy and sell Chinese goods within or between foreign countries, but not to import Chinese goods to the United States.

Restrictions on the amount and manner of noncommercial imports by private persons and nonprofitmaking institutions were eliminated.

April 7, 1970.—It was announced that the Department of Commerce would authorize use of U.S.-origin parts or materials as components in foreign-made commodities destined for the Peoples Republic of China on a case-by-case basis.

August 26, 1970.—U.S. oil companies abroad were permitted to use non-U.S.-origin petroleum products to bunker Free World vessels bound to or from the Peoples Republic of China.

March 15, 1971.—The restriction on the use of U.S. passports for travel to the Peoples Republic of China was completely eliminated.

April 15, 1971.—President Nixon announced that (1) the United States would expedite visas for visitors from the Peoples Republic of China; (2) U.S. currency controls were being relaxed to permit Peoples Republic of China use of dollars; (3) restrictions on U.S. oil companies providing fuel to ships or aircraft en route to or from China (except those bound to or from North Korea, North Vietnam and Cuba) were eliminated; (4) U.S. vessels or aircraft were permitted to carry Chinese cargoes between non-Chinese ports and U.S.-owned foreign-flag carriers could call at Chinese ports; (5) a list of items of a nonstrategic nature would be authorized for direct export to the Peoples Republic of China; and (6) imports would be authorized.

May 7, 1971.—The Treasury removed all controls on dollar transactions with the Peoples Republic of China (except previously blocked accounts). The Departments of Commerce and Transportation removed certain controls on bunkering and carriers.

June 10, 1971.—The White House announced the end of the 21-year embargo on trade with the Peoples Republic of China. A general license was issued for

export to China of a long list of nonstrategic items and other items would be considered on a case-by-case basis. Restrictions on import of Chinese goods were simultaneously lifted.

As a result of these moves which we have taken, there has undoubtedly been some improvement in the atmosphere of our relationship with Peking, particularly on the people-to-people level, although the Chinese have not yet responded to our trade relaxation. Much as we hope for further improvement in a broad spectrum of practical relations, there has not been noticeable progress in other areas. The ambassadorial talks between the United States and Peoples Republic of China in Warsaw remain recessed despite our stated willingness to resume them at any time convenient to Peking. While we are encouraged by the expansion of America's nonofficial relations with mainland China, we continue to look forward to an opportunity to continue our dialog with Peking at the official level represented by the Warsaw talks.

RELATIONSHIP WITH REPUBLIC OF CHINA

Mr. PASSMAN. What effect has this new policy had on our relationship with the Republic of China?

Secretary ROGERS. We continue to enjoy friendly, cooperative relations with the Republic of China. Given that Government's views about mainland China, I think it is quite understandable that they may view our relaxation of restrictions relating to trade and travel in a somewhat different light than we do. We understand their views and we think they understand the interests we have and objectives.

We have made it clear that we intend to honor our security commitment and that we are opposed to attempts to deprive the Republic of China of its place as a member of the United Nations. Although there may be some uneasiness in Taipei about the possibility of increased contact between the United States and mainland China, we believe, as the President said early last month, that such uneasiness is not justified insofar as it concerns the continued existence of the Republic of China and its continued membership in the United Nations.

TURKEY

Mr. PASSMAN. Please also comment on the present internal situation in Turkey.

Secretary ROGERS. Turkey currently has a nonparty, reform government which undertook as its first priority to restore law and order. Although ministers are drawn from three of the four largest parties, they participate as individuals, since the parties as such do not bear responsibility for the current Government and its program. This Government, headed by Prime Minister Nihat Erim, took office following the mid-March resignation under military pressure of the Justice Party (JP) government of Suleyman Demirel.

The Demirel government had not been successful in ending terrorist violence by extreme leftists and clashes between extremists of the right and left, nor had it instituted a number of reforms felt by many to be essential to Turkey's continued development. After the Erim government had been in office about a month, the continuation of terrorist violence led to the declaration of martial law in 11 of Turkey's 67 provinces, those containing Turkey's larger cities and two with concentrations of Kurds. Incipient Kurdish separatism was cited as the reason for the inclusion of the latter two. Most of the terrorists, including those who kidnaped and murdered the Israeli

Consul General as well as the group which kidnaped American airmen in February and March 1971, have now been apprehended and are being tried by martial law tribunals. Martial law is scheduled to expire July 26, but it might be extended for an additional 2 months if law and order are not firmly reestablished.

Meanwhile, the Erim government is introducing in the parliament a number of reform bills, including one which would modify up to one-third of the articles of the existing Constitution to strengthen the executive branch and its ability to govern effectively. In brief, Turkey is going through a transition period and is modifying its institutions in an effort to cope more effectively with the political, economic, and social strains and tensions created by its strenuous efforts to modernize and develop economically at the fastest possible pace.

GREEK GOVERNMENT

Mr. PASSMAN. According to several newspaper articles and reports, the present Greek Government is not moving toward democracy, but they continue to make political arrests and treat opposition leaders with brutality. Would you please comment on this situation?

Secretary ROGERS. The present domestic situation in Greece is highly complex and subject to varying interpretation. The Greek regime has repeatedly asserted its intention to restore constitutional representative government in Greece. It has taken some steps in that direction. We believe that the interest of the Greek people and of the alliance of which Greece is a part are best served by speeding the restoration of parliamentary government in Greece, the announced goal of the present regime. We have been disappointed that the Greek regime has not moved more quickly and more convincingly toward its publicly affirmed goals. We are continuing to urge upon them the need to do so. There have, unfortunately, been continued arrests of persons opposed to the regime in Greece as well as reports of alleged maltreatment of these persons. According to the Greek Government these persons have actively and sometimes violently sought the overthrow of the regime. We have continued to make known to the Greek Government our conviction that any persons arrested in Greece should be accorded all the benefits of due process of law and our hope that all prisoners should be treated fairly and humanely.

Mr. PASSMAN. Mr. Shriver?

INDIA-PAKISTAN HOSTILITIES

Mr. SHRIVER. There is another very important aspect to the India-Pakistan situation. Prime Minister Indira Gandhi made the following statement to the lower House of Parliament on May 24: "Conditions must be created to stop any further influx of refugees and to insure their early return under credible guarantees for their future safety and well-being. I say, with all sense of responsibility, that unless this happens, there can be no lasting stability or peace on this subcontinent." She concluded, "If the world does not take heed we shall be constrained to take all measures as may be necessary to ensure our

own security and preservation and development of the structure of our social and economic life."

Mrs. Gandhi did not say what her country would do if the situation did not improve soon, but I think we know she intends to take strong action. Would you comment on this?

Secretary ROGERS. While Mrs. Gandhi has made statements such as that to which you refer, she has also told her countrymen to stop talking of going to war with Pakistan. We have noted the restraint which India has exercised in peacefully dealing with a refugee problem of such immense dimensions and expressed the hope that India would continue to pursue such policies. We have provided extensive assistance in order to help India do this. The whole area would suffer from India-Pakistan hostilities, and there is the additional danger of possible third-party involvement. We have also emphasized to the Government of Pakistan the importance of a restoration of normalcy and a political accommodation in East Pakistan so that the refugees can return.

ISRAEL-SOVIET UNION DIPLOMATIC RELATIONS

Mr. SHRIVER. What would be the effect of renewed diplomatic relations between Israel and the Soviet Union, as has been rumored in the press?

Secretary ROGERS. A renewal of relations between Israel and the U.S.S.R. would be a step toward improving channels of communication between states involved in the Arab-Israel conflict, and outside powers with interests in the area. We would view such a step favorably. However, while there has been some speculation about the possibility of renewed Soviet-Israeli relations and some apparent probing of this question, we have no hard evidence such a resumption of relations is near in the foreseeable future.

BERGUS PAPER

Mr. SHRIVER. Two days ago I read that proposed settlement plans drawn up by a U.S. diplomat in Cairo had been released, thus upsetting the Israelis. Would you comment on this plan?

Secretary ROGERS. This involves the so-called Bergus paper. No official plans were put forward. We have, of course, been engaged in helping Egypt and Israel exchange ideas on a possible interim Suez settlement. Bergus' effort on this occasion was part of these exchanges. He conveyed to the Egyptian Foreign Ministry certain personal ideas as to how the Egyptians could improve the manner in which they were formulating their own position. This was not an American plan or an Israeli plan. In passing these ideas to the Egyptians he made it very clear—and this is acknowledged by the Egyptians themselves—that the paper he was leaving on this occasion had no official status and were his own personal suggestions. We believe this incident has been greatly exaggerated in the press.

FREE PRESS AND THE STATE DEPARTMENT

Mr. SHRIVER. What effect will the Supreme Court decision yesterday regarding the press' right to publish classified documents have on fu-

ture negotiations with the Soviet Union and China on arms limitations and other subjects? What effects can you envision generally in regard to the operations of the State Department?

Secretary ROGERS. The Supreme Court's decision could well introduce a certain hesitancy into other countries' communications with the United States. It is difficult to go beyond this and say what other effect will be felt on future negotiations.

Justice Stewart summarized the problem quite well when he said:

> It is elementary that the successful conduct of international diplomacy and the maintenance of an effective national defense require both confidentiality and secrecy. Other nations can hardly deal with this Nation in an atmosphere of mutual trust unless they can be assured that their confidences will be kept.

It is a matter of speculation whether and to what extent even the remote possibility that candid, confidential exchanges—which are at the heart of the negotiating process—would be made public in an authorized manner will inhibit such exchanges. To the degree this inhibiting effect operates in SALT it will have a negative effect on prospects.

As you know, we have been continuing bilateral talks with the U.S.S.R. to limit strategic arms for almost 2 years. The subject matter of these talks is of the greatest sensitivity and national security importance. We and the Soviets agreed at the outset that chances for success in SALT would be significantly enhanced if the negotiations were continued in private and treated confidentially. We have been substantially successful in this effort, and it has contributed to progress in the talks.

With respect to the operations of the State Department, we have our security procedures, classified access, and classification practices under continuing review, with the aim of insuring that they are consistent with the Department's needs in order to conduct business and the public's need to be informed. Recent efforts underscore the soundness of this approach, and we will try to be ever more scrupulous in following it. We will be particularly sensitive now in scrutinizing access, based on the strictest interpretation of the need-to-know principle.

Mr. PASSMAN. Mr. Long?

AID TO PAKISTAN

Mr. LONG. I am disturbed that the administration intends to continue supplying economic and military aid to Pakistan while that national government is burning villages and terrorizing their inhabitants in East Pakistan. The Minister of Political Affairs, Mr. Rasgotra, and his assistant, Mr. Soni, have told me of the severe economic and political strain more than 6 million Pakistani refugees, who continue to cross the India-Pakistani border at the rate of 40,000 a day, are putting on the Indian Government and its people. What evidence do you have that renewed U.S. aid will restore peace to East Pakistan and will calm its terrorized citizens sufficiently to persuade them to return to Pakistan?

Secretary ROGERS. We are continuing economic aid to Pakistan where that aid fulfills its originally intended development purposes. We are not supplying any grant military aid to Pakistan except for a

small training program and have not done so since the Indo-Pakistan conflict of 1965.

We agree that the advent of more than 6 million refugees has placed a severe strain on the Indian economy, and to help alleviate that strain as well as to assist the refugees directly, we have extended some $90 million in refugee-associated assistance.

We do not believe that continued or new U.S. aid to Pakistan will restore peace in the East. Only the Pakistani Government and people can do that. A continuation of ongoing aid to East Pakistan and the extension of relief assistance there can, however, help in the restoration of the lives of the people and of the working of the economy. To the extent this happens, the refugees in India may be willing to consider returning to East Pakistan. There are, of course, many other factors involved in creating an environment in East Pakistan conducive to the refugees' return.

U.S.-INDIA RELATIONS

Mr. LONG. What effect does renewed aid have on United States-Indian relations? I note a June 30 New York Times editorial statement that the Indian Foreign Minister left Washington days ago with the impression that military and any new development assistance would be withheld until the East Pakistani political crisis was resolved.

Secretary ROGERS. We spoke briefly on military sales to Pakistan when the Foreign Minister was here. With regard to economic aid, we told the Foreign Minister that we would not condition future economic development assistance on a political settlement in East Pakistan. We explained that decisions to provide developmental assistance would be made on the basis of development criteria.

AID TO PAKISTAN

Mr. LONG. What kind of leverage will we have on President Yahya Khans' government if we resume all economic and military aid?

Secretary ROGERS. We will extend new economic aid to Pakistan only when the development basis for it is demonstrated. Such aid will not be extended to acquire leverage on President Yahya's government. It will be extended, in accordance with foreign aid legislation, for purely development purposes, just as we have continued ongoing aid for development reasons. By not suspending aid for political reasons, we stand to retain influence whereby we should be able to continue the dialog we have had with the Pakistanis—expressing our concern over development in East Pakistan, counseling restraint, recommending a genuine political settlement reflecting the sentiments of the people, and urging the cooperative implementation of an international relief program.

Pakistan has not sought military assistance as such from us since the termination of our military assistance program in 1965 at the time of the Indo-Pakistan conflict. It wishes to continue to retain its independence and is interested only in military purchases from the United States, either on a cash or credit basis. While we have not placed a complete embargo on military sales to Pakistan, we have taken certain interim measures to hold deliveries of equipment from DOD stocks and issuance of new export licenses, described in the attachment to

question 1. Resumption of military sales on a normal basis would naturally increase our influence with the martial law administration in Pakistan.

Mr. LONG. I note in the same Times editorial that the United States opposed the 11-nation aid-to-Pakistan consortium's decision to withhold aid at this time on the grounds that we are opposed to using aid as a political instrument. What does that mean?

Secretary ROGERS. The aid-to-Pakistan consortium meeting in Paris June 21 was an informal one, called to hear the World Bank/International Monetary Fund report on their missions to Pakistan, and to exchange views. No decisions on the part of the aid donors were sought or reached. In particular, no consensus was achieved to withhold aid to Pakistan. The member nations of the consortium have ongoing aid programs in Pakistan, and where possible these are continuing. With respect to extension of future aid, the members came to no conclusion on a common course of action.

You are correct in stating we are opposed to using aid as a political instrument. If the consortium were to adopt such a course of action, we would oppose it. This has not happened, and we have no basic differences at present with the consortium as a whole with regard to aid to Pakistan.

We believe aid should be used, in accordance with foreign assistance legislation, for justified development purposes. Ongoing aid is continuing where feasible, and new aid will be extended as and when those purposes can be fulfilled.

VIETNAM WITHDRAWAL DATE

Mr. LONG. On Monday the House had the closest vote yet, 219–176, for the Mansfield amendment to the Selective Service Act amendments to urge the President to set a final Vietnam withdrawal no later than 9 months after the act's passage, provided that our prisoners are released. What effect has this had on the President? Are you planning to set a final withdrawal date?

Secretary ROGERS. There are no present plans to announce a final withdrawal date.

BERGUS MEMORANDUM

Mr. LONG. Do you think the recent disclosure of Mr. Donald Bergus' privately giving Egyptian officials ideas for a Mideast peace settlement have hurt relations with Israel?

Secretary ROGERS. Press reports of the "Bergus Memorandum" episode were misleading in several respects and led to some concern in Israel. The facts are that Bergus (1) presented no United States or Israeli proposals but merely some personal suggestions as to how the United Arab Republic position might be formulated more positively, and (2) did not suggest an Israeli withdrawal from half of Sinai as the press accounts alleged. We have discussed the matter fully and frankly with Israel and believe there is full understanding between us. We do not think this incident will have any lasting effect on our relations with Israel or our on-going peace efforts.

SOVIET-ISRAEL RELATIONS

Mr. LONG. Should the reported Soviet interest in resuming diplomatic relations with Israel be taken seriously? If diplomatic ties are reestablished, do you think the Soviets will allow more Jews to emigrate there?

Secretary ROGERS. There has been some speculation about the possibility of renewed Soviet-Israel relations and some apparent probing of this question, but we have no hard evidence such a resumption of relations is near in the foreseeable future.

While a resumption of relations could affect the situation with respect to emigration of Soviet Jews, there are many other factors involved and any attempt to make predictions in this respect would be purely speculative.

SOVIET JEWS

Mr. LONG. What plans do you and President Nixon have for making public statements in support of the Soviet Jews who are being persecuted? Can you describe our diplomatic efforts to improve their situation?

Secretary ROGERS. President Nixon made a statement of principle on Soviet Jewry in his message to American Jewish leaders on January 11. I reiterated this message in my communication to Jewish leaders on May 26. The statement by the Department's press spokesman on May 27 was a forceful expression of our concern about the plight of Soviet Jews and of trials in the U.S.S.R. We have made a number of other public statements at the United Nations General Assembly, the United Nations Human Rights Commission, and in other forums. We intend to continue to do so.

In the diplomatic field, we take every suitable opportunity to impress upon the Soviet authorities the adverse effect on American public opinion of the treatment accorded Jews and other minorities in the Soviet Union. We took actions which we think were helpful at the time of the Leningrad death sentences in December 1970. In addition, we underscore the importance we attach to the right of emigration and of reunification of families through the presentation of our official representation list of Soviet residents who have been denied permission to join relatives in the United States. This list includes many Jews. The most recent approach was that of Ambassador Beam to Soviet Deputy Foreign Minister Kuznetsov in Moscow on February 19. I handed a similar list to Soviet Foreign Minister Gromyko in October 1970.

While not strictly speaking part of our diplomatic efforts, the Voice of America's broadcasts to the U.S.S.R. are furnishing creditable moral support to the Jewish minority under pressure. VOA transmits news about Jewish life in the United States; foreign reaction to trials of Soviet Jews, including congressional expressions of concern; news about recent Jewish emigrants from Russia; as well as governmental statements. VOA continually signals to all Soviet listeners the concern of America's Government, elected representatives, and public with the fate of Soviet Jewry.

Mr. PASSMAN. Mrs. Reid?

VIETNAMIZATION

Mrs. REID. In the process of turning over responsibilities to South Vietnam for their defense and the withdrawal of our own forces, economic assistance will undoubtedly be of increasing importance. Would you comment on the value of such assistance in relation to the Vietnamization program?

Secretary ROGERS. The Vietnamization program depends heavily on a stable economy to support a large and active military force as well as an inflated civil government. Relative stability thus far has been achieved largely through the use of foreign exchange generated from U.S. military spending. If we are to maintain this stability and continue the Vietnamization effort, we must increase our economic assistance as military spending declines. At the same time the Government of Vietnam, with our help, is attempting to broaden its economic base and introduce measures to reduce this need for external assistance.

DURATION OF FOREIGN AID

Mrs. REID. Do you feel that foreign assistance operations can be phased out gradually over a period of years as more countries become self-sufficient—or can we expect it to continue in some form on a more or less permanent basis?

Secretary ROGERS. Development is a long-term process, particularly for those countries, such as India and many African countries, with per capita incomes of only about $100. Some aid for those countries, whether furnished bilaterally or multilaterally, will probably be necessary for several decades. Other countries, with higher levels of income and more favorable export situations or rates of growth, can be expected to join the list of "aid graduates," though it is of course difficult to predict such timing with any great precision.

MULTILATERAL VERSUS BILATERAL AID

Mrs. REID. In a general sense, do you feel more is accomplished by channeling a higher percentage of our aid expenditures into multilateral agencies rather than expanding our bilateral efforts?

Secretary ROGERS. I do not believe it is possible to say that multilateral assistance is more effective than bilateral assistance. Each is designed to fulfill a particular purpose. The President recognized this difference in the way assistance is provided by proposing to separate development from security assistance. While security assistance is directed toward achievement of our short-term political interests, our bilateral development assistance program looks to the longer term needs of the developing countries. We will continue to have special interests in some countries and regions and would want to place greater emphasis on those countries and regions through our bilateral assistance programs. At the same time, however, we believe that the multilateral institutions are increasingly able to assume greater responsibility and that we should increase our contributions to those organizations to meet the expanding needs of the developing countries. At the same time, however, we believe that we should maintain a strong and effective bilateral assistance program and our current request reflects that belief.

SEPARATING MILITARY AND ECONOMIC AID

Mrs. REID. What is your general feeling about separating the military and economic aid budgets?

Secretary ROGERS. I think separating our security assistance program (which includes economic supporting assistance as well as military assistance and military credit sales) from our development program is a sensible idea. These two assistance programs are aimed at different objectives. The bilateral development assistance program is a long-term effort to help the developing countries secure a measure of economic and social justice. Separation of this program from our short-term political and military efforts in Southeast Asia or the Middle East or elsewhere is sound and in our own interest.

ECONOMIC ASSISTANCE THROUGH THE U.N.

Mrs. REID. What is your general feeling about the possibility of extending more economic assistance through the United Nations or its various organizations?

Secretary ROGERS. The advisability of channeling more funds for technical assistance through the U.N. system will depend on whether there is a marked improvement in the management capabilities of the UNDP and the U.N. specialized agencies. The Jackson capacity study called attention to serious deficiencies of the U.N. development system and recommended extensive reforms. Since the Jackson report, the UNDP, the focal point for the U.N.'s development assistance efforts, has adopted a number of measures aimed at strengthening its capacity to manage a larger program. Implementation has begun of several basic reforms including a system designed to shift the focus of UNDP planning, programing, and operations from an individual project basis to a country programing basis. When fully operational, country programing should go a long way toward correcting weaknesses of the existing U.N. procedures under which projects are formulated, considered, and approved without necessarily relating them to the country's development objectives, resources, and other external assistance.

Another key measure now being implemented is a strengthening of the role of the UNDP Resident Representative who will now have increased responsibility for the total U.N. programs in the country concerned and serve as leader of the team in relation to the representatives of other U.N. agencies. The State Department and AID are seeking to improve the caliber of personnel throughout the U.N. development system by increasing the number of Americans assigned to the U.N., particularly those with U.S. bilateral aid experience.

The institution of country programing and other needed reforms, such as the establishment of systematic evaluation procedures, can be put into effect only over a period of several years. As they are implemented, the capacity of the U.N. development system can be expected to increase progressively. The growth in capacity will depend in part on a continued active U.S. interest and participation. However, in the final analysis, the growth will be determined by the U.N. system's own capability to remedy weaknesses which have been clearly identified and the willingness of other participating governments to cooperate in this effort.

Mr. PASSMAN. Mr. Roybal?

ARMS TO PAKISTAN

Mr. ROYBAL. During the last few days we have seen several reports of Pakistani ships leaving our shores laden with our military hardware. Why are we supplying arms to Pakistan when we know that the Pakistan Army is engaged in brutal suppression of 75 million East Bengalis, who constitute the majority of Pakistan's people?

Secretary ROGERS. Department of State spokesmen on a number of occasions since March have expressed concern over the extensive loss of life and damage which have occurred in East Pakistan in the civil strife there and the hope that peaceful conditions will be restored. We have repeatedly emphasized our belief that it is important that every feasible step be taken to end the conflict and achieve a peaceful political accommodation acceptable to the people of East Pakistan. Our spokesmen have also expressed concern over the reported use of some American weapons in East Pakistan, and we have done so privately to the Government of Pakistan as well. Few American arms in fact appear to have been used in the civil strife and materiel from many other sources including China, the U.S.S.R., Western European countries and domestic production is reported to have been employed.

With respect to our military supply policy for Pakistan, we have not supplied any lethal weapons to Pakistan since we terminated our military assistance programs and imposed embargos on arms supply to Pakistan and India in 1965 at the time of the Indo-Pakistan conflict. We modified that policy in 1966 and 1967 to permit a modest military sales program comprising the sale of nonlethal materiel and of spare parts and some ammunition for lethal materiel previously supplied by us. In view of the considerable current public interest in this subject, we have prepared a full statement of our present military supply policy including the actions we have taken in the light of the ivil strife in East Pakistan, a copy of which is attached.

(The statement follows:)

STATEMENT ON U.S. MILITARY SUPPLY POLICY FOR PAKISTAN

In 1965 when hostilities broke out between India and Pakistan, the United States placed an embargo on the supply of all military equipment to both countries. All grant assistance was terminated and none has been resumed except for modest military training programs.

In 1966 the embargo was modified to permit the sale to both countries of nonlethal end-items such as communications, medical, and transportation equipment.

In 1967 the policy was further modified to permit the sale of ammunition and spare parts for those items of military equipment, such as aircraft and tanks, provided by the United States prior to the 1965 Indo-Pakistan conflict. A one-time exception to the continuing embargo on lethal equipment was announced in October 1970. This authorized the sale to Pakistan of 300 armored personnel carriers and about 20 aircraft.

This policy on military supply to Pakistan has been based on the judgment that it is desirable for the United States to continue to supply limited quantities of military items to Pakistan to enable us to maintain a constructive political relationship. We have also wanted to insure that Pakistan is not compelled to rely exclusively on other sources of supply.

The Government of Pakistan purchases munitions list items either through the foreign military sales (FMS) program or commercially from the manufacturer or distributor. Items under the FMS program are purchased either from stocks which are under direct Department of Defense control or from the Defense Department's commercial contractors. All equipment either obtained commercially or delivered under the FMS program to Pakistan Government

representatives in the United States must be licensed for export by the State Department's Office of Munitions Control before it may be exported.

There are also items which are common to military as well as civilian use (such as certain automobile and truck spare parts) which are not on the munitions list, but which may require a Department of Commerce license.

In light of the outbreak of fighting in East Pakistan on March 25–26, we have taken certain interim actions with regard to military supply for Pakistan. While no formal embargo was imposed, the following interim actions were taken in early April:

(*a*) A hold was put on delivery of FMS items from Department of Defense stocks; no such items have been released to Pakistan since then.

(*b*) The Department of State's Office of Munitions Control has suspended the issuance of new licenses and renewal of expired licenses (valid for 1 year) for items on the munitions list—for either FMS or commercial sales.

(*c*) We have held in abeyance any action on the one-time exception arms supply offer announced last October; no item in that offer has been delivered to Pakistan or its agents, and nothing is scheduled for delivery.

By early April, when these interim actions were taken, the Government of Pakistan or its agents had obtained legal title to, and were in possession of, some items still physically in the United States. In addition, DOD commercial contractors under the FMS program, and other commercial suppliers, continued to utilize valid licenses issued before the actions taken in early April. Some of these items, legally the property of the Government of Pakistan, have been shipped to Pakistan from U.S. ports and it is likely that additional military supplies, under valid licenses, will be shipped in the future.

Our overall military supply policy toward Pakistan continues under close review.

INDO-AMERICAN RELATIONS

Mr. ROYBAL. You know that Pakistan's military action in East Bengal has driven 6 million refugees into India causing serious threat to India's economic, social, and political stability. Since India is directly affected in this way, what do you think will the consequences be on Indo-American relations of this policy of supplying arms to the Pakistani military junta?

Secretary ROGERS. Indian reaction to the arms shipments was quite sharp and our relations with India have become more difficult. We have explained our policy fully to the Government of India, stressing that no arms in the usual sense—that is, no lethal end items, such as guns, aircraft, tanks—have gone to Pakistan since 1965 and that the only items leaving the United States now were delivered from U.S. stocks or licensed for export before March 25. We have explained that we believe imposition of a complete embargo would limit our ability to pursue quiet diplomacy with the Government of Pakistan looking toward a political accommodation in East Pakistan.

INDIA/PAKISTAN

Mr. ROYBAL. What will you do if India, to protect her own interests, decides to use force to stop our military equipment from reaching Pakistani ports? Will you intervene to get involved in another far-off war?

Secretary ROGERS. That, of course, is a situation we will have to face depending on the circumstances. The spare parts and nonlethal military end items which have been shipped since March 25 are the property of the Government of Pakistan and are on board Pakistani ships I am sure the Government of India realizes how sensitive Pakistan would be to any effort by India to use force to stop these ships. In the event of hostilities, the United States would work through the

United Nations, as it did in 1965, to try to achieve a cease-fire and reestablishment of peaceful conditions.

MILITARY ITEMS ON THE "SUNDERBANS" AND "PADMA"

Mr. ROYBAL. A ship can carry a good quantity of military stores. Several ships have gone and your spokesman says several more will be going. What exactly is going on all these ships?

Secretary ROGERS. I would like to insert in the record the total value of munitions list items licensed and declared as loaded on the *Sunderbans* which sailed from New York on May 8 and the *Padma* which sailed from New York on June 22. The abbreviation C.P.A. & A. stands for "components, parts, accessories, and attachments."

(The information follows:)

Category	Value	
	Sunderbans	Padma
Components, parts, accessories, and attachments:		
Artillery	$4,300	$49,368
Vessels	35,897	45,117
Tanks and vehicles	158,668	184,187
Aircraft	767,077	924,239
Protective personnel equipment	5,551	
Military electronics	18,745	25,417
Sighting and fire control equipment	6,375	
Ammunition and pyrotechnics		2,830
Total	996,613	1,231,158

The ammunition carried on the *Padma* consisted of .22 caliber cartridges and illuminating shells, both for use in air force survival kits used by downed airmen.

PAKISTAN

Mr. ROYBAL. I understand that in the past we gave billions of dollars worth of arms to Pakistan to make it our military ally against Communist aggression. We have also given billions to that country in economic assistance. For all that how much leverage, how much influence do you exercise in that country? If you do exercise some, why don't you use it to restore a civilian government of popularly elected leaders of the people?

Secretary ROGERS. The precise amount of military aid which we provided Pakistan before the Indo-Pakistan conflict of 1965 is classified. It would be an exaggeration, however, to describe it in terms of billions of dollars. This military aid afforded us a certain measure of influence in Pakistan during the 1950's and halfway through the 1960's, but after the termination of grant military supply in 1965, that influence declined.

We have provided billions of dollars worth of economic assistance to Pakistan—over $4 billion, to be more precise. Economic assistance, however, is not extended for purposes of political leverage, but rather for economic development purposes. Our large aid program has enabled us to engage in joint planning relevant to development activities in Pakistan but—properly so—not beyond that area of common economic concern.

What influence we now have, we are trying to use in the continuing dialog with the GOP on matters of common concern. The dialog has not been unproductive. The GOP has taken steps to restore peaceful conditions and work toward a political settlement in East Pakistan. In an address to the nation June 28, President Yahya reaffirmed his intention to transfer power to the elected representatives of the people.

MILITARY SUPPLIES FOR PAKISTAN

Mr. Roybal. Do you have any guarantee or are you satisfied that none of the military supplies—spares and the rest—that are being shipped to Pakistan even after March 25 will be used against unharmed civilians in East Pakistan?

Secretary Rogers. Under the terms of our military agreements with Pakistan, military equipment supplied from the United States can be used for various stated purposes, including internal security. Our spokesmen, however, have expressed our concern over the reported use of some American weapons in East Pakistan and we have done so privately to the Government of Pakistan as well. We would view any future use of American military equipment in East Pakistan with great concern. We do not exercise control over military sales after they have been turned over and shipped by the purchaser, but we would not anticipate that any supplies shipped after March 25 would be used against unarmed civilians in East Pakistan, especially considering the efforts underway to restore peaceful conditions there.

Mr. Roybal. Do you feel that Indians are justified in wondering whether we have been fully honest in our dealings with them? Why was the Indian Foreign Minister not told straightforwardly—why was the Congress not told for that matter—that despite the ban arms would continue to go to Pakistan? At least you could have avoided the credibility gap that now exists.

Secretary Rogers. We realize there have been misunderstandings over the application of our military sales policy toward Pakistan and over the terminology used in explaining it. This was the case in our discussions with the Indian Foreign Minister as well as in some of our public statements. We have since clarified our policy in detail both to the Indians and and to the Congress and American people.

Although no formal embargo was imposed on supply of military equipment to Pakistan following the outbreak of the civil strife in East Pakistan, an administrative hold was placed on deliveries of FMS items direct from Department of Defense stocks. Also, the Office of Munitions Control of the Department of State suspended the issuance of new export licenses and the renewal of expired licenses for items on the munitions list. Items for which the Government of Pakistan had obtained legal title, directly or through its agents, prior to these interim actions in early April have been shipped subsequently; also some items supplied by DOD commercial contractors under the FMS program and by direct commercial suppliers have been shipped under valid licenses issued prior to these actions. It is probable that some additional military supplies, under valid licenses, will be shipped in the future.

Mr. ROYBAL. I understand that our economic assistance to Pakistan is continuing. Exactly how much are we giving them? In what form and how much are we likely to give them, say, in the next year or so. What are the chances of this assistance being utilized for military purposes, to suppress the people of East Pakistan and to undo the results of the general election held there in December last?

Secretary ROGERS. The status of our AID program is described in the enclosure.

The expenditure of AID funds is carefully monitored, and any use thereof for purposes other than those for which the loan or grant was intended would be immediately brought to the attention of the Pakistan Government. We do not believe any U.S. economic assistance is being utilized for improper purposes.

(The information follows:)

STATUS OF U.S. ECONOMIC ASSISTANCE TO PAKISTAN

How much was allocated to the GOP in fiscal year 1972?

For fiscal year 1971 we programed for Pakistan $7 million of technical assistance, and a development program lending base of $80 million with the possibility of making an additional $20 million of program funds available if certain economic reforms were undertaken. Furthermore, we were planning on an $80 million Public Law 480 program, including primarily food grain. Under a continuing special agreement we also planned to provide support as required for the Indus Basin Development Fund.

As of March 25 and the outbreak of civil strife, how much had been committed?

The United States has been continuing its previously financed on-going economic assistance programs in Pakistan, except where disrupted by recent events in East Pakistan. In terms of this year's overall assistance program about $6 million of technical assistance had been committed by March 25. In addition, we had signed our annual Public Law 480 agreement.

What economic aid has been furnished since March 25?

Since March 25 we have provided $20 million for the multilateral Indus Basin Development Fund, administered by the World Bank, under a longstanding agreement. We were here responding to the annual call for assistance by the World Bank to the various signatories of the agreement.

Since the outbreak of civil strife, we have made no new major commitments of bilateral development aid. We have signed three grant agreements for relief and rehabilitation in East Pakistan, as follows:

(*a*) $1 million to help Pakistan finance the chartering of foreign coastal and river vessels, with foreign crews, to transport food grain and other supplies from the congested ports of East Pakistan to the area devastated by the cyclone last November, where acute shortages now prevail.

(*b*) $1 million for the financing of similar charters for use throughout East Pakistan.

(*c*) $4.7 million—the remaining amount left in the congressional appropriation of $7.5 million for relief and rehabilitation in the cyclone area—for the construction of low-cost housing, cyclone shelters and protective coastal embankments.

What projects (and programs) in West Pakistan and East Pakistan were disrupted by this civil war and what projects are still functioning?

This fiscal year we are providing about $6 million of technical assistance, concentrating on projects in the fields of agriculture, family planning, and education. Under these projects we finance U.S. specialists and a limited amount of commodities which are necessary for the implementation of the projects. Since March 25, we have been able to continue the projects already underway in West Pakistan; but, for the time being, since many AID and other U.S. Government personnel had to be withdrawn from East Pakistan, we have not been able to continue our project activities in East Pakistan. We plan to return some tech-

nicians to East Pakistan when conditions permit to work on plans for resuming our projects.

In West Pakistan, financed from previous fiscal years, we have five ongoing development loan projects, most of which are nearing completion, in the transport, agriculture, and power sectors. A total of about $7 million of assistance provided under these projects in previous years has not yet been used. In the same sectors, the United States is financing another 12 projects in East Pakistan. A total of about $14 million of assistance provided under the east wing projects has not yet been used. Virtually all of our project activities in East Pakistan have been disrupted by events and the withdrawal of AID financed technicians. One contractor working on highway bridges has continued some operations under difficult conditions. In addition, there are some previously committed funds available for use in an AID loan for financing consulting services for both wings of the country.

In the past we have also made development loans to Pakistan for the purchase of industrial and agricultural raw materials and spare parts. There is about $20 million from last year's commodity loan which is currently available for use by Pakistan importers. Since the disturbances there has been a significant slow down in the use of these funds.

In November 1970, the United States signed an $80 million Public Law 480 agreement with Pakistan, including 720,000 metric tons of wheat for East Pakistan. About 350,000 metric tons of this wheat has been shipped to the east wing. Because of unforeseen requirements in West Pakistan early this calendar year and the congestion of the East Pakistan ports caused by the recent conflict, around 200,000 metric tons of this wheat was diverted mostly to West Pakistan. The remaining 170,000 metric tons is being held in the United States until Pakistan's port situation improves. The United States also has authorized an additional 150.000 metric tons of food grain specifically for the November cyclone victims, which will be available for shipment from the United States as soon as conditions permit the distribution of the grain to and in the cyclone disaster area.

The United States and eight other consortium donors contribute to the Indus Basin development project which was established through multilateral agreements of 1960 and 1964. This project, administered by the World Bank, has provided for an equitable division between India and Pakistan of the waters of the Indus Basin, thus relieving a critical source of friction between the two nations. It also provides irrigation for over 50 million people in Pakistan and India. During fiscal year 1971, U.S. contributions to the project will total $20 million.

Does the United States plan to commit the remaining fiscal 1971 aid funds soon?

No decision has been made with regard to commitments of additional development loans for Pakistan. The IMF and IBRD are now reviewing the situation in Pakistan and are expected to report their views to the consortium shortly. This evaluation of the country's economic situation and assistance requirements will be an important factor in our decision on future development lending. When we consider the question of new development lending for Pakistan we will take into account, in addition to normal legislative criteria, the changed circumstances, especially Pakistan's ability to implement an effective development program in both East and West Pakistan.

AID TO REFUGEES

Mr. ROYBAL. As I look at our policy we give military and economic assistance to Pakistan, which uses it to kill and drive away the Bengalis, millions of whom flee to India. And then we give India money to look after the refugees. Isn't it like throwing away good money after the bad?

Secretary ROGERS. We, too, are concerned about the use of United States-provided military equipment in the civil strife in East Pakistan and have expressed our concern to the Pakistan Government. We do not, however, think that our economic assistance has been employed in an improper manner in East Pakistan.

We do not believe that the relief assistance we are extending the refugees should be characterized as a "throw away." The assistance is required for clear humanitarian purposes. In our judgment it has been utilized effectively to alleviate distress in the unfortunate circumstances in which the refugees now find themselves.

RELATIONS WITH ASIAN COUNTRIES

Mr. ROYBAL. America's relations with Asian countries, with one or two exceptions, are relations with military governments. Perhaps that is why there is so much distrust of America among Asian peoples. If East Pakistan does become independent Bangla Desh—and many believe it will—how do you think the people of that country will feel toward Americans after having borne the brunt of American arms for months, or maybe years?

Secretary ROGERS. Although we view what is going on in Pakistan as essentially an internal matter, our spokesmen have expressed our concern over the reported use of some American weapons in East Pakistan. Few American arms appear to have been used in East Pakistan, however, and materiel from many other sources, including China, the U.S.S.R., Western Europe, and domestic production has been observed. Resentment by the people of East Pakistan over the use of arms against them would certainly be directed more toward the martial authorities who employed the armed force than toward various foreign countries which may have supplied the arms used.

EAST PAKISTAN REFUGEES

Mr. ROYBAL. What is the administration's own thinking on the ultimate solution to the problem so that refugees can return to their homes in East Pakistan?

Secretary ROGERS. We continue to view this as essentially an internal matter to be decided by the Pakistanis themselves, and therefore have not suggested any specific formula to resolve the problem. We have emphasized our belief, however, that it is important that every feasible step be taken to restore peaceful conditions and achieve a political accommodation which takes into account the sentiments of the people of East Pakistan.

CONFIDENCE AMONG REFUGEES

Mr. ROYBAL. The Indian Foreign Minister during his recent Press Club address spoke about establishing refugee camps on the Pakistan side of the border so that refugees could be transferred from India to those camps pending rehabilitation in their own homes in East Pakistan. He added that to persuade refugees to go to these camps with a degree of confidence the camps should be administered by an international organization or by the refugees themselves under international supervision. What do you think of that idea?

Secertary ROGERS. We agree with the Indian Foreign Minister that it is important to do everything possible to create confidence among the refugees in the rehabilitation arrangements in Pakistan so that they will return. The Government of Pakistan has already established a number of camps for returning refugees, which is an important step in this process. The U.N. relief effort in East Pakistan is now being

organized, and I would hope that it would include some provision for assisting in the rehabilitation process. While the U.N. probably would not run any camps—just as it is not running any camps in India—it might be associated with the whole process in a way that would increase the confidence of the refugees that they would be well treated.

AID TO PAKISTAN

Mr. ROYBAL. You show a disinclination to use aid as a leverage against Pakistan. At the same time you want to continue giving aid in order to maintain influence with its military leaders; in other words, you are giving aid to obtain a leverage in Pakistan. How do you reconcile these two statements?

Secretary ROGERS. It is true that we do not propose to use economic aid for political purposes. We are continuing ongoing aid activities and will extend new aid purely for development purposes, in accordance with the intent and criteria of the Foreign Assistance Act. Some have proposed that we suspend aid but we have not agreed with this advice. We are not giving aid for the purpose of obtaining political leverage with Pakistan but rather to help fulfill justified development objectives. We are, of course, aware that the provision of substantial economic aid engenders influence with the recipient government, and we would like to be able to continue to influence constructive courses of action in Pakistan through a continuation of assistance where development grounds exist.

Mr. PASSMAN. Mr. Riegle?

AMERICAN PRISONERS IN VIETNAM

Mr. RIEGLE. With regard to the prisoner of war question, precisely what kind of commitment does President Nixon want North Vietnam to give on releasing the prisoners before he would consider setting a deadline for the withdrawal of American troops from Vietnam?

Also, would the President accept a DRV–NLF offer to release all American prisoners by a specified date if the United States reciprocated by setting a deadline for total troop withdrawals?

Secretary ROGERS. The President stated on April 29 that a total American withdrawal "will have to be delayed until we get not just the promise to discuss the release of our prisoners, but a commitment to release our prisoners." He also stated that we will retain a residual force in Vietnam until the South Vietnamese have at least a reasonable chance to defend themselves. The President noted on April 29 that our retention of a residual force with respect to PW's will be of indefinite duration. "If the North Vietnamese are so barbaric that they continue to hold our PW's * * * then we are going to keep a residual force no matter how long it takes." He stated that our retention of a residual force with regard to the ability of the South Vietnamese to defend themselves is not of indefinite duration—"We have a very good idea when that will occur."

These are the considerations which govern our attitude toward a total withdrawal of American forces.

U.S. TROOP WITHDRAWALS IN VIETNAM

Mr. RIEGLE. The President has said that he does not plan to keep a Korea-type residual force in Vietnam indefinitely and that his goal is the withdrawal of all American forces. Does he intend to give any leadtime, say 6 or 9 months, in announcing when he expects to withdraw the last U.S soldier and will U.S. air operations against the Ho Chi Minh Trail cease at that time?

Secretary ROGERS. The President has said that he would announce a further schedule of troop withdrawals in November of this year. He has also said that the goal is total American withdrawal from Vietnam. We are unable at this time to foresee the nature of future announcements on this subject.

RELEASE OF U.S. PRISONERS

Mr. RIEGLE. Specifically, what evidence do you have that in the discussions following the announcement of a U.S. troop withdrawal deadline the Communists would demand additional concessions for the release of American prisoners and what new concessions do you think they would demand?

Secretary ROGERS. In their official statements prior to July 1 the other side continuously linked actual release of our prisoners of war, as opposed to mere "discussion" of the question, with the settlement of the war on the basis of their political demands.

The clearest enunciation of this position was made by chief North Vietnamese negotiator Xuan Thuy April 15. Recalling North Vietnamese demands for (1) announcement of a withdrawal date, (2) cessation of "encroachments on the sovereignty" of North Vietnam and (3) removal of the present Saigon Government, he said, "If you give a response rapidly and positively to these three points, then a rapid return home will be possible for captured military personnel and for the personnel now participating in the war." The chief Vietcong negotiator, Madame Binh, said at the same session, "In order to settle the question of captured military personnel it is necessary to settle the problem of the cessation of the war," and that the U.S. Government should rapidly withdraw American troops and renounce the Thieu Government so that captured American military personnel could "go back rapidly" to their homes.

The seven points put forward by PRG negotiator Madame Binh on July 1 and subsequent statements by North Vietnamese politburo member Le Duc Tho and others commenting on these proposals have raised a question as to whether the other side's position on these matters has changed. We are studying these statements by the other side, and our negotiators in Paris are probing these points.

VIETNAMESE RELEASE OF FRENCH POW'S

Mr. RIEGLE. Would you care to comment on North Vietnam's record on releasing French POW's within 2 months after the 1954 Geneva Conference, especially since North Vietnam cites this to indicate their willingness to release American POW's in exchange for a deadline?

Secretary ROGERS. According to French sources, all French POW's

were released by the beginning of October, 1954, less than 3 months after signature of the Geneva Agreements of 1954. The record shows that a certain number of Indochinese personnel, mostly Vietnamese, who had fought with the French Union Forces, as well as some personnel of the French Foreign Legion, remained in North Vietnam after the end of the hostilities. North Vietnam claimed and the French have acknowledged that many Indochinese who had fought with the French joined the Viet Minh armed forces. Other groups of various national origin also stayed longer in North Vietnam and were repatriated to their countries of origin in Africa or Eastern Europe. However, in the judgment of French officials, all French prisoners of war were in fact released within the 2-month time frame or shortly thereafter.

VIETNAM

Mr. RIEGLE. After American troops have left South Vietnam, what role do you envisage for the United States in the war? How much military and economic assistance will the United States have to continue giving South Vietnam and is it possible that at some point in the withdrawal process, the United States will leave the Paris talks?

Secretary ROGERS. Our policy with regard to our role in the Vietnam war and our economic and military assistance to the Government of Vietnam following withdrawal of our forces will be governed by our intention to give the South Vietnamese a reasonable chance to defend themselves. There are no plans for the United States to leave the Paris talks during the withdrawal process.

CONGRESSIONAL-EXECUTIVE RELATIONS

Mr. RIEGLE. The recent publication of the Vietnam history indicates that Congress was frequently not kept fully informed of, much less consulted on, important foreign policy decisions, and congressional-executive relations have reached a low point. What machinery or procedures would you suggest to bring about an improvement in the process of informing and consulting Congress on foreign policy matters?

Secretary ROGERS. I would like to quote from my statement of May 14, 1971, before the Senate Foreign Relations Committee when I testified on the subject of "Congress, the President and the War Powers." At the conclusion of that testimony I said:

> First, we are prepared to explore with you ways of helping Congress reinforce its own information capability on issues involving war and peace. For example, I would be prepared to instruct each of our geographic assistant secretaries to provide your committee on a regular basis with a full briefing on developments in his respective area, if you believed this would be helpful. Regular and continuing briefings would enable the committee to keep abreast of developing crisis situations. This would be in addition to the numerous official and informal contacts which regularly take place between members of the two branches. Second, there needs to be effective consultation between Congress and the President, and we have tried to follow this policy. It is not only Congress that is weakened by a lack of consultation. Our Nation's foreign policy is itself weakened when it does not reflect continuing interaction and consultation between the two branches.

MIDEAST

Mr. RIEGLE. What is the current status of the military balance between the Arab States and the State of Israel, both from the standpoint of the sophisticated level of military hardware and from the

standpoint of military preparedness? Is there any present need to adjust the military balance in the Middle East?

Secretary ROGERS. In purely numerical terms, the Arab states have more equipment in certain categories—for example, in aircraft—than Israel which has only one-tenth of the population of Egypt alone. Israel, in fact, does not seek numerical parity. This does not mean, however, that Israel is at any overall military disadvantage with respect to its defensive capability vis-a-vis its Arab neighbors. Its principal assets are: (a) The quality of its manpower, disciplined, educated, and highly trained and motivated, (b) its growing domestic arms industry, increasingly supplying its own needs, (c) the high quality of its materiel and its excellent state of maintenance, and (d) our firm determination to maintain the military balance in the Middle East. That balance has been successfully preserved by us up to the present time, as prominent Israelis have themselves acknowledged. We shall keep the situation under continuing review.

SUEZ CANAL

Mr. RIEGLE. What is the present status of your efforts to arrange an interim settlement on reopening the Suez Canal in conjunction with a partial Israeli withdrawal? Also, what is your assessment of the possibilities of achieving a partial or interim settlement along the Suez ceasefire line, and what is your assessment of the possibilities of further hostilities should the Suez negotiations collapse?

Secretary ROGERS. Since the trip to the area in May, we have had numerous further contacts with both Israel and the United Arab Republic. We now have a very clear idea of the positions of the parties—where the differences are, and where there are elements of commonality. We continue to believe an interim agreement is possible, although the differences between the two sides should not be underestimated. We are now giving thought as to how the pace of diplomatic efforts can be accelerated. The trip to Cairo by two U.S. diplomats, which has been reported widely in the press, is part of our continuing effort.

All sides recognize that a resumption of fighting would be costly and dangerous. If the negotiating process does not move forward, however, the risks of a breakdown of the ceasefire will inevitably grow.

U.S. ALLIANCE IN THE MIDDLE EAST

Mr. RIEGLE. Are there any secret or unpublished military or political commitments or alliances between the United States and any nations in the area of the Middle East which would provide for any U.S. involvement in war or hostilities, and do you believe it would be in the interests of the United States to enter into any such defensive or protective alliances or commitments with any nations in the area of the Middle East?

Secretary ROGERS. There are no secret or unpublished military or political commitments or alliances between the United States and any nations in the area of the Middle East which would provide for any U.S. involvement in war or hostilities. The interests of the United States in the Middle East, we continue to believe, are best served by our active diplomatic efforts to obtain peace in the area and by main-

taining the best possible relations with all Middle Eastern states. We believe as well that the security interests of our friends in the area and the general cause of stability there are well served by the military supply relationships presently existing between us. In the present no-war, no-peace situation, we do not believe it would be in the interest of the United States to enter defensive or protective alliances or commitments with any nation party to the Arab-Israel conflict.

TREATY OF FRIENDSHIP BETWEEN SOVIET UNION AND EGYPT

Mr. RIEGLE. What is your assessment of the so-called Treaty of Friendship between the Soviet Union and Egypt signed on May 27, 1971?

Secretary ROGERS. We believe it is still too early to judge the practical effects the treaty will or will not have on Soviet-United Arab Republic relations and on Middle East peace efforts. As the President has indicated, we will be watching particularly closely to see whether the treaty leads to increased Soviet arms supplies to the United Arab Republic. As yet, we have no evidence of such an increase. We are, of course, according continuing attention to other implications of the pact for our own on-going peace efforts and for both the Soviet and U.S. positions in the Middle East. We do not discount its potential political and military implications. The Egyptians have assured us, however, that they continue to wish to pursue an interim agreement on reopening the Suez Canal with our diplomatic help.

SALT TALKS

Mr. RIEGLE. In May President Nixon announced there had been a significant development in breaking the deadlock in SALT (Strategic Arms Limitation Talks). Could you elaborate on the significance of this breakthrough and tell us to what extent progress has been made since that time?

Secretary ROGERS. President Nixon's May 20 announcement represented a decision taken at the highest levels of the United States and U.S.S.R. Governments, to provide a political framework within which the talks could progress. Prior to the announcement the SALT negotiations had been making progress on a technical level but had lacked this political impetus. The Soviets wanted to work on an ABM-only agreement before moving on to negotiation of offensive limitations, while the United States was pressing for negotiations of both offensive and defensive limitations. The U.S.-U.S.S.R. statement of May 20 broke this conceptual stalemate.

SALT V has just opened in Helsinki (July 8). During the recess between the Vienna and Helsinki phases (6 weeks), U.S. positions were developed consistent with the framework for negotiation provided by the May 20 announcement.

BERLIN

Mr. RIEGLE. Recent reports state that there is optimism on the subject of reaching an agreement with the Soviet Union over Berlin. Could you comment on the status of the current negotiations, and

what are the remaining friction points between the Western position and the Soviet position?

Secretary ROGERS. ———.

ADMISSION OF CHINA TO THE U.N.

Mr. RIEGLE. What are the prospects for Communist Chinese admission at the U.N. General Assembly session this fall and how has the U.S. position changed during this administration?

Secretary ROGERS. Last fall the U.N. General Assembly again reaffirmed although by a smaller margin than in recent years, that any change in the representation of China is an "important question," one requiring the accord of two-thirds of the membership for decision. The resolution which sought to seat Peking's representatives and expel those of the Republic of China thereby once again failed to obtain the votes necessary for passage even though it did for the first time receive a simple majority of two votes. There were 25 abstentions on that vote, and we understand that some governments voted for the Albanian resolution or abstained because there was no other more reasonable alternative.

We are aware that there is much sentiment in the United Nations in favor of Peking's entry. However, it is not merely a question of whether Peking should be permitted to dictate the terms of its participation. The People's Republic of China has long insisted that the Republic of China be voted out before it will consider coming in, and that view has recently been reiterated. We do not believe that a majority of the members favors the expulsion of the Republic of China, which has functioned as a responsible and constructive member of the organization since its founding. The United States certainly does not.

Our policy on the Chinese representation issue is presently undergoing high-level review by the administration. No decisions have been reached yet except that we will continue to oppose attempts to expel the Republic of China from the United Nations. On that point our position is clear, and we consider it would be most unfortunate if the Republic of China and the 14 million people on Taiwan were deprived of their representation in the United Nations. We have been in consultation with a number of our allies on this issue, and we are actively seeking to determine whether there is or can be a broad international consensus on how this issue should be settled on a fair and reasonable basis.

On June 1 the President indicated that we were examining a number of options open to us and that the process would take about 6 weeks. Then we would be able to decide what position we should take at the United Nations this fall and to make an announcement about it.

MEDITERRANEAN

Mr. RIEGLE. Would you care to comment on the present political trend in the Mediterranean: two anticommunist dictatorships, Spain and Greece, actively seeking improvements in their relations with the Soviet Union and Eastern Europe, Archbishop Markarios' of Cyprus recent visit to Moscow where he received a warm welcome and the recent elections in Malta which saw a victory for the Labor Party?

Secretary ROGERS. We do not regard the developments cited as forming part of a single political trend in the Mediterranean area, as such.

SPAIN

Ever since the late 1960's, the marked coolness toward the U.S.S.R. and Eastern Europe that characterized Spanish foreign relations since the Spanish Civil War began to thaw. Within the past 2 years, Spain has entered into commercial and consular relations with Romania, Poland, Hungary, Bulgaria, and Czechoslovakia. There is also a Soviet maritime mission in Spain in implementation of an agreement between Spanish and Soviet representatives signed in 1969 to accord reciprocal port facilities to their respective merchant vessels. As agreement was concluded last year for the exchange of Soviet and Spanish news agency representatives. The number of visiting Soviet and East European commercial, cultural, scientific, and sports delegations has markedly increased over the past few years. The Spanish are likely to continue their efforts to expand relations with Eastern Europe, and full diplomatic relations with at least a few of the Eastern European countries might well be established within the next year or two. Spain's interest in improving relations with Eastern Europe is based on economic and political considerations. Eastern Europe offers important markets for Spanish industrial products. Moreover, Spain desires to play a bigger role in foreign affairs and wants the same type of relations with the bloc that other Western European countries have.

GREECE

For a number of years Greece has actively sought improvement in relations with the Soviet Union and Eastern Europe. We do not believe that Greece's efforts in that direction imply any weakening of Greece's commitment to NATO or to the West in general. In fact the course currently being followed by Greece is congruent with out own efforts to reduce interbloc tension and improve relations with Eastern Europe. Greece's activities in this direction lag behind those of most other Western European countries.

CYPRUS

President Makarios made a week-long visit to the Soviet Union June 2–9. The visit was a dual one: As the Cypriot head of state he was officially received by the Soviet Government and held a series of discussions with Soviet leaders; as head of the Church of Cyprus he attended the installation ceremonies of the new Russian Orthodox patriarch. This was President Makarios' first visit to the Soviet Union. He has visited the United States twice—in June 1962 and October 1970. The Government of Cyprus has, since achieving independence in 1960, followed a nonalined foreign policy. As a small island in the strategically important Eastern Mediterranean and as a center of some dispute between its neighbors, Cyprus has felt its interests best served by such a policy of nonalinement. Traditionally, however, the Cypriot people are culturally, socially, and emotionally oriented toward the West. We feel that President Makarios' visit was a reflection of his Government's policy of nonalinement, rather than a departure from

it, and represents no shift toward the East. The joint communique issued at the conclusion of the Moscow visit itself reflects no basic changes in policy, either from the Cypriot or the Soviet point of view. Thus, the Soviet side reaffirmed its support for the independence, sovereignty, and territorial integrity of Cyprus. The Cypriot side, in like manner, reaffirmed existing policy stances on various international issues.

MALTA

It would not be appropriate for me to comment on the outcome of the elections in Malta, but this, too, is a reflection mainly of local issues and concerns and does not, in our view, relate to an overall regional pattern.

JUNTA IN GREECE

Mr. RIEGLE. A report issued by the Senate Foreign Relations Committee in February on the situation in Greece quotes a Greek critic of the regime as asking "Is the junta deceiving the Embassy, is the Embassy deceiving the State Department or is the State Department deceiving the Congress?" in connection with the State Department statement made at the time of the announcement of the lifting of the arms embargo in September 1970 that "the trend toward a constitutional order has been established * * *." Would you care to comment on that?

Secretary ROGERS. When the partial arms embargo on heavy arms shipments to Greece was lifted in September 1970 we were able to say that a "trend toward constitutional order has been established." As the announcement made clear, our assessment of the internal situation in Greece was not a consideration in the decision to remove the embargo. That decision was made solely in the light of compelling security factors. Notwithstanding, the situation which prevailed in Greece in September 1970 was quite different from that which had obtained 1 year earlier, a new constitution had been promulgated, a substantial number of the articles of that constitution had come into force. Large numbers of political detainees had been released. In April 1970 the Prime Minister had publicly outlined a program which called for the promulgation by the end of the year of all the institutional laws necessary to the implementation of the constitution. A "trend" was discernible. Since then, and although most of the political detainees were released and all the institutional laws were published by year end as promised, movement toward the restoration of a constitutional order has slowed considerably. The slackening of progress toward the regime's self-proclaimed goal of restoring representative government is regrettable. Although we have been disappointed we will continue to urge the Greek Government to move more rapidly toward parliamentary rule.

AZORES BASES

Mr. RIEGLE. Critics of Portuguese policy in Africa claim that the United States has remained relatively silent on the subject because of the leverage Portugal has over us on the question of the bases in the Azores. Exactly how useful are the Azores bases to us? It has also been reported that negotiations over a new lease for the bases would

begin after the signature of the Spanish bases treaty in 1970. Are negotiations currently being held? What are the Portuguese conditions, and what are our terms?

Secretary ROGERS. ———.

SPAIN AND NATO

Mr. RIEGLE. News reports state that the United States is pushing for more formal ties between Spain and NATO. Which countries are objecting to Spanish membership or closer ties, and what are their objections?

Secretary ROGERS. We have made it clear to our allies that we believe Spain should be linked with NATO because of the role it could logically play in the integrated defense of the European continent. Several of the European allies find any form of Spanish association with NATO unacceptable because of the animosity toward General Franco's government that goes back to the Spanish Civil War.

SHARING COSTS OF NATO FORCES

Mr. RIEGLE. Many Europeans feel that a credibility gap has arisen between the Nixon administration and NATO allies. They claim that the administration asserted it was satisfied with the Euro-groups' proposal to increase its NATO contribution by close to $1 billion over the next 5 years after the NATO ministerial meeting last December. And yet, after the debate on the Mansfield amendment, it was said that the debate had served the purpose of strengthening our position with allies on sharing the cost of our NATO forces in Europe. Would you care to comment on that?

Secretary ROGERS. First, we were certainly heartened by the decision of our allies to embark on a billion dollar program to improve NATO defenses. We view this as an important step to improve the common defense posture and as a step to be built upon in the future.

Second, this billion dollar program over a 5-year period should be seen in perspective. It is an extra commitment on top of already very substantial defense expenditures by our European allies, totalling about $24 billion a year.

We would like to see the allies maintain and improve upon these contributions. At the same time, they would like us to maintain ours. They are, of course, aware of congressional attitudes on U.S. troops and expenditures in Europe, and follow this matter closely. There is no credibility gap involved.

NATO COMMUNIQUE

Mr. RIEGLE. Certain critics feel that the NATO communique in Lisbon was overly cautious in its response to the Soviet Union on the proposal for MBFR's. Would you care to comment on that?

Secretary ROGERS. Three years after its initial offer to discuss MBFR, NATO is glad to have received a response from the U.S.S.R. and intends to move as soon as may be practical to negotiations.

NATO, with France abstaining, first invited the Warsaw Pact to discuss mutual and balanced force reductions in 1968, on the occasion of the NATO Ministers' meeting at Reykjavik. NATO reiterated this

invitation prior to the June 1971 ministerial meeting at Lisbon. At its latest ministerial meeting, NATO welcomed the recent Soviet responses indicating the U.S.S.R.'s interest in considering reductions of armed forces and armaments in central Europe. NATO agreed to intensify explorations with the U.S.S.R. and other interested states. Moreover, NATO announced that it was willing to name a representative or representatives to work on behalf of the alliance to lay further groundwork for negotiations.

NATO will meet in the fall at the deputy foreign ministers level to consider the results of explorations to date and to decide on further steps.

SECURITY AND RELATIONS WITH CONGRESS

Mr. PASSMAN. As we drop the curtain, Mr. Secretary, we want to be extremely courteous because we know you have many, many problems. On this opinion handed down yesterday, in all probability a little material given to this committee from time to time, if it leaked out could be embarrassing. I would think this may be a takeoff for some very frighthening things to happen in the future.

I wonder if you, too, are worried about that, not for the present but what may happen in the future when this classified material has begun to be unrolled and revealed?

Secretary ROGERS. Yes, I am very concerned about it, Mr. Chairman.

Let me talk to you for a moment about relations with this committee, for example.

It seems to me it is important for successful operation of the committee and the Congress and our Department to be able to come up here and talk frankly with established rules.

Mr. ROONEY. If somebody violates them by divulging something, that is going to be the end of that relationship.

In my subcommittee we have never had any problem with regard to the Secretary of State, Director Hoover of the FBI, or anybody else. We have never had one leak. I assure you there were times when we were all well put to it to keep off the record secret testimony.

Secretary ROGERS. That is right. If that rule is violated when it is convenient, when there is great public interest, obviously, as you say, Mr. Rooney, the rule doesn't exist.

I am perfectly glad to come to any committee in Congress as long as I understand the rules. If the rules are it is going to be public, I will talk with that in mind. If I am going to have the right to look over the transcript and eliminate the parts I think I should eliminate for reasons of our national interest, I will play by those rules. But I don't think you can have the rule it is going to be a private session in total confidence and then have part of it leaked. I don't see how you can delete part of the record and then it is leaked, and then if I correct the record, everybody says he is taking out the parts that embarass him or something.

I don't want to do that. I would much prefer to have an arrangement where I can talk with complete candor to this committee.

As a matter of fact at the time when Senator Vandenberg was chairman of the Foreign Relations Committee, you remember that was one of the things that made the Government work very well. The

Secretary of State could go up there. And we have problems because of Vietnam. It is very difficult for me to tell some members things I don't want in the paper because of the emotions.

Mr. GALIFIANKIS. This is what I referred to by the feeling of exclusion. I would want freedom as a Member of Congress to know so I could exercise my best judgment in behalf of my constituency and my country.

Mr. PASSMAN. I assure you, Mr. Secretary, it has been my privilege to serve in the Congress 25 years, on the Committee on Appropriations 23 years and as chairman of this committee 17 years. Maybe with one exception there has never been anything I know of leaked out of this committee.

Secretary ROGERS. That is right.

Mr. PASSMAN. As I stated earlier, I won't even take a classified document out of this room. They are locked up. I don't even want a key to this room because as chairman of this committee it is my responsibility to preside, and it is my responsibility to respect what you call classified. I may disagree, but if you put a secret or classified label on something as far as I am concerned I am going to respect it, and I believe the committee is going to respect it.

One little parcel of material was put out unintentionally. I hope it can be forgotten, and I hope you agree with me, inasmuch as we have concurred previously, that is what you took out of the record, and it was proper to do so and it was necessary to do so. I hope that you concur that that is water under the bridge and we should not try to reverse the flow.

Secretary ROGERS. I would hope so.

Mr. PASSMAN. That is the way it will be, Mr. Secretary, I can assure you.

Secretary ROGERS. What I don't want to be is in the position of trying to cover up. There is nothing to be embarassed about. I think if we are going to have rules, we ought to comply with the rules.

Mr. PASSMAN. That year has passed and we are in a new ball game. Thank you very much, Mr. Secretary and Dr. Hannah.

STATEMENTS OF INTERESTED INDIVIDUALS AND ORGANIZATIONS

Mr. PASSMAN. Before concluding our hearings on the fiscal year 1972 aid program, I would like to insert in the record at this point several statements concerning appropriations presently before the subcommittee.

(The statements follow:)

STATEMENT OF MRS. VIRGINIA M. GRAY, EXECUTIVE SECRETARY, CITIZENS COMMITTEE FOR UNICEF, ON BEHALF OF AN APPROPRIATION FOR THE UNITED NATIONS CHILDREN'S FUND

I am Mrs. Virginia M. Gray, executive secretary of the Citizens Committee for UNICEF. The Citizens Committee for UNICEF is an informal clearinghouse of legislative information serving a number of national organizations which support continued participation by the United States in the United Nations Children's Fund (UNICEF). Some of these organizations send their representatives

to present their views to you. Others, listed below, have authorized this joint statement:

American Association of University Women.
American Baptist Convention, Division of Christian Social Concern.
American Federation of State, County and Municipal Employees.
American Federation of Teachers, AFL–CIO.
American Nurses Association.
American Parents Committee.
American Veterans Committee.
Association for Childhood Education International.
Child Study Association of America.
Child Welfare League of America, Inc.
Church Women United.
Cooperative League of the U.S.A.
Friends Committee on National Legislation.
Industrial Union Department, AFL–CIO.
Jewish War Veterans of the U.S.A.
National Association of Colored Women's Clubs, Inc.
National Association of Social Workers, Inc.
National Council of Jewish Women.
National Council of Negro Women, Inc.
National Education Association, Department of Rural Education.
National Jewish Welfare Board.
Unitarian Universalist Women's Federation.
United Auto Workers.
United Methodist Church—Women's Division of the Board of Missions.
United Methodist Church, Division of World Peace, Board of Christian Social Concerns.
Women's International League for Peace and Freedom.
World Federalists, U.S.A.
YWCA, National Board.

$15 MILLION FOR UNICEF IN FISCAL 1972

Two years ago, when the citizens committee for UNICEF, representing 26 national organizations listed on the preceding page, presented testimony to this subcommittee, our group supported wholeheartedly a request for $15 million as the U.S. contribution to UNICEF. The same organizations now renew their request for $15 million for fiscal 1972. In addition to the organizations supporting the request the previous time, the subcommittee will note that two other important national organizations are joining with us for the first time this year.

Because the exact details of the kind of authorizing legislation on foreign aid which will be recommended this year are not yet clear while this testimony is being prepared—whether it will be for a 3-year authorization for all parts of the President's proposed reorganization of AID, or a 1-year extension to allow the Foreign Affairs Committee more time for a thorough review of the implications of the new AID proposals—it should be pointed out emphatically that the request of $15 million represents the consensus of our groups as a 1-year extension only. UNICEF received contributions from 123 governments other than the U.S. last year. The contributions are continuing to rise and further increases will make it possible for the U.S. to raise its contribution substantially while still remaining with.n the 40/60 matching ratio which the State Department has advocated on a number of occasions.

UNICEF'S 25TH ANNIVERSARY

The United States can take justifiable pride for its leadership, both in the establishment of UNICEF on December 11, 1946, and in its unfailing financial support over these 25 years. During the first quarter century of its existence the Children's Fund has become the best known and most beloved of U.N. organizations. The worldwide respect it commands is due not merely to the sentimental appeal of young children but even more importantly to the sound policies under which it operates: the principle of self-help and the fact of the much

larger contribution governments make from their own resources in support of these programs for children. We can take pride also in the high quality of the leadership from which UNICEF has benefited under the wise guidance of the two Americans who have served successively as executive director from the beginning.

UNICEF'S ACCOMPLISHMENTS

Statistics on the millions of children protected against disease or cured with UNICEF aid, the hundreds of thousands of workers trained, the tens of thousands of health centers equipped by UNICEF and serving as focal points for the training of mothers in homemaking skills, for education in nutrition and sanitation, cannot begin to measure the less tangible benefits that result from UNICEF programs. UNICEF is both the advocate and the supporter of efforts in the developing countries to protect and prepare the oncoming generations.

Yet, in this 25th anniversary year, it seems especially appropriate to enumerate some of the measurable accomplishments:

—UNICEF has equipped nearly 12,000 main rural health centers and 38,000 subcenters in 132 countries, along with several thousand hospital and pedriatric and maternity wards;

—About 2,500 teacher-training schools and 56,000 associated primary and secondary schools have received UNICEF equipment;

—965 prevocational training schools for young people have been equipped, as well as 31 training institutions for instructors;

—Aid has been given to 3,000 women's clubs and 2,500 daycare centers. Around 3,000 childcare centers, youth clubs and orphanages have been aided;

In nutrition programs, over 9,000 school gardens and centers were aided. Over 4,000 nutrition centers, demonstration areas and community gardens have been equipped. Nearly 600 training institutions for nutrition personnel have been helped;

—Nearly *400 million* children were given BCG vaccinations against tuberculosis;

—Approximately 415,000 children were discharged as *cured* of leprosy;

—More than *425 million* children were examined for yaws, and 23 million were treated;

—About 71 million children were examined for trachoma and 43 million were treated;

—Millions of children were fed and clothed immediately following World War II to alleviate suffering in Western Europe. UNICEF continues to provide emergency assistance to child victims of natural catastrophes, wars and civil disturbances, and rehabilitation programs in war-ravaged countries.

UNICEF AND THE GOALS OF DEVELOPMENT

There seems to be general agreement on the importance of economic and social development as the best assurance for world peace yet there is less certainty about the definition of the goals of development. The administrator of the U.N. development program has stated that "the ultimate goals are human . . . what is at stake is the quality of daily life . . . and can only be achieved when each human being has at least a fair chance to claim what should be every man's birthright—enough nourishing food, worthwhile and rewarding work, good health care, and education that will equip him to make the most of his potentials . . ." (Quoted from Paul Hoffman, "A New World in the Morning").

How can this ideal even begin to be attained unless the nations of the world give adequate attention and care to the needs of their children? Much progress is now being made in the developing countries through the efforts of bilateral aid and the multilateral financial institutions in helping to establish the economic programs which make possible an increase in a country's GNP, its national income, and the other measures of material development. Successful as some of these may have been, many segments of the population remain relatively untouched by such progress. The "trickle-down" theory appears to operate much too slowly.

There are areas where the rising expectations of the less developed countries and the consequent desire for instant gratification have contributed to serious new problems. One of the major concerns under discussion at UNICEF's recent executive board meetings was the plight of children in urban ghettoes, the shanty towns without adequate sanitary facilities, without pure water or educational

opportunities, that have sprung up around many cities as untrained rural peoples are lured to the cities in the frequently vain hope of finding good jobs which all too often they are not qualified to fill even where such employment opportunities might exist. Just as UNICEF concern reaches out to isolated rural communities to help the children, so now major efforts must be directed to cope with the newer problems of shanty town children and youth who desperately need help. Thus progress, in meeting some old problems, can actually create new ones!

UNICEF'S NEED FOR FUNDS MERITS SUPPORT

In summary, UNICEF, dependent on *voluntary* rather than assessed contributions for its support by governments, deserves additional support in its effort to meet the most urgent needs of children. We hope the Congress will provide *no less than $15 million* in fiscal 1972 because:

1. UNICEF operates on the fundamental principle of self-help. It acts as a catalyst. Assisted countries match UNICEF aid on the basis of $2.50 for every UNICEF dollars and later assume full responsibility for carrying forward the benefits of the program after the initial UNICEF phase of the work has been completed.

2. U.S. leadership is needed to encourage other donor nations to increase their support (the argument for the 40/60 matching ratio: 40 percent from the U.S. and 60 percent from other donors). In 1970, 124 governments contributed to UNICEF's general resources. Of these, 99 percent of the assisted countries were contributing over and above their internal matching of programs for their own children. India, for example, a country with enormous needs among its own people, is this year raising its unrestricted gift to UNICEF to $1 million, thus becoming one of the top ten donors.

3. A contribution to UNICEF does not contribute to a U.S. balance of payments deficit. In fact, UNICEF spends not only the entire U.S. contribution within the U.S., but also spends here payments in U.S. dollars by certain other donor governments.

4. Most important of all, UNICEF has a backlog of urgently needed programs that have been approved and are ready for implementation as soon as funds become available.

Our United States Constitution begins with the phrase, "We, the people of the United States". The members of the national organizations who have authorized their officers to approve this statement in their name represent an impressive cross section of the people of the U.S. We hope you will listen to their voices and approve their request this year.

Thank you.

STATEMENT OF NATIONAL CONGRESS OF PARENTS AND TEACHERS IN SUPPORT OF THE APPROPRIATIONS FOR THE UNITED NATIONS CHILDREN'S FUND (UNICEF), BY MRS. WALTER G. KIMMEL, COORDINATOR OF LEGISLATIVE ACTIVITY NATIONAL PTA

MR. CHAIRMAN AND MEMBERS OF THE COMMITTEE: I am Mrs. Walter Kimmel, the coordinator of legislative activity of the national PTA. On behalf of our membership of approximately 10 million parents and teachers, we wish to reaffirm our established policy of support for the United Nations Children's Fund (UNICEF) and respectfully request that $15 million be approved for this fiscal year of 1972. It should be pointed out that this is a request for a 1-year extension. We understand that there is continuing discussion on the kind of legislation on foreign aid that the committee will recommend this year and, should the committee decide on a 3-year authorization, we would ask that the funding be at $18 million to allow for possible increases in 1973 and 1974. Contributions to UNICEF have continued to rise from the 123 nations, other than the United States and we can therefore substantially raise the U.S. contribution within the 40/60 matching ratio.

It has always been the policy of the PTA's to be concerned about children and youth here and abroad. Development of people is possible because of latent human and physical resources. The development task before us, and the world, won't be easy, but it must be done—and it can be done if we all put our hearts, minds, and means to this task. Who wants to be hungry, sick, or ignorant? Who does not suffer when children grow ill from bacterial and parasitic diseases from impure water? Who does not have bad dreams when he reads of the millions suffer-

ing from all manner of disease, malnutrition, and hunger in a world capable of preventing this?

I think our world is showing that necessity is becoming the mother of determination as well as of invention. There is a worldwide determination to fight a new kind of war—a war against want and human degradation and spoilage of our world and the reclaiming of our greatest resource—our children and youth. Paul Hoffman said in a recent article that "The past 10 years have seen more realism and intelligence applied to the process of development, by people and by politicians, in the low-income countries than have come from the outside. I have learned a great deal from the officials and people of the developing countries. We are at last recognizing that human resourcefulness is infinite, and that physical resources on board spaceship-earth are finite. And we are learning that the first, effectively married to the second, can perform miracles."

Thanks in part to our youth, we are now perhaps beginning to get our own priorities straight and we can further show our real concern for others by helping UNICEF, that much admired and acclaimed organization whose sole purpose is to help children and mothers, and thus, their communities and the world. This efficient organization, operating on the fundamental principle of self-help, deserves our strongest support and at least $15 million this year, as it continues to help millions of mothers and children each year on less money than the governments of the world spend on armaments and destruction in 2 hours of a single day.

Everyone is aware that the physical and mental development of the young generation of the world is not only humanitarian but essential to the whole process of development. These are the leaders of the world soon. UNICEF stresses qualitative aid and continues to be an increasingly useful channel for aid. The United States has a profound national interest in cooperating in these developing countries.

We sincerely hope that you will continue to support the catalytic effect of UNICEF funds in the development of people and countries and continue to demonstrate our belief in, and leadership of, this emphasis on human worth and development.

Statement of Partners of the Americas

INTRODUCTION

One of the most vital programs in the foreign aid field is that of the Partners of the Americas. This is a program which results in perhaps $15 or $20 being spent by the American citizens acting as individuals and by their Latin American counterparts for each dollar of U.S. governmental assistance. This is a program sponsored by and carried out by private enterprise with only a minimal Government investment and involvement, but with great dividends for all of us.

The survival of the Partners of the Americas as a dynamic force for development in Latin America is in jeopardy. It is in jeopardy because the relatively small amount of U.S. funds available to the program, reduced by half in 1970, are now in danger of being further reduced. AID has recommended a reduction of $100,000. The result in the reduction of funding by the U.S. Government could be a denial of assistance to Brazilian hospital patients and Bolivian schoolchildren, as well as a rejection of those who wish to volunteer their time, services, and material benefits—volunteer individuals in 40 States. It would also be a rejection to many civic and professional organizations who have supported the activities of the Partners—organizations such as the U.S. Jaycees, the President's Committee on the Employment of the Handicapped, and the League of Women Voters, to name but a few. A listing of some of the organizations participating in partnership programs is attached as appendix C.

What will mean the difference to the Partners, to those it assists, to those who volunteer, to those who support it? Less than $140,000, the requested increase from the current annual funding level of $500,000.

BACKGROUND

The Partners of the Americas (formerly called Partners of the Alliance) was established by administrative determination of the Agency for International Development on March 19, 1964. The Partners has been fulfilling its purpose of serving as a mechanism through which private citizens of the United States and Latin America work directly together—not as donor-receivers, but as part-

ners—to improve relations in the Americas while carrying our specific self-help programs of economic, social, and cultural development. Since June 30, 1970, the administrative and servicing functions of the Partners have been carried out by the National Association of the Partners of the Alliance, Inc. (NAPA), a private organization. As of April 1970, 40 U.S. States partnerships were paired with 42 counterpart areas in 18 nations of Latin America and the Caribbean.

ACTIVITIES

Partnership projects emphasize the volunteer exchange of technicians and materials and the implementation of programs in such areas as education, medicine, mental health, rehabilitation, agriculture, business investment, creative and performing arts, tourism, environmental protection, and emergency relief. Except for NAPA's small service staff, the thousands of program participants are all volunteers, and include educators, businessmen, physicians, students, housewives, agronomists, civic club leaders, and legislators.

The cost to the U.S. taxpayer for the programs of the partners is nominal, while results are tremendous. At a time when we are all more sensitive than ever before to large foreign aid expenditures, to waste, to inefficiency; at a time when we are beginning to question whether money alone is so important to our relations with Latin America; at a time when we are coming to believe that private enterprise must take a greater hand in development assistance; the partners stands as a shining example of what can be accomplished with a relatively tiny amount of Government money, coupled with efficient, enthusiastic private volunteers working in consultation and cooperation with their Latin counterparts on projects that the Latins want and need. This private, personal commitment results in tremendous financial leverage on the U.S. investment.

Here are some examples of partners projects: The Utah-Bolivia Partners have already raised over $240,000 in funds and contributions of materials and services for the construction of 24 schools in Bolivia, which will service 3,000 Bolivian children. Cost to NAPA—$1,400 for two round-trip tickets from Salt Lake City to La Paz; following the 1970 Peruvian earthquake disaster, the partners, under the direction of the Texas Partners, launched a joint relief program with the U.S. Jaycees which resulted in sending $1,594,640 worth of goods and services to Peru, including 1,114,000 pounds of relief supplies and construction materials. Total cost to NAPA for this effort was $11,000 of travel funds and administrative expenses—a cost-benefit ratio of 1 to 145. This project has been continued with plans to help rebuild the towns of Caraz and Huarmey; for the price of two tickets to Natal, Brazil, the Maine Partners obtained a $100,000 TV transmitter and arranged $22,500 worth of packing, shipping, technical and administrative services to have the unit delivered to Natal and installed as the nucleus of a statewide educational TV network; and since 1966 the New Jersey Partners have been collecting and refurbishing hospital equipment donated by New Jersey hospitals, medical schools, and medical equipment firms, and then shipping the equipment to Alagoas, Brazil, for use in hospitals there. Donated equipment, warehouse space, labor for rehabilitation, and freight costs have totaled $409,000. Cost to NAPA—$1,900 for two air tickets.

FUNDING LEVELS

During the fiscal year ended June 30, 1970, the total funds designated for the program then administered by AID, were $717,000, which did not include over $300,000 in administrative costs absorbed by the partners office at AID. Thus, the total Federal funds channeled into the partners program was over $1 million in fiscal year 1970. This funding was reduced to $500,000 for fiscal year 1971, when NAPA began administering the program. And of course NAPA did not have the benefit of the AID staff of 10 persons, the use of the Federal telephone service, and other important Federal services.

Despite this funding reduction, NAPA continued to administer an active, dynamic, and meaningful program. But some problems arose. For example, Government funding for travel is a fixed amount of about $260,000. Thus, the 1970 cutback fell almost entirely on the organizational and operational side, where the real reduction was from about $757,000 to $240,000—a more than two-thirds cut!

The reduction in funding has, of course, come at a time when the costs of doing business are increasing. Salaries must be competitive with the rising Federal scale to attract competent people. Air fares are increasing.

Obviously the key to the kinds of projects directed by NAPA is organization and planning. Unfortunately, it would be extremely difficult for NAPA to continue its current level of operations without an increase from $500,000 to the $639,000 requested for fiscal year 1972. And a further reduction would be disastrous. What NAPA is really asking is for a relatively small increase to help it recover from the tremendous cut last year, while permitting the programs to continue during the difficult transition to greater private funding for administrative and operational costs.

EFFECT OF FUNDING REDUCTION

A reduction in the funding of the partners would have a serious impact on several levels. It is important to remember that NAPA leverages every dollar of the Government's investment. Dramatic examples have been shown above of cases where the cost-benefit ratio exceeds 1 to 140 or 150. On the average over the past several years, for every dollar of U.S. funding there is a U.S. private investment of $10 to $15. There is also a further increase in benefits from private Latin American contributions, averaging five to six times the total U.S. benefits. Thus, on the average, every dollar of U.S. Government investment results in "matching" benefits of $50 to $90. And, of course, conversely for every dollar of reduction, the benefits are reduced by $50 to $90. This multiplier effect is critical. It means, for example, that a reduction of $100,000 could reduce the benefits of the program by $5 to $9 million.

Latin American countries want the partners. There are already 18 Latin American and Caribbean countries participating through 42 partnerships. Barbados, Trinidad, and three more Brazilian States are seeking partnerships. A reduction in funding could make it impossible to welcome these new applicants. It would be ironic and tragic if the United States, at this juncture in its development philosophy and foreign policy, should, in effect, say "No" to countries which want and appreciate the program, when the cost to the United States is negligible.

Moreover, our own States want the partners. There are now 40 States with partnerships. NAPA has received inquiries from five more States—Arizona, Mississippi, Montana, Nebraska, and New Mexico. Again, a cutback in funding is inconsistent with the expansion of the partnerships. Yet, can we refuse these States? Can we in good conscience say to those individuals who want to contribute, "Sorry, the Government has reduced our funding and you cannot help."

This is why we characterize any reduction as tragic—it could reduce the benefits of the partners programs by 90 times, alienate our Latin American neighbors, and discourage private involvement in the development process.

PRIVATE ADMINISTRATIVE FUNDING

Despite the fact that NAPA's small staff has been principally occupied during the past year attempting to continue the partners activities while adjusting to the Government funding cutback, steps have been initiated to raise additional private funds for administration.

NAPA is seeking funds from—

(1) Corporations interested in Latin America;
(2) Foundations; and
(3) Individual participants in the program.

Already over 200 U.S. corporations having operations in Latin America have been approached to become program sponsors. Progress with these large corporations is necessarily somewhat slow, but NAPA is optimistic. Proposals have been made to various foundations, to date with little success. However, NAPA plans to continue its initiatives in this area. NAPA has found it difficult to raise private funds for administrative and overhead expenses, as opposed to contributions for specific projects. But obviously the former is necessary to the implementation of projects.

The enlistment of private funding for this purpose will be NAPA's No. 1 priority for fiscal year 1972. NAPA has consulted fundraising experts, and a program has been developed. However, all of the experts agree that the implementation of the program will take time. Success on a reasonable scale is anticipated in 9 to 18 months.

CONCLUSION

The Partners of the Americas is at a crossroads. For a relatively small Government contribution, the United States can support a program which:

1. Is operated and principally funded by private enterprise;
2. Is efficiently administered and geared to projects that are expressly desired by our Hemisphere neighbors;
3. Leaverages every Government dollar invested by on the average of 50 to 90 times;
4. Generates meaningful scientific, humanistic, and educational assistance, along with personal involvement and good will;
5. Is wanted by our own citizens—thousands of volunteers in 40 States so far;
6. Encourages the role of private enterprise in the development process; and
7. Is committed to greater private funding for the future.

We believe that the partners are an example of what can be accomplished through private, personal assistance. We urge support for funding at a realistic level, to preserve this dynamic partnership.

Mr. PASSMAN. The committee will adjourn.

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