1011

92-44
AP 6/1
F 76/3
973/pt. 2

FOREIGN ASSISTANCE AND RELATED AGENCIES APPROPRIATIONS FOR 1973

DOCUMENTS
NOV 15 1972
STATE UNIVERSITY

HEARINGS

BEFORE A

SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS HOUSE OF REPRESENTATIVES

NINETY-SECOND CONGRESS

SECOND SESSION

SUBCOMMITTEE ON FOREIGN OPERATIONS AND RELATED AGENCIES

OTTO E. PASSMAN, Louisiana, *Chairman*

JOHN J. ROONEY, New York
CLARENCE D. LONG, Maryland
EDWARD R. ROYBAL, California
WILLIAM D. HATHAWAY, Maine
NICK GALIFIANAKIS, North Carolina
GARNER E. SHRIVER, Kansas
DONALD W. RIEGLE, Jr., Michigan
ROBERT C. McEWEN, New York
J. KENNETH ROBINSON, Virginia

DONALD E. RICHBOURG, *Staff Assistant*

PART 2

ECONOMIC ASSISTANCE
SECURITY SUPPORTING ASSISTANCE
STATEMENT OF THE SECRETARY OF STATE

Printed for the use of the Committee on Appropriations

AUTHENTICATED
U.S. GOVERNMENT
INFORMATION
GPO

FOREIGN ASSISTANCE AND RELATED AGENCIES APPROPRIATIONS FOR 1973

HEARINGS

BEFORE A

SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS HOUSE OF REPRESENTATIVES

NINETY-SECOND CONGRESS

SECOND SESSION

SUBCOMMITTEE ON FOREIGN OPERATIONS AND RELATED AGENCIES

OTTO E. PASSMAN, Louisiana, *Chairman*

JOHN J. ROONEY, New York
CLARENCE D. LONG, Maryland
EDWARD R. ROYBAL, California
WILLIAM D. HATHAWAY, Maine
NICK GALIFIANAKIS, North Carolina
GARNER E. SHRIVER, Kansas
DONALD W. RIEGLE, JR., Michigan
ROBERT C. McEWEN, New York
J. KENNETH ROBINSON, Virginia

DONALD E. RICHBOURG, *Staff Assistant*

PART 2

ECONOMIC ASSISTANCE
SECURITY SUPPORTING ASSISTANCE
STATEMENT OF THE SECRETARY OF STATE

Printed for the use of the Committee on Appropriations

U.S. GOVERNMENT PRINTING OFFICE
78-827 O WASHINGTON : 1972

COMMITTEE ON APPROPRIATIONS

GEORGE H. MAHON, Texas, *Chairman*

JAMIE L. WHITTEN, Mississippi
JOHN J. ROONEY, New York
ROBERT L. F. SIKES, Florida
OTTO E. PASSMAN, Louisiana
JOE L. EVINS, Tennessee
EDWARD P. BOLAND, Massachusetts
WILLIAM H. NATCHER, Kentucky
DANIEL J. FLOOD, Pennsylvania
TOM STEED, Oklahoma
GEORGE E. SHIPLEY, Illinois
JOHN M. SLACK, West Virginia
JOHN J. FLYNT, JR., Georgia
NEAL SMITH, Iowa
ROBERT N. GIAIMO, Connecticut
JULIA BUTLER HANSEN, Washington
JOSEPH P. ADDABBO, New York
JOHN J. McFALL, California
W. R. HULL, JR., Missouri
EDWARD J. PATTEN, New Jersey
CLARENCE D. LONG, Maryland
SIDNEY R. YATES, Illinois
BOB CASEY, Texas
DAVID PRYOR, Arkansas
FRANK E. EVANS, Colorado
DAVID R. OBEY, Wisconsin
EDWARD R. ROYBAL, California
WILLIAM D. HATHAWAY, Maine
NICK GALIFIANAKIS, North Carolina
LOUIS STOKES, Ohio
J. EDWARD ROUSH, Indiana
K. GUNN, McKAY, Utah
TOM BEVILL, Alabama

FRANK T. BOW, Ohio
CHARLES R. JONAS, North Carolina
ELFORD A. CEDERBERG, Michigan
JOHN J. RHODES, Arizona
WILLIAM E. MINSHALL, Ohio
ROBERT H. MICHEL, Illinois
SILVIO O. CONTE, Massachusetts
GLENN R. DAVIS, Wisconsin
HOWARD W. ROBISON, New York
GARNER E. SHRIVER, Kansas
JOSEPH M. McDADE, Pennsylvania
MARK ANDREWS, North Dakota
LOUIS C. WYMAN, New Hampshire
BURT L. TALCOTT, California
DONALD W. RIEGLE, JR., Michigan
WENDELL WYATT, Oregon
JACK EDWARDS, Alabama
DEL CLAWSON, California
WILLIAM J. SCHERLE, Iowa
ROBERT C. McEWEN, New York
JOHN T. MYERS, Indiana
J. KENNETH ROBINSON, Virginia

PAUL M. WILSON, *Clerk and Staff Director*

STAFF ASSISTANTS

WILLIAM GERALD BOLING
GEORGE E. EVANS
ROBERT B. FOSTER
JOHN M. GARRITY
HAROLD A. GRIFFIN
AUBREY A. GUNNELS
JAY B. HOWE
THOMAS J. KINGFIELD
ROBERT L. KNISELY
KEITH F. MAINLAND
MILTON B. MEREDITH
AMERICO S. MICONI
DEMPSEY B. MIZELLE
ENID MORRISON
ROBERT M. MOYER
PETER J. MURPHY, Jr.
HENRY A. NEIL, Jr.
ROBERT C. NICHOLAS III
BYRON S. NIELSON
JOHN G. PLASHAL
SAMUEL R. PRESTON
DONALD E. RICHBOURG
EARL C. SILSBY
G. HOMER SKARIN
CHARLES W. SNODGRASS
HUNTER L. SPILLAN
PAUL E. THOMSON
GEORGE A. URIAN
DEREK J. VANDER SCHAAF
EUGENE B. WILHELM
J. DAVID WILLSON
THAYER A. WOOD

SURVEYS AND INVESTIGATIONS

C. R. ANDERSON, *Director*
LEROY R. KIRKPATRICK, *First Assistant*
WILLIE C. LAW, *Second Assistant*

NOTE.—This Surveys and Investigations supervisory staff is supplemented by selected personnel borrowed on a reimbursable basis for varying lengths of time from various agencies to staff up specific studies and investigations. The current average full-time personnel equivalent is approximately 42.

ADMINISTRATIVE SUPPORT

GERARD J. CHOUINARD
JANET LOU DAMERON
BEATRICE T. DEW
PAUL V. FARMER
DANIEL V. GUN SHOWS
GEMMA M. HICKEY
VIRGINIA MAY KEYSER
FRANCES MAY
LAWRENCE C. MILLER
MARILYN R. QUINNEY
FRANCIS W. SADY
MARY ALICE SAUER
DALE M. SHULAW
AUSTIN G. SMITH
RANDOLPH THOMAS

FOREIGN ASSISTANCE AND RELATED AGENCIES APPROPRIATIONS FOR 1973

TUESDAY, APRIL 25, 1972.

ECONOMIC AND SECURITY SUPPORTING ASSISTANCE

WITNESSES

HON. JOHN A. HANNAH, ADMINISTRATOR, AGENCY FOR INTERNATIONAL DEVELOPMENT
MATTHEW J. HARVEY, DIRECTOR, OFFICE OF LEGISLATIVE AFFAIRS, AGENCY FOR INTERNATIONAL DEVELOPMENT
ALLAN R. FURMAN, DEPUTY DIRECTOR, OFFICE OF LEGISLATIVE AFFAIRS, AGENCY FOR INTERNATIONAL DEVELOPMENT
CHARLES PAOLILLO, DEPUTY DIRECTOR, LEGISLATIVE PROGRAMS COORDINATION STAFF, OFFICE OF LEGISLATIVE AFFAIRS, AGENCY FOR INTERNATIONAL DEVELOPMENT

Mr. PASSMAN. The committee will come to order.

We shall continue our examination on the budget requests for foreign aid and assistance for fiscal year 1973.

The witness this afternoon is Dr. John Hannah who is Administrator of the Agency for International Development.

Dr. Hannah, we are very glad to have you back before the Committee on Appropriations. I want to say, for the record again, that it has been a privilege to work with you in the past 3 years. You are the one AID director who puts it right on the line, whether it is favorable to what you are requesting or not.

I don't think you have ever purposely made an inaccurate statement before the committee. We may not share a similar philosophy with respect to the worthiness or the value of the Foreign Aid program, but at least I have the satisfaction of knowing that I am working with a director who will answer the questions forthrightly.

It has made my job a bit easier. I believe that this program would have been a better program had several of your predecessors been just as fair in answering questions as forthrightly as you.

You have been most reasonable.

I would assume, Dr. Hannah, that you have a statement that you would like to make to the committee?

GENERAL STATEMENT OF THE ADMINISTRATOR

Dr. HANNAH. Yes, sir.

Mr. Chairman, I am here today to support the President's fiscal year 1973 request for new appropriations totalling $2,256,593,000 for economic assistance programs administered under the Foreign Assist-

ance Act. Together with other availabilities, this will fund a program of $2,551,194,000.

Fiscal year 1973 appropriations were authorized for 2 years by the recently enacted Foreign Assistance Act of 1971 for all but three types of assistance. The three categories for which we are requesting authorization this year are Supporting Assistance, South Asia Relief and Rehabilitation, and a new account for International Narcotics Control Assistance.

NEW DIRECTIONS

We have extensively reviewed AID's operations this year. On January 24, 1972, we announced a series of major redirections in our program emphasis. These changes are designed, first, to concentrate AID's activities on basic human needs in the developing countries and, second, to improve administrative efficiency and the management of AID's programs.

People are the heart of development. Development is meaningful when it is translated from impersonal statistical measures and emphasis on GNP growth into more and better food, more education, improved health, and more jobs for all people. This requires better understanding of the development process, new types of public and private institutions, new techniques for delivering services, new policies for allocating resources and, in some cases, new technologies.

Increased attention must be given to translating increases in national incomes into improved quality of life and widening social justice for the people of the developing countries.

AID will become a more specialized agency. It will focus its development loan and technical assistance programs on a relatively limited group of priority development problems which are basic to human development in the poor countries.

While identification of the specific problems will evolve as we redirect our efforts, they include food production and human nutrition, population control and health care, low-cost education, industrial and urban development, and transportation.

AID is strengthening its programs of humanitarian assistance and improving its disaster relief capability. A new Bureau for Population and Humanitarian Assistance has been established to serve as a focal point for responding to basic humanitarian assistance needs, disasters and emergencies, and the pressures of population on an environment with limited resources.

It will reinforce through improved coordination and cooperation the wide range of international assistance efforts of U.S. voluntary and nonprofit organizations which have expanded their capabilities and activities beyond traditional humanitarian relief to include many aspects of the development process.

AID will give greater attention to questions of income distribution, employment opportunities, and popular participation in the process and benefits of development.

As we move toward new approaches in our economic assistance programs, we will pay special attention to the problems and requirements of the least developed countries. In these countries—most of which are in Africa—the basis for building effective development programs is either nonexistent or only beginning to emerge.

In the future, we plan to devote increased attention to the special needs of these countries.

A new Bureau for Program and Management Services has been established to consolidate and centralize AID support functions. This service-oriented Bureau will include centralized services in training, contracts, procurement, and engineering. It will also include central offices for controller, management analysis, computer services, and other administrative support functions.

The size of mission staffs is being reduced in line with our more collaborative style of providing assistance. As a result, the direct-hire overseas American staff of AID, which has already been reduced by nearly 35 percent since July 1968, will be reduced another 10 percent by the end of fiscal year 1973. The increasing concentration of AID's program and the centralization of management functions will permit further personnel reductions.

Achievement of this goal, however, will require inclusion of eligible AID employees into the Foreign Service Retirement system.

MAJOR EMPHASIS

In agricultural development, we must maintain production gains already achieved and introduce further technological improvements so that the benefits of the agricultural revolution may be shared by a larger portion of the population of the developing countries. We are supporting projects designed to give the smaller farmer broader access to credit, irrigation, and other essential inputs.

Population increase is perhaps the most important long-run problem facing mankind, and it affects directly all attempts to solve other development problems. The United States has played a more significant role than any other developed country in assisting less-developed countries to analyze their population problems, to develop their own family planning policies, and to design and implement action programs. These programs will continue. as will the search for improved contraceptives and distribution systems.

Poor health is still a normal condition of life for most people in the developing countries. AID will continue to emphasize the development of a modern health technology which resulted in successful malaria and smallpox control programs over the past decade.

AID assistance will also stress the integration of health planning with national development planning, and the development of multipurpose, low-cost systems to deliver basic family planning, health, and nutrition services.

During the 1950's and 1960's, the developing countries improved and expanded their educational systems to meet the demands for improvement of human skills. According to UNESCO data, their expenditures for education increased from $4.9 billion in 1960 to over $12 billion in 1970.

We share the pride of the developing countries in these accomplishments but we all recognize that traditional education still does not reach half of the children of the world and falls far short of responding to the actual needs of their societies. Bold new approaches are needed to solve problems presented by increasing numbers of unemployed and underemployed, shortages of skilled craftsmen and technicians, and rural-to-urban migration.

AID seeks to help recipient nations overcome obstacles to industrial development by providing assistance in capital formation, industrial investment policy formulation, manpower training, export promotion, and the construction of physical infrastructure and adapting modern industrial technology better suited to their needs.

In the past, AID has helped solve problems related to urban growth through the housing guaranty programs and through the construction of roads and water and sewage facilities through development loans.

Today, we are redirecting our assistance to consider the problems of the urban sector as an integrated whole. Technical assistance and development loans will be used to increase planning and administrative capacity; finance needed systems for water supply and sewage, and low-income housing; provide credit to job generating, small-scale industries.

FISCAL YEAR 1973 BUDGET ADJUSTMENTS

The President's fiscal year 1973 budget was submitted before the Foreign Assistance Act of 1971 was finally approved by Congress. That Act contained 2-year authorizations for most of our programs, but in some accounts, the authorization level was lower than the budget request.

Therefore, to avoid the need for supplemental authorizations in various accounts, we have adjusted our original budget request for those accounts, with the approval of the Office of Management and Budget.

However, there has been no change in the total amount of $2,256,593,000 originally requested by the President.

TECHNICAL ASSISTANCE

Technical assistance: We are requesting $166,408,000 for worldwide technical assistance and $88.5 million for Alliance for Progress technical assistance. Developing countries need technical assistance to make maximum use of their potential human and physical resources. Transfers of capital will be of little value if not accompanied by technical aid.

Technical assistance includes:

Research to adapt modern technology to the specific needs of developing societies and to build institutional capacity for research within the developing countries. Because of the importance of the contribution research can make to analysis of the complex problems of development in the 1970's, we are requesting an increase in the ceiling on research in section 107 of the Appropriations Act from $9 million to $12 million.

Institution building to help the less developed countries build the universities, agricultural extension services, and health and family planning programs needed for modernization.

Training to improve the skills of the people of the developing countries. Since the program began, about 155,000 foreign nationals have received technical training in the United States and third countries under the U.S. economic assistance program.

In fiscal year 1971, the number of participants in training was 13,110, of whom 7,198 were new arrivals; about the same number is expected in fiscal year 1972.

POPULATION PROGRAM

The fiscal year 1973 request of $125 million for population programs is requested as a separate line item appropriation. This earmarked level will permit AID to continue its support for family planning programs which are so essential if developing countries' economic gains are not to be erased by uncontrolled increases in population.

DEVELOPMENT LOANS

We are requesting appropriation of $415.5 million for worldwide Development Loans and $206.5 million for Alliance for Progress Development Loans. These dollar-repayable 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—largely from the United States—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 both capital and technical resources needed to help a country carry out an integrated program in a specific sector of the economy, such as agriculture or education.

INTERNATIONAL ORGANIZATION

The request for the United Nations development program and related programs is $124,835,000. The UNDP, which will receive the largest portion of these funds, is the principal international technical assistance organization and an important form of international cooperation for development.

Under the leadership of its new Administrator, Mr. Rudolph Peterson—a distinguished American businessman who headed the presidential task force on the reorganization of U.S. foreign aid programs—we expect the UNDP to continue to improve its administration.

Because continued progress has been made over the last year in instituting a number of reforms, we are requesting $90 million for the UNDP in fiscal year 1973, an increase of $4 million over fiscal year 1972.

Our request also includes $15 million for UNICEF whose long-range development assistance programs, in addition to emergency relief activities, are directed at the major human resource of developing countries—children.

A total of $14,300,000 is requested for the U.N. Relief and Works Agency to support continuation of food, housing, education, and health programs for Arab refugees in the Middle East.

Other international programs for which voluntary contributions totaling $5,535,000 are proposed include the World Health Organization and the UN/FAO World Food program.

INDUS BASIN

We are also requesting $25 million for Indus Basin grants and $18 million for Indus Basin loans. Begun in 1960, this World Bank-

coordinated project is designed to construct facilities needed for equitable sharing of the waters of the Indus Basin between India and Pakistan.

AMERICAN SCHOOLS AND HOSPITALS

Under section 214 of the Foreign Assistance Act, $15,575,000 is requested to support a number of American schools and hospitals abroad. In each case, the primary responsibility for running the institution is carried by an American nongovernmental organization. AID funds supplement private funds, making it possible for these organizations to continue to demonstrate the quality of American education and medicine to students and leaders outside the United States.

SUPPORTING ASSISTANCE

We are requesting $844 million in new appropriations for the fiscal year 1973 supporting assistance program. The bulk of these funds are for the countries of Southeast Asia which share an immediate common threat to their national security. An important part of U.S. foreign policy to strengthen the economies and defense capabilities of friendly countries, this economic assistance helps countries to promote and preserve political stability and to achieve greater self-reliance.

When provided in conjunction with U.S. military aid, as in Southeast Asia, supporting assistance strengthens the recipient country's capacity to meet its own defense requirements, permiting reduction or termination of dependence on U.S. military forces—a central aim of the Nixon doctrine.

Supporting assistance often contributes to the economic development goals of the recipient country, but the fundamental U.S. aim providing these funds is to strengthen the economic base and help to stabilize the country's economy in the context of a specific security situation.

In many cases, it helps a country avoid a major and damaging deterioration of the national economy as it seeks to deal with a threat to its national survival.

SOUTH ASIA RELIEF AND RECONSTRUCTION

The people and government of Bangladesh face extraordinary difficulties. Large-scale relief is needed to avert human suffering arising from chronic food shortages and from widespread destruction of shelter.

Help is also required now to begin rehabilitation of the economy and rebuild basic facilities such as roads and bridges, port facilities and schools.

A United Nations assessment estimates that $620 million will be needed to meet immediate human relief needs through the end of this calendar year. In addition, a U.N.-World Bank evaluation of rehabilitation costs estimates that some $250 million will be required during fiscal year 1973.

Since February, the United States has provided approximately $51 million worth of wheat and rice under title II of Public Law 480. An additional $21 million worth of edible oil was authorized under title II as a further grant to the U.N.

To help meet priority relief and rehabilitation needs in Bangladesh, we have made an additional cash grant of $35 million to the U.N. These funds will be used for additional vessel and aircraft charters, repair and reconstruction of port facilities, and purchase of relief import requirements such as vehicles, power tillers, irrigation pumps, fuel, fertilizer, roofing and other construction materials. A small portion will also be used to pay administrative costs of the U.N. operation.

We have also provided $6.7 million in grants to support voluntary agency relief programs through such organizations as CARE, the Catholic Relief Services, and the International Rescue Committee.

Obligations for nonfood assistance for refugees in India and postwar assistance provided to the U.N. and voluntary agencies for Bangladesh total $71.3 million. The remaining $128.7 million of the $200 million fiscal year 1972 appropriation is expected to be obligated over the next few months for both bilateral and continued multilateral activities.

The $100 million requested for fiscal year 1973 will enable us to continue to provide our fair share of this vital effort.

INTERNATIONAL NARCOTICS CONTROL

We are requesting a line item authorization and appropriation of $42.5 million for fiscal year 1973 to carry out the international narcotics control program now authorized in the Foreign Assistance Act.

The U.S. Government has launched a major international drive for improved narcotics control. Largely through U.S. efforts, a conference was held last month in Geneva which approved amendments to the 1961 Single Convention on Narcotic Drugs.

These amendments will come into force following ratification by 40 nations. Our efforts have also led to the creation a year ago of the U.N. Fund for Drug Abuse Control, to which the United States plans to contribute $2 million this fiscal year and $5 in fiscal year 1973.

Discussions are also under way with many countries, particularly those in which the more serious problems of opium production and trafficking exist.

CONTINGENCY FUND

We are requesting $30 million for the Contingency Fund, the same amount as was appropriated for fiscal year 1972. The funds are needed for unforeseen assistance needs, primarily disaster relief and situation of security interest to the United States.

ADMINISTRATIVE EXPENSES

We are requesting appropriation of $50 million, the full amount authorized for fiscal year 1973 administrative expenses to carry out management functions related to the direction and supervision of AID's programs in Washington and overseas.

These functions include establishment of program policies and standards; planning, supervising, and reviewing the implementation of these policies; auditing and inspection of program implementation;

and providing basic management services such as accounting, personnel administration, and management analysis in support of those functions.

The Department of State is responsible for certain activities involving U.S. foreign assistance. We are requesting appropriation of $4,775,000 for these expenses in fiscal year 1973.

JUSTIFICATION MATERIAL

Mr. PASSMAN. Thank you for your statement. We will insert the justifications in the record at this point.

(The justifications follow:)

NEW DIRECTIONS IN DEVELOPMENT ASSISTANCE

I. Call for Reform

In April 1971, President Nixon proposed a major reform of the U.S. foreign assistance program. After hearings on the proposed legislation, the Congress decided to extend the present Foreign Assistance Act through FY 1973. However, both Houses of Congress clearly endorsed the need to re-examine and reform foreign assistance.

A.I.D. undertook an extensive review of its program during FY 1972. On January 24, 1972, the Administrator announced a series of major reforms -- the first major changes in structure and emphasis of the program since A.I.D.'s inception in 1961. These changes are designed to concentrate A.I.D.'s economic assistance on basic human needs in the developing countries and improve administrative efficiency and management of A.I.D.'s programs.

II. Basic Human Needs

A.I.D. will focus its loan and technical assistance programs on the primary development problems basic to human development in the poor countries and devote increased attention to the problems restricting more equitable distribution of the rewards of progress.

A.I.D. will strengthen its programs of humanitarian assistance, improve its disaster relief capability, and establish closer working relations with non-profit and voluntary organizations engaged in relief and rehabilitation, particularly those which have potential for an expanded role in development activities.

People are the heart of development. Development is meaningful only if it can be translated from impersonal measures of GNP growth into better food, more education, improved health, and more jobs for all people. Recent experience in the developing countries has clearly indicated that rapidly rising national income, while vital, is often not enough to ease the deprivations of poverty. Overcoming the problems of limited food and malnutrition, mass unemployment, population growth, poor health and low levels of education requires better understanding of the dynamics of the development process, new types of public and private institutions, new techniques for delivering services, new policies for allocating resources, and, in some cases, new technologies. Major emphasis must be given to innovation, research and joint efforts with the LDCs to help solve the basic problems of their people in the years ahead. New attention should be given to translating increases in national incomes into improved quality of life and widening social justice for their people.

In this context, A.I.D. is instituting three major changes in its program. These include: (1) focussing its resources on a limited group of priority development problems; (2) undertaking improved programs of humanitarian assistance; and (3) giving increased attention to the broader distribution of the benefits of development.

(1) Focus on Priority Problems. A.I.D. will increasingly concentrate its resources as an agency on a limited group of human problems common to many less developed countries. These include agriculture and food production, with emphasis on human nutrition; population control; health care; and low-cost education. Research and pilot programs designed to yield better solutions to the priority development problems will be expanded.

Loan and technical assistance programs in individual countries will be focussed on a limited number of these priority problems and projects and programs in unrelated areas will be phased down or eliminated.

At the same time A.I.D. will expand its program of grants to U.S. universities and non-profit organizations to allow them to strengthen their capacity to provide assistance to developing countries in the major problem areas.

In sum, A.I.D. intends to become less of a general purpose assistance organization and more of a specialized agency. It will seek to combine loans, technical assistance, research, and other resources to address a relatively limited group of basic human problems where U.S. technical skill and experience can make a significant contribution.

(2) Focus on Humanitarian Assistance. The pervasiveness and durability of poverty in the less developed countries requires new attention to humanitarian programs. A.I.D. has established a new Bureau of Population and Humanitarian Affairs to serve as the focal point for responding to basic humanitarian assistance needs, disasters and emergencies, hunger, and the pressures of population on an environment with limited resources.

In recent years American voluntary agencies have expanded their capabilities and activities beyond their traditional role of providing humanitarian relief. Their potential for development activities, in addition to broadened relief and rehabilitation capabilities, has not been fully realized. In addition to directing the expanded population activities of A.I.D., this Bureau will direct a broad range of assistance programs to reinforce the humanitarian efforts of the United States, both public and private, and will formulate and support a more collaborative working relationship with non-profit and voluntary organizations engaged in disaster relief, general relief and rehabilitation.

The Bureau will also be responsible for upgrading the Agency's disaster relief capability. Experience this past year in dealing with assistance for the Bangladesh disasters demonstrated the need for higher level policy direction within the U.S. Government, better means of coordinating public and private responses, and, when appropriate, operational approaches to coordinate U.S. relief activities with or through the United Nations or other international organization.

(3) Focus on More Equitable Income Distribution. The developing countries confront increasingly complex problems of translating aggregate national income growth into improved welfare for the mass of their citizens. Population growth in many countries continues at rates just below the rise in national income so that--while the income pool is widening--the number of claimants on the pool is growing almost as fast. Moreover, in many countries inequalities in income distribution appear to be widening. The LDCs as a whole are facing a monumental crisis -- unemployment which is a growing social problem and an obstacle to development. There are 75 million unemployed today and there will be 225 million new job seekers looking for employment in the next decade.

Rapid development remains a principal imperative for the developing countries. But development planners are increasingly compelled to look beyond aggregate growth and give greater attention to questions of income distribution, employment creation, and adjusting the growth patterns in ways which maximize the benefits to people. As an example, a major problem is not simply to increase food production, but to increase it on millions of very small farms, which provide jobs for rural people, and thus stem the flow of unskilled workers into the cities.

A.I.D. will make a major effort in FY 1973 and FY 1974 to improve our understanding of the problem of employment creation. We will also give increased attention to using food resources in rural public works and other programs aimed directly at improving the "quality of life" in the LDCs.

III. Improved Management

Reforms to focus A.I.D.'s program on basic human needs have been accompanied by reforms to reduce the size of the Agency and improve its management efficiency.

A new Bureau for Program and Management Services has been established to consolidate and centralize support functions throughout A.I.D. staffs and responsibilities for these functions are being consolidated in the new Bureau from the regional and other bureaus and offices. This service-oriented Bureau will include centralized services in training, contracts, procurement, and engineering. It will also include central offices for controller, management analysis, computer services, and other administrative support functions.

Centralizing these support functions will permit flexibility in responding more quickly to service requirements throughout the Agency, and achieve more efficient use of manpower through the consolidation of similar and, in some respects, duplicating functions and staffs and thus eliminate unnecessary overhead costs. Moreover, it will permit a significant reduction in the number of positions required.

A.I.D. is also reducing its presence overseas. The size of Mission staffs is being reduced. Loan monitoring functions have been centralized in Washington. As a result, the direct-hire staff of A.I.D., which has already been reduced by approximately 30% since July 1968, will be reduced another 10% overseas by the end of FY 1973. We believe that the increasing concentration of A.I.D.'s program and the centralization of management functions will permit final personnel reductions of 20-25% over time.

IV. More Collaborative Assistance Style

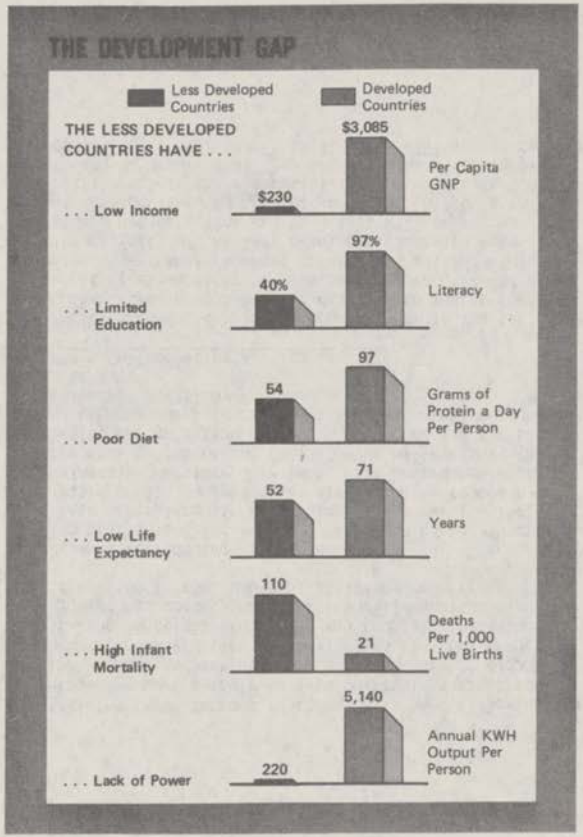
The recipients of aid have changed markedly in the past decade. They have increased their capacity to manage their resources, their ability to plan, their perception of development aims and their sources of external advice. This growing capacity of the less developed countries means that assistance projects financed by A.I.D. will be increasingly planned and designed by the host country. A.I.D.'s role will still include the responsibility to coordinate U.S. inputs and to assure that they are being used for agreed purposes. In FY 1973 and FY 1974 A.I.D. will introduce many new techniques on a pilot basis which are intended to insure that the host country takes the lead in project design and implementation. These will include program grants to selected countries to hire technicians and provide training in certain sectors; direct host country contracting with U.S. private organizations for assistance; and host country responsibility for sector analysis and project design.

We are strengthening our staff capacity to coordinate U.S. bilateral aid programs with multilateral and other bilateral donors at policy, program, and operational levels. As A.I.D.'s program becomes more specialized, expanded consultation with other donors is vital to ensure a coordinated division of labor in attacking development problems generally and in specific countries or regions.

V. Summary

A.I.D. will emphasize a more specialized economic assistance program focussed on problems of basic human need. It will strengthen its programs of humanitarian assistance. It seeks an administratively streamlined program with tighter, more centralized management through gradual reductions in personnel overseas and in Washington. It plans a more collaborative assistance style which recognizes the increasing competence of LDCs to plan and operate meaningful development programs.

The primary objective of A.I.D. must be to help the people and governments of the LDCs move in the direction of harnessing their total resources for the improvement of the "quality of life" for all of their people.



DEVELOPMENT ASSISTANCE PROGRAM -- FY 1973

I. WORLDWIDE PROBLEM, WORLDWIDE EFFORT

Most of the people in the world -- more than two-thirds of them -- live in over 100 less developed countries.

This two-thirds of mankind enjoys only about an eighth of the services provided and goods produced in the world.

This is a statistical way of saying that most of them are desperately poor -- poor beyond the imagining of most Americans.

In the non-communist industrialized countries -- the United States, Western Europe, Japan, Australia, New Zealand -- the average annual gross national product is $3,085 per person; in the less developed countries, it averages only about $230 apiece -- and in many it is below $100.

Those raw numbers are merely suggestive of the enormous disparity in well-being that exists between the economically developed and less developed countries.

Behind the statistics lie the realities of living and dying in the developing countries -- widespread disease and malnutrition, high infant mortality, low life expectancy, extensive unemployment, wholesale illiteracy -- the whole catalogue of physical and social ills, of human frustration and misery, that go hand in hand with underdevelopment.

-- Malnutrition or undernourishment affects most of the children in the less developed countries. In a few, as many as half the children die before they reach the age of five -- primarily because they are malnourished and highly susceptible to "simple" infections and "childhood" diseases such as measles and whooping cough.

FY 1973 ECONOMIC ASSISTANCE REQUEST AND PROPOSED PROGRAMS UNDER THE FOREIGN ASSISTANCE ACT
(In millions of dollars)

Assistance Category	FY 1973 Authorization Level a/	FY 1973 Appropriation Request (NOA)	FY 1973 Proposed Program b/
DEVELOPMENT AND HUMANITARIAN ASSISTANCE PROGRAMS			
Development Loans	530.0 c/	415.5	565.4
Technical Assistance	175.0	166.4	179.5
Alliance for Progress	(295.0)	(295.0)	(386.9)
Development Loans	206.5	206.5	295.2
Technical Assistance	88.5	88.5	91.7
Population Programs	125.0 d/	125.0	125.0
International Organizations	(172.0)	(167.8)	(167.8)
Grants	154.0	149.8	149.8
UN and Other Programs	(139.0)	(124.8)	(124.8)
Indus Basin Grants	(15.0)	(25.0)	(25.0)
Indus Basin Loans	18.0 e/	18.0	18.0
South Asia Relief and Rehabilitation	100.0 f/	100.0	100.0
American Schools and Hospitals	30.0	15.6	15.6
International Narcotics Control	42.5 f/	42.5	42.5
Contingency Fund	30.0	30.0	30.3
A.I.D. Administrative Expenses	50.0	50.0	58.8
TOTAL - DEVELOPMENT AND HUMANITARIAN ASSISTANCE	1,549.5	1,407.8	1,671.8
SECURITY ASSISTANCE PROGRAMS			
Supporting Assistance	844.0 f/	844.0	874.5
State Department Administrative Expenses	4.8 g/	4.8	4.9
TOTAL - SECURITY ASSISTANCE	848.8	848.8	879.4
TOTAL A.I.D.	2,398.3	2,256.6	2,551.2

a/ Includes items already authorized and those for which authorization is being requested.
b/ Proposed program is the total of funds that would be available to carry out programs under the Foreign Assistance Act, consisting of the new appropriations requested and additional funds available for use in FY 1973, such as repayments on prior loans, reimbursements, and uncommitted or deobligated funds from prior years.
c/ Includes $280 million authorized in prior years but unappropriated.
d/ $125 million of FY 1973 economic assistance funds provided to carry out the Foreign Assistance Act is earmarked for population programs.
e/ $51.22 million authorized in Foreign Assistance Act of 1967. Amount shown is level of FY 1973 appropriation request.
f/ Authorization being requested.
g/ Permanently authorized. Amount shown is level of FY 1973 appropriation request.

-- 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 620 people in the United States.

-- A fifth of the entire male labor force either has work that does not pay a living wage or has no job at all.

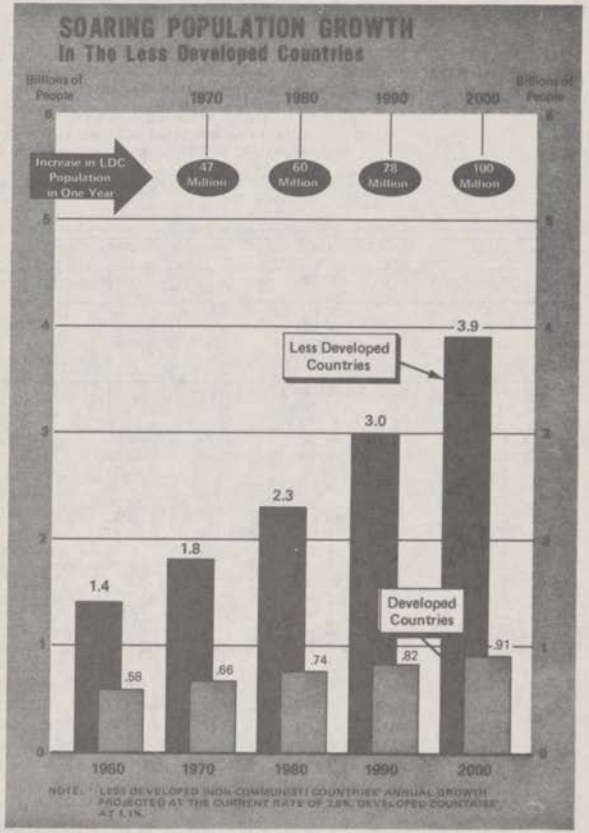
-- Over half the adults are illiterate. Some 300 million school-age children get no schooling at all.

The enormous problems that afflict the people in the less developed countries are not theirs alone -- for the world's problems can no longer be contained by national boundaries. 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.

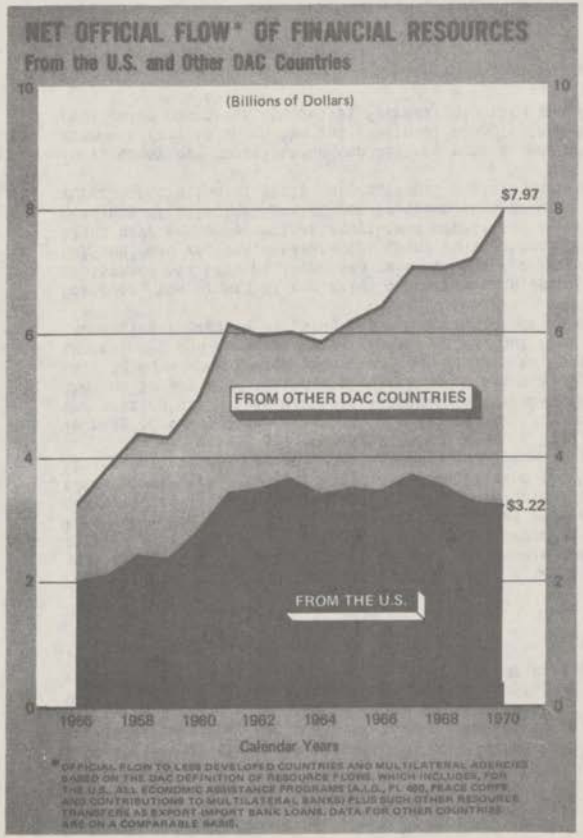
For in a world where the poor, seeing affluence around them, are no longer resigned to perpetual poverty, violence is likely to be the result of economic stagnation and social indifference. And violence, too, flows across national borders.

There are now about 3.7 billion people in the world -- three times the population of 100 years ago. In another 100 years, at the present growth rate, there could be 30 billion people on the earth. Even if, by the year 2000, each family had on the average of no more than two children (not an easy goal to achieve by any means), the world population still would not stabilize until it reached 8.2 billion -- more than double the present population and an immense drain on the earth's limited resources.

We cannot ask ourselves where the rich countries will be in the years ahead without asking where the whole world will be. And we cannot imagine that as the world's increased population places an ever greater burden on the earth's resources -- and on man's capacity to live at peace with his fellow man -- we few in the economically developed countries can live confortably here while across the continents of Asia, Africa and Latin America billions struggle desperately to eke out a



78-827 O - 72 - pt.2 - 2



meager existence. There can be no assured peace for the rich countries unless we develop a world order based on social and economic progress.

The rich nations of the non-communist world have responded to these stark facts by joining in a broad international aid effort to help the poorer countries meet the critical problems of development. Recognizing the self-interest, as well as the simple humanity involved, they have provided increasing amounts of assistance over the years to help the developing countries fulfill in greater measure the aspirations of their people for a better life.

The development assistance effort has now become a worldwide cooperative effort to which every major industrial nation contributes -- compared to 15 years ago, when the United States provided the bulk of the aid.

The developing countries, too, are putting more money, talent and political muscle into the effort. Their contribution to their own development far surpasses all the help they receive from other countries. On the average, they are investing eight dollars from their own resources for every dollar which comes to them through foreign assistance.

The result has been a sizeable measure of economic growth. The developing countries have increased their Gross National Product at a rate of more than 5% a year over the past decade. This is considerably faster than the growth rates estimated for the presently industrialized countries in the early stages of their development. This progress has not been confined to particular regions or to countries with particular resources, topography, or population.

A number of former aid recipients -- Taiwan, Argentina, Mexico, Iran, Greece -- no longer need bilateral economic assistance. Korea and Turkey are expected to join this group in a few years.

But the record of growth among developing countries is uneven. Major problems remain. Most countries will require some concessional foreign assistance for the next decade, or more. However, on the basis of the record of the past 20 years, there is hope that the developing countries' aspirations for

a better, more productive life for their citizens can be achieved.

While significant progress has been made, the struggle to raise living conditions to acceptable levels has a long way to go.

The U.S. Role

For over 20 years the United States has played a leading role in the international development effort. We should continue to play a major role, for economic and social progress in the less developed world remains important to us, as it does to other industrialized countries and to the developing countries themselves. But the world has changed, and the United States no longer needs to play the dominant role.

In many of the poorer countries, the capability for planning and setting priorities has been improved to the point where they no longer need -- and are rejecting -- extensive guidance in development from others. They need access to new technology, and they need capital assistance, but they are increasingly capable of using these resources themselves.

Moreover, the growth of worldwide cooperation in development assistance has brought increased requirements for international and regional leadership. Many multilateral institutions have responded with strengthened capacities for the guidance of bilateral assistance programs such as ours and for the operation of truly international assistance programs.

Thus, today our contribution can best be made as part of the common effort in which the international agencies and the developing countries themselves increasingly take the lead.

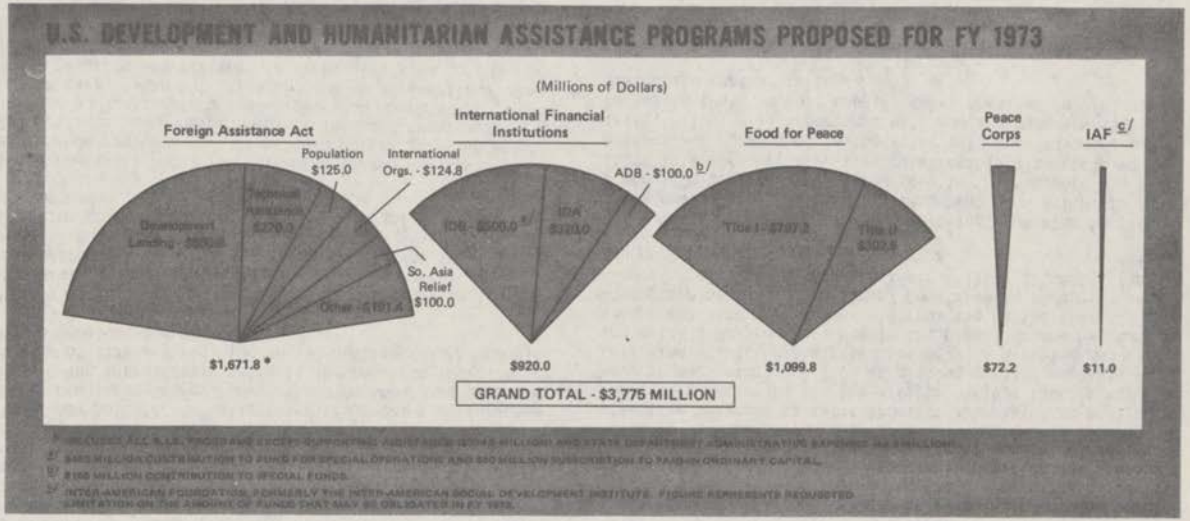
The U.S. role in the international development effort takes several forms, of which foreign aid is the most obvious and direct. But only part of the total U.S. foreign aid program is designed to further development; foreign aid is also used to meet immediate human needs and to help other countries achieve greater security.

What is Development Aid? Development aid is provided to assist the economic and social development of less developed countries -- to increase their economic growth and distribute available goods and services more widely. The provision of development aid may result in increased security or direct and immediate relief of human suffering, but those are not its main purposes. Similarly humanitarian aid and security aid often contribute to development, even though they are provided for other reasons.

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 fudamentally long term; its goals can seldom be achieved quickly. It is not a very good instrument to try to achieve short-term political purposes, and it should not be measured against that standard.

It 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.



II. U.S. DEVELOPMENT AND HUMANITARIAN ASSISTANCE PROGRAMS

The United States provides development and humanitarian aid under a variety of programs.

Authority for many of these programs is contained in the Foreign Assistance Act. This volume contains the basic Congressional presentation materials for those programs, most of which are administered by The Agency for International Development.

Authority for other programs, such as contributions and subscriptions to international financial institutions, Food for Peace (P.L. 480), the Peace Corps, and the Inter-American Foundation -- is contained in other legislation and is presented to the Congress by other agencies.

Some development and humanitarian assistance programs are bilateral -- although often provided in a multilateral framework. Others -- contributions to UN activities and to international banks -- are entirely multilateral.

BILATERAL PROGRAMS

FOREIGN ASSISTANCE ACT

New Directions in the A.I.D. Program. The bilateral economic assistance program authorized by the Foreign Assistance Act is administered by the Agency for International Development (A.I.D.). In January 1972, the A.I.D. Administrator announced a number of major reforms designed to concentrate A.I.D.'s development assistance efforts on basic human needs in the developing countries and improve its administrative efficiency and management. Many of these proposed changes are reflected in this Congressional Presentation for FY 1973; others will take longer to be brought about.

People are the heart of development. Development is meaningful only if it can be translated from impersonal measures of GNP growth into better food, more education, improved health, and more jobs for all people. This requires better understanding of the development process, new types of public and private institutions, new techniques for delivering services, new policies for allocating resources and, in some cases, new technologies. New attention should be given to translating increases in national incomes into improved quality of life and widening social justice for the people of the developing countries.

In this context, A.I.D. is making major changes in its approach. These include (1) focussing its resources on selected development problems, (2) undertaking improved programs of humanitarian assistance, and (3) giving greater attention to the broader distribution of the benefits of development.

1. A.I.D. will focus its development loan and technical assistance programs on a selected group of problems which are basic to human development in the poor countries. These include agriculture and food production population control, health care, human nutrition and low-cost education. Ongoing projects and programs in areas unrelated to the priority development problems being addressed by the Agency will be phased down or eliminated.

2. A.I.D. is strengthening its programs of humanitarian assistance and improving its disaster relief capability. For this purpose, a new Bureau for Population and Humanitarian Assistance has been established to serve as a focal point for responding to basic humanitarian assistance needs, disasters and emergencies, hunger, and the pressures of population on an environment with limited resources. It will reinforce the wide range of public and private U.S. international humanitarian assistance efforts through improved coordination and cooperation with voluntary and non-profit organizations.

3. Rapid economic growth remains the objective of our development assistance programs. But development planners today must look beyond aggregate growth and give greater attention to questions of income distribution, employment opportunities, and participation of the maximum number of people in the benefits of development. These considerations will increasingly influence A.I.D.'s programs.

The problems of development are complex and interrelated. In order to identify problems within a particular sector of the economy, such as agriculture or education, and to develop effective programs to solve them, it is helpful to analyze the entire sector to see the effects various factors may have on each other. A.I.D. is placing greater emphasis on this kind of sector analysis, not only in planning and carrying out A.I.D. programs, but in the planning done by countries receiving development aid from the United States. Strengthening the capability of countries to engage in this kind of analysis will enhance their ability to manage their own development programs effectively.

The increased capacity of the developing countries to direct their own development makes it incumbent upon A.I.D. to play a more limited and specialized role in these countries, to shift to a more collaborative relationship with recipient nations. For example, in the relatively more advanced countries, A.I.D. will experiment with new arrangements intended to insure that the host country takes the lead in project design and implementation.

Reforms to focus A.I.D.'s program on basic human needs have been accompanied by reforms to reduce the size of the Agency

and improve its management efficiency. Concentration of A.I.D.'s program and the centralization of management functions should permit personnel reductions of 20-25% over time.

The following are the major activities carried out by A.I.D.

Technical Assistance

People -- their skills, their productivity, and the institutions they build and administer -- are the primary business of technical assistance. Technical assistance is the major means of helping the people of the developing countries to acquire, adapt and generate the knowledge, skills and institutions they need for economic and social growth and modernization. It is designed to accelerate the process by which people are educated, skills transferred and attitudes changed so that people can more effectively help themselves.

Self-sustaining growth depends on the effective use of natural resources, capital facilities and labor. Started under the Point IV program in 1950, technical aid continues today to be a critical requirement for efficient use of a developing country's own resources or resources from abroad.

Almost every economically developed country now provides some form of technical assistance. In 1970, over 100,000 experts and volunteers were supplied and over 80,000 people from the developing countries were trained under bilateral programs. Three-quarters of this assistance was provided by countries other than the United States. In addition, multilateral organizations such as the UN provided over 12,000 experts and 15,000 training fellowships.

In the 1960's, technical assistance activities continued to emphasize the institutional bases for development -- for example, education and training systems, extension services, development banks and intermediate credit institutions, hospitals and clinics. By the end of that decade, several significant changes had occurred.

-- Most developing countries had made substantial improvement in their capacity to plot their courses and carry out their own development. Many of the institutions we helped to build in the 1950's and 60's are operational in the 1970's.

-- There was increased desire that overall economic development raise the quality of the lives of individual people in the developing countries.

-- The success of the Green Revolution had demonstrated the great potential of research and related technical activities.

How is technical assistance changing in response to these factors?

1. By responding to the initiatives of the developing countries on key problems they identify as the most pervasive bottlenecks in their modernization and growth. Major areas already recognized include

-- inadequate quality and quantity of food;

-- too rapid population growth;

-- lack of low-cost ways of bringing high-quality education and health services to large numbers of people;

-- inadequate training capabilities, particularly for management and technical skills;

-- rising unemployment and underemployment; and

-- scarcity of institutions for the adaptation of technology to specific developing country situations.

2. By mobilizing U.S. strength in science and technology. We will involve both government and non-government communities in the task of adapting and applying modern methods and technologies to specific problems.

3. By focussing attention on sector analysis and program management and evaluation, to build institutional capacity for the long-term tasks of development.

4. By improving coordination with other donors through collaboration with and support of multilateral technical assistance activities.

Technical assistance is of several types --

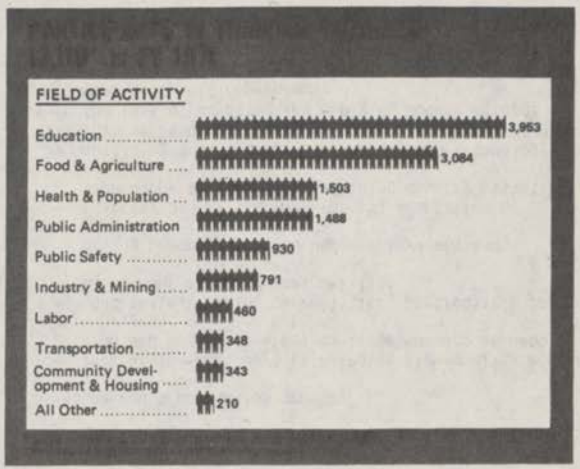
Research. Increasingly, U.S. research competence in both the social and physical sciences is being directed toward the solution of development problems, primarily to build institutional capacity for research within the developing countries to be directly applied to their problems.

Institution building is the most lasting and far-reaching function of technical assistance. It is not accomplished quickly, but it is being accomplished. U.S. advisers, overseas training for foreign nationals, organizational and program planning insight, imagination and time have helped developing countries establish institutions or improve existing ones. When the effort is successful, the institutions develop momentum and a capacity to evolve and renew themselves; they become able to respond to new problems.

Training is a direct investment in the people of the developing countries. It includes formal education, on-the-job training in skills from crop spraying to computer technology, and accumulation of all kinds of experience in modern ways of doing things. Technical assistance is most effective when it trains people who are willing and able not only to use their new skills, but to pass them along to others.

Since the program began, about 155,000 foreign nationals have received technical training in the United States and third countries under the U.S. economic assistance program. Over 99.5% have returned to their own country to use their training. In FY 1971 the number of participants in training was 13,110, of whom 7,198 were new arrivals; about the same number is expected in FY 1972.

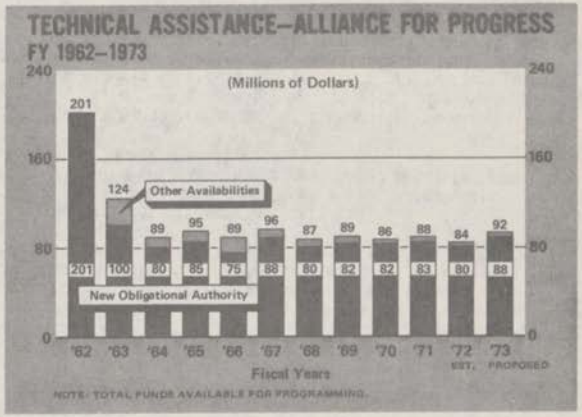
Advisory Technical Services. For the foreseeable future, developing countries will need help in formulating development policies and programs, in defining investment and planning priorities and in improving the operations of government ministries and enterprises. They will also continue to need

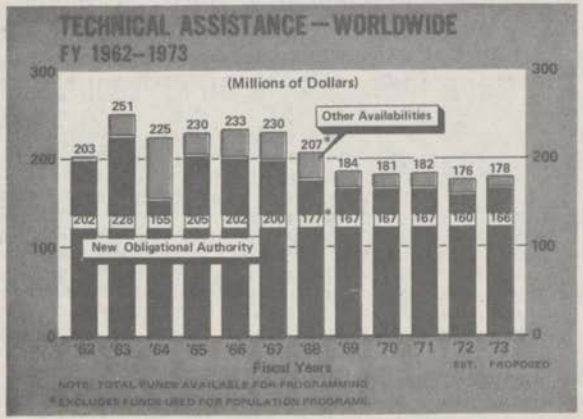


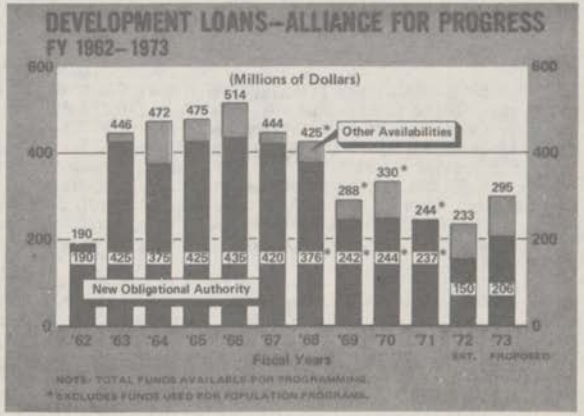
technical assistance to the private sector in the areas of research and institution building. In some cases the United States may clearly be the best source of the relevant skills, and it will be important to be responsive to such needs where there are significant opportunities to assist a country's development program.

Technical assistance projects are, by their very nature, normally of several years duration and involve multi-year commitments by the developing countries as well as the donors. Changes in program emphasis or style are, therefore, gradual and have their greatest impact on new projects. In the early years of the program, technical assistance projects were designed in such a way that major managerial authority and

DEVELOPMENT LOANS—WORLDWIDE
FY 1962–1973
(Millions of Dollars)
1,200
900
600
300
0
923
1027
850
822
786
680
611
477
479*
529*
393
565
Other Availabilities
New Obligational Authority
923
975
687
774
618
500
435
300
255
378*
200
416
'62 '63 '64 '65 '66 '67 '68 '69 '70 '71 '72 '73
Fiscal Years
EST. PROPOSED
NOTE: TOTAL FUNDS AVAILABLE FOR PROGRAMMING
* EXCLUDES FUNDS USED FOR POPULATION PROGRAMS


TECHNICAL ASSISTANCE—ALLIANCE FOR PROGRESS
FY 1962–1973
(Millions of Dollars)
240
160
80
0
201
124
89
95
89
96
87
89
86
88
84
92
Other Availabilities
New Obligational Authority
201
100
80
85
75
88
80
82
82
83
80
88
'62 '63 '64 '65 '66 '67 '68 '69 '70 '71 '72 '73
Fiscal Years
EST. PROPOSED
NOTE: TOTAL FUNDS AVAILABLE FOR PROGRAMMING.


TECHNICAL ASSISTANCE—WORLDWIDE
FY 1962–1973
(Millions of Dollars)
300
200
100
0
203
251
225
230
233
230
207*
184
181
182
176
178
Other Availabilities
New Obligational Authority
202
228
165
205
202
200
177*
167
167
167
160
166
'62 '63 '64 '65 '66 '67 '68 '69 '70 '71 '72 '73
Fiscal Years
EST. PROPOSED
NOTE: TOTAL FUNDS AVAILABLE FOR PROGRAMMING
* EXCLUDES FUNDS USED FOR POPULATION PROGRAMS


DEVELOPMENT LOANS—ALLIANCE FOR PROGRESS
FY 1962–1973
(Millions of Dollars)
600
400
200
0
190
446
472
475
514
444
425*
288*
330*
244*
233
295
Other Availabilities
New Obligational Authority
190
425
376
425
435
420
376*
242*
244*
237*
150
208
'62 '63 '64 '65 '66 '67 '68 '69 '70 '71 '72 '73
Fiscal Years
EST. PROPOSED
NOTE: TOTAL FUNDS AVAILABLE FOR PROGRAMMING.
* EXCLUDES FUNDS USED FOR POPULATION PROGRAMS.

responsibility were assumed by the donor rather than the developing country. In many cases, this was justified because of the lack of trained or experienced people in the developing countries. Now this style of management has become increasingly irrelevant and, in some countries, counter-productive. A.I.D. is making a major effort to put the recipient countries in the center of the development process by adopting a more collaborative style of management which will place primary responsibility for program determinations on the developing country. As part of this effort, in the least developed countries special emphasis will be given to improving planning and implementation capability.

A.I.D. will continue its efforts to take full advantage of the competence and resources of U.S. and multilateral organizations, public and private, outside of A.I.D., to plan and implement development projects in cooperation with developing countries. Practically all technical assistance projects are now carried out through the active participation of intermediary organizations. Increasingly, implementation of projects will be primarily through other organizations, with A.I.D.'s role limited to monitoring these activities.

Population Programs. A.I.D. carries out its programs to reduce population growth rates primarily in the form of technical assistance (provision of commodities such as contraceptives being the main exception). In past years most of the funds for population programs were normally included in the budget requests for the technical assistance accounts. In FY 1972, however, a separate funding category was established for population programs.

The FY 1973 appropriation request for technical assistance, including population programs, is $380 million.

Development Lending

Development loans finance a wide range of commodities and related technical services which less developed countries need for such facilities as schools, clinics, irrigation works and roads. They finance the import of products such as fertilizer, farm equipment, trucks, iron and steel, chemical and rubber products, industrial and electric machinery, raw materials and spare parts necessary for agricultural and industrial development.

Loans can have an impact on development greater than the actual amount of funds provided might suggest. Backed by development loans, borrowing countries are able to introduce new policies for more effective use of all resources, control inflation, remove import restrictions, expand investment opportunities for private enterprise, and reallocate their own funds to emphasize vital sectors such as education, agriculture and population. Our loans may also stimulate the flow of resources from other bilateral and international lending agencies.

The proposed development lending program for FY 1973 totals $860.6 million.

There are three basic types of loans -- project loans, program loans and sector loans.

Project loans finance specific undertakings. They are used for capital investments necessary to build infrastructure such as roads, schools, power dams, railways, sewage systems or irrigation systems. The machinery and equipment required for a particular project and related technical services and training to make the capital investment effective are a part of the loan financing. Project loans may also be used to support intermediate credit institutions, such as industrial development banks or rural credit programs. They may also finance the services of teams of technical specialists who carry out research or help government agencies implement major development programs in irrigation and water resource development or power distribution.

Program loans finance the import of commodities needed to sustain overall economic development activity. Imports may include raw materials, industrial equipment and machinery, components and spare parts, and agricultural supplies such as fertilizer, pesticides and pumps. Program loans are sometimes associated with fiscal or monetary reforms or other steps.

designed to affect the entire economy of the borrowing country. They have been an important aspect of U.S. bilateral development assistance because (1) they promote the effective utilization of existing productive capacity by helping close the gap between the amount of foreign exchange a country is able to earn in the short term and the import requirements of an expanding economy, (2) they stimulate new private investment by helping meet the import needs of the multitude of private entrepreneurs who comprise the main productive capacity of most developing countries, even those with large government enterprises, and (3) they help the borrowing country to avoid or minimize government controls on the economy which might otherwise be necessary, and permit adoption of sound economic policies.

Sector loans provide both capital and technical resources needed to help a country carry out an integrated program in one particular sector of the economy, such as education or agriculture. Like the other types of development lending, sector loans finance imports. The imports may be of two types -- those required for use only in the sector involved, or general imports from whose sale the local currency proceeds are allocated for use in the particular sector. Sector loans often provide, in addition, for technical assistance services which may be essential to the development of the sector. Sector loans contribute to the introduction of new policies or reforms by the borrowing country in the particular sector. The reforms may involve improved sector planning and increased allocation of host country resources to the sector.

Development loans are repaid to the United States in dollars, with interest. Interest rates charged to the borrowing country on development loans are lower than commercial rates, and maturities are longer. If they were not, the loans would not be aid at all.

Formerly 3/4% for the life of the loan, interest rates have gradually hardened and are now 2% during the grace period and 3% thereafter. While the United States has been hardening its loan terms, most of the other member countries of the OECD's Development Assistance Committee (DAC) have been softening theirs.

U.S. development lending is coordinated with the lending of other donors through consortia and consultative groups led by the World Bank and other international agencies, as well as through mechanisms such as the Inter-American Committee on the Alliance for Progress (CIAP). In the future, it is expected that the trend towards multilateral coordination of development lending will be further expanded, with the United States looking to international institutions to provide the framework for U.S. lending programs. And as the multilateral lending institutions have assumed major responsibility for the large capital transfers required to build physical infrastructure for development, A.I.D. has explored new ways of using U.S. development lending for programs designed to develop human resources and respond more directly to human needs.

Disaster Relief and Reconstruction

General. The United States, through A.I.D., responds over 50 times a year to calls for help from around the world in the wake of devastation caused by earthquakes, typhoons, floods, epidemics and other natural and man-made disasters.

Aid to the victims of disasters is provided with A.I.D. funds and P.L. 480 food. A.I.D. coordinates the efforts and resources of other U.S. Government agencies that may be brought to bear and works closely with U.S. voluntary agencies providing assistance.

A.I.D. is strengthening its capacity to respond quickly and effectively to disasters through such means as higher-level policy direction; better coordination of the activities of the U.S. Government, other governments, private agencies and international organizations; greater pre-disaster preparedness by establishment of additional stockpiles and provision of disaster preparedness training; and study of possible uses of modern technology in disaster relief operations.

South Asia Relief. One of the greatest disasters in modern times has vitally affected the development progress of the two largest nations in South Asia. India absorbed, in less

than a year, some 10 million Bengali refugees that fled East Pakistan following the disturbances that began in March of 1971. These refugees have now returned to Bangladesh, the new nation that emerged from the chaos in East Pakistan. The people and Government of Bangladesh confront an extraordinary task in rebuilding their nation.

The United States has provided humanitarian assistance to both countries. Before the Indo-Pak War in December 1971, we made funds available for relief activities both directly and through grants to UN and other relief agencies. The $200 million appropriated by the Congress for FY 1972 for South Asia relief and rehabilitation is being used by A.I.D. for non-food aid requirements. Of that amount, $27.7 million was obligated for these pre-war relief activities. Approximately $20 million was used to aid the Bengali refugees in India, and the balance of $7.7 million was provided for use in East Pakistan.

Following the war, our assistance to Bangladesh has been channeled through the United Nations and U.S. voluntary agencies. The United Nations Relief Operation in Dacca (UNROD) is the principal relief organization in Bangladesh. The assistance we have provided to UNROD is expected to be used for re-establishing the transportation system as well as providing an interim logistics capability and for procuring relief commodities for housing, agriculture and other basic needs. The grants we have made to voluntary agencies are being used for housing, nutritional, health, educational and transportation needs.

In addition, we have provided thus far $72.6 million worth of food supplies through the P.L. 480 program to prevent famine.

Additional grants of both food and non-food aid are expected to be made as requirements are more clearly defined. These grants will be made to the UN, World Bank and voluntary agency programs in Bangladesh, as well as directly to the Government of Bangladesh for urgent rehabilitation needs.

When the immediate tasks of relief and rehabilitation are completed, the long-term challenge of reconstruction and economic recovery must be confronted. The requirements and costs of reconstruction have recently been assessed, and the United States expects to contribute to meeting these needs.

Our post-war assistance under the $200 million appropriation has reached a level of $43,570,000, bringing the total U.S. non-food aid provided to date (mid-April) to $71,270,000. This leaves less than $130 million in the FY 1972 appropriation available to meet additional needs over the next few months. The $100 million requested for FY 1973 under the special authorization for South Asia relief and rehabilitation will enable us to continue to contribute to this vital humanitarian effort.

American Schools and Hospitals Abroad

The American Schools and Hospitals program enables private, non-profit institutions overseas, sponsored or founded by U.S. citizens, to maintain high standards and to operate in a manner which reflects favorably on the United States. To the extent that these U.S. institutions abroad help to convey the best elements of U.S. education and medicine, they attract the students that will ultimately emerge as leaders in their societies and contribute to the economic and social progress of the areas where they are located.

Each institution receiving assistance has its own organization, plant, and private funds (raised here and abroad), and contributes a quality of leadership which the U.S. Government could not begin to command with the funds requested for FY 1973. Accordingly, in terms of cost, the United States gets much more than a dollar's value for each dollar of assistance given.

For FY 1973, we are requesting $15,575,000 for the American Schools and Hospitals program.

Housing Investment Guaranty Program

The Housing Investment Guaranty program provides a full U.S. Government guaranty to U.S. private investors making housing

loans in the developing world. Authority to issue guaranties has been expanded annually and now amounts to $780.1 million, encompassing a worldwide program. A fee is charged for guaranties, and the income produced by this fee is available to meet administrative expenses and claims. The program operates without cost to the U.S. taxpayer.

The original authority to finance pilot demonstration projects was broadened in 1965 to include projects involving housing finance institutions, trade unions, cooperatives and lower-income housing. An increasingly large percentage of new guarantied loans are now being granted to central housing finance institutions for relending to local savings and loan and other mortgage finance institutions. The effect of this policy has been to strengthen these local financing institutions.

INTER-AMERICAN FOUNDATION

(Renamed From The Inter-American Social Development Institute)

The Congress created the Inter-American Foundation as a public corporation in the Foreign Assistance Act of 1969. The Foundation represents a special effort to work toward a new approach to development in the Western Hemisphere, to satisfy the need for experimentation and innovation in development and to place increased emphasis on the social aspects of the development process.

During the past year, the first full year of its existence, the Board of Directors of the Foundation has set forth the criteria, guidelines and operating procedures under which the Foundation will operate, a staff has been recruited and a number of projects have been funded.

The major purpose of the Foundation is to increase sharing by individual Latin Americans in development benefits and decisions. Working largely through private organizations, it seeks

-- to strengthen the bonds of friendship and understanding among the people of this hemisphere;

-- to support self-help efforts designed to enlarge opportunities for individual development;

-- to stimulate and assist effective and increasing participation of the people in the development process;

-- to encourage the establishment and growth of democratic institutions, both private and governmental, appropriate to the requirements of the individual sovereign nations of this hemisphere.

The Foundation is actively consulting with Latin American and Caribbean experts to continually sharpen its own methods and approaches to development problems.

OVERSEAS PRIVATE INVESTMENT CORPORATION (OPIC)

OPIC is a U.S. Government corporation established in 1971 to manage incentives to the investment of U.S. private capital and know-how in the developing countries. These incentives include

-- insurance against the political risks of expropriation; currency inconvertibility; and war, revolution or insurrection;

-- financial guaranties of loans or equity investment against default or loss from any cause other than fraud or misrepresentation by the investor;

-- direct loans in dollars or local currency;

-- pre-investment assistance in the form of information, counseling and financial cost-sharing.

Inheriting the overseas investment incentive programs previously administered by A.I.D., the corporation was created to operate on a businesslike basis, with a joint public-private Board of Directors. Its legislative charter charges OPIC to be financially self-sustaining in its financing

operations and to apply the principles of risk-management to its insurance program. To be eligible for OPIC assistance, projects must be new (or expansions), financially sound, competitive, welcome in the host country and responsive to the needs of social and economic development.

OPIC earned $15.2 million in the first half of FY 1972, its first full year of operation. Some $300 million worth of expropriation coverage is being reinsured by Lloyd's of London.

Insurance written since the beginning of the program in 1948, and currently in force as of December 31, 1971, was $2.5 billion for expropriation, $2.1 billion for war, revolution and insurrection, and $900 million for inconvertibility. In FY 1973, OPIC plans to commit $450 million for inconvertibility insurance, $650 million against expropriation, and $200 million covering war, revolution and insurrection, for a total maximum contingent liability of about $650 million.

The total of financial guaranties outstanding is $187.5 million, and $50 million more is planned for FY 1973. Also, the first direct loans, amounting to approximately $6 million, were made in FY 1972. Local currency (Cooley Fund) loans outstanding total 218, the dollar-equivalent amount of which is $164 million.

Some 370 investment surveys, including those conducted as part of a special program for agri-business pre-investment assistance, have resulted in 56 projects involving a total planned investment of $111.5 million. In FY 1973, approximately $750,000 is planned for pre-investment assistance.

In addition, OPIC operates a Community Credit Guaranty program for small local currency loans to agricultural and urban community development projects. As of December 31, 1971, 8 guaranties had been issued covering $1.9 million in local currency loans.

FOOD FOR PEACE (P.L. 480)

The abundant agricultural productivity of the United States is used under the Food for Peace program for a number of purposes -- encouraging economic development in the developing countries, combating hunger and malnutrition, developing and expanding international trade, and otherwise supporting U.S. foreign policy.

This program was authorized in 1954 by the Agricultural Trade Development and Assistance Act (Public Law 480). Assistance under P.L. 480 may take the form of long-term credit sales to foreign governments at low interest rates repayable in dollars or convertible local currencies (Title I) or donations to governments, multilateral institutions and private U.S. voluntary agencies (Title II).

Since the inception of the program, about $22 billion worth of agricultural commodities has been provided -- about $15 billion under concessional sales programs and $5 billion in donations. FY 1973 program commitments are estimated at $1.1 billion -- almost $800 million in sales and the remainder in donations.

Title I Sales

Most developing countries are giving high priority to increasing food production. While there has been considerable progress, many countries must continue to import food and fiber to meet the needs of their expanding population. Concessional sales of agricultural commodities under Title I of the Food for Peace program help these countries meet their food needs and minimize diversion of scarce foreign exchange from development purposes, by helping fill the gap between domestic agricultural production and the amounts which countries can afford to buy commercially. Sales are made on credit terms repayable in dollars over periods of up to 40 years. Where feasible, Food for Peace sales may fulfill part of a U.S. share of assistance coordinated by an international consortium or consultative group. Wheat,

cotton, vegetable oil and other commodities provided are sold within the recipient countries, and the local currency proceeds of the sales are used to finance development efforts.

Title II Donations

Food is donated under Title II of P.L. 480 to meet famine or other extraordinary relief requirements, to combat hunger and malnutrition, especially in children, and to promote economic and community development.

U.S. non-profit voluntary agencies, including CARE, Catholic Relief Services, Church World Service and other church-related organizations, sponsor a wide variety of people-to-people Food for Peace donation programs. The greatest emphasis is placed upon using donated food, including especially formulated high-protein blended foods, to supplement and enrich the diet of children. Maternal and child health, school feeding and other programs benefit about 47 million children. Food is also used in community self-help and other incentive programs as part payment for work by unemployed and underemployed needy people. Similar programs are also carried out in cooperation with friendly governments. A recent innovation in which four West African countries are participating is a five-year regional grain stabilization program to alleviate cyclical drought-induced food shortages.

Grants of food are an important part of U.S. assistance in emergency situations -- natural disasters, civil strife and refugee problems. In response to global appeals by the UN, the United States provided substantial amounts of food to help India in feeding the Pakistani refugees. UNICEF mounted a child feeding program in India and Bangladesh using Title II blended foods with added sweetener financed by A.I.D. Stocks of food used by U.S. voluntary agencies during the emergency in South Asia are being replaced. Other emergency programs include drought relief in Afghanistan, Jordan and refugee programs in Vietnam and Laos.

The World Food Program (WFP) is a multilateral food assistance organization to which the U.S. contributes food, including ocean transportation financed under Title II, and a small amount of A.I.D. funds. Established in 1962 on an experimental basis, WFP has substantially increased its global operations, and the number of donor countries has more than doubled. WFP provides food at the request of developing countries for emergency relief and a variety of economic and social development projects. The program is scheduled to reach $340 million for the two-year period 1973-74. The U.S. plans to contribute on a matching basis up to 40% of the commodities required, compared to 50% during the preceding two years.

PEACE CORPS

Peace Corps volunteers are part of the U.S. development assistance effort. They contribute services requested by the host countries, improve the knowledge of the United States in these countries, and broaden American understanding of the less developed world.

There are now about 8,000 volunteers in 57 countries, working in agriculture and rural development, business and public management, education, health, and urban and municipal development. They generally perform middle level activities, although, at the request of host governments, an increasing number of volunteers with advanced degrees and skills are being placed overseas.

Education remains the principal occupation of volunteers, with agriculture increasingly important as a secondary activity.

Returned volunteers play an important role in American communities. About half of the estimated 50,000 returned Peace Corps volunteers are active in education, social action and foreign aid.

The proposed FY 1973 program (net of supporting operations) for the Peace Corps, which is now the International Operations branch of ACTION, is $72.2 million.

MULTILATERAL PROGRAMS

Multilateral cooperation in providing development assistance to the less developed countries is one of the fundamental tenets of U.S. aid policy. This policy reflects the principles that the industrialized countries must share the responsibilities and costs of the development effort, that pooling or coordinating use of resources and ideas can increase the effectiveness of aid, that international institutions should now take the lead in the worldwide development effort, and that international channels are especially advantageous in sensitive fields such as population programs. Multilateral aid coordination can heighten efficiency, minimize overlap and strengthen integration of aid from many sources to a particular recipient. It also helps strengthen international institutions which are essential to a more peaceful and progressive world.

One type of multilateral cooperation is embodied in the international agencies through which the United States provides a substantial amount of development assistance.

ASSISTANCE FROM INTERNATIONAL ORGANIZATIONS TO LESS DEVELOPED COUNTRIES
COMMITMENTS BY U.S. FISCAL YEARS

(Millions of Dollars)

PROGRAM	U.S. FISCAL YEARS							
	1964	1965	1966	1967	1968	1969	1970	1971
TOTAL	**1,214**	**1,639**	**1,973**	**1,813**	**1,814**	**2,771**	**3,388**	**3,732**
World Bank (IBRD)	560	704	689	569	830	1,346	1,571	1,813
International Development Association (IDA)	248	306	284	350	106	380	602	584
International Finance Corporation (IFC)	19	25	35	46	46	87	96	101
Inter-American Development Bank (IDB)	122	234	363	445	391	496	678	660
Asian Development Bank (ADB)	–	–	–	–	5	70	95	238
African Development Bank (AFDB)	–	–	–	–	5	*	16	19
European Development Funds (EEC/EIB)	64	149	319	182	190	141	98[a/]	6
United Nations Agencies[b/]	201	223	282	221	241	250	231	310

NOTE: Detail may not add to totals due to rounding.

* Less than $500,000.

a/Nine months only.

b/Some data are for the calendar year ending in the fiscal year.

VOLUNTARY CONTRIBUTIONS TO INTERNATIONAL
ORGANIZATIONS AND PROGRAMS

Under the Foreign Assistance Act, contributions are proposed for UN-related programs and for the Indus Basin Development Fund.

Multilateral Assistance Through the United Nations

The amount requested for FY 1973 for these activities is $143.6 million. The programs assisted include --

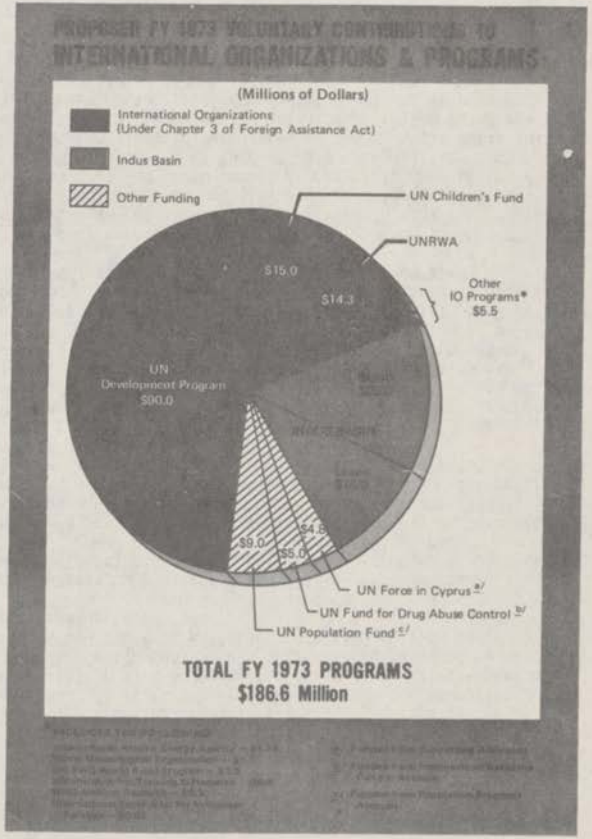
-- UN Development Program (UNDP). The UNDP is the focal point for the efforts of the whole UN system to provide assistance to developing countries. For FY 1973, $90 million is requested for the U.S. contribution to UNDP activities, which include surveys to attract investment capital, aid for development of institutions for economic and social growth, and technical advice.

-- UN Children's Fund (UNICEF). UNICEF provides supplies, equipment and training to help improve the health and welfare of children and mothers in over 100 developing countries.

-- UN Fund for Population Activities (UNFPA). UNFPA is a central coordinating and financing body for activities throughout the UN system which helps UN member countries identify and cope with population problems.

-- UN-FAO World Food Program. The World Food Program uses food aid on an international basis to improve nutrition, pay for work on development projects and feed victims of natural disasters.

-- UN Fund for Drug Abuse Control. This is a new program to provide technical aid in controlling



narcotics production and traffic, disseminating information on drug abuse, and treating and rehabilitating addicts.

-- UN Relief and Works Agency (UNRWA). Contributions to UNRWA help feed, house, educate and provide health services for Palestine refugees.

During the past decade the annual rate of commitments by the UN development agencies has more than tripled. At the same time contributing nations, especially the members of the Development Assistance Committee (DAC), have increased their support at a substantially higher rate than the United States.

Indus Basin Development Fund

The Indus Basin Fund was established by international agreement and is administered by the World Bank. It is financing construction of dams and other facilities to provide an equitable distribution of the waters of the Indus Basin between India and Pakistan. Begun in 1960, the project helped remove one serious source of friction between the two countries and is providing irrigation to over 50 million people.

The United States, seven other countries and the World Bank contribute to the $1.5 billion Fund. Estimated U.S. contributions in FY 1973 are $25 million in grants and $18 million in loans.

CONTRIBUTIONS TO MULTILATERAL BANKS

The United States contributes directly, under separate legislation, to international financial institutions such as the International Bank for Reconstruction and Development (IBRD) and its affiliate the International Development Association (IDA), the Inter-American Development Bank (IDB), and the Asian Development Bank (ADB), which pool contributions from member countries to provide capital assistance to developing countries.

A total of $920 million (not including $337 million in callable capital) is requested for such contributions in FY 1973, all against amounts already authorized by the Congress. In addition a request is under consideration for authorization of a $300 million three-year replenishment of the Asian Development Bank's ordinary capital, 20% to be paid in and the rest callable, with $100 million to be appropriated in FY 1973.

Institutions such as these now supply over one-fourth of total official aid commitments from non-communist countries.

The World Bank Group of financial institutions -- the International Bank for Reconstruction and Development (IBRD), International Development Association (IDA), and International Finance Corporation (IFC) -- is the largest multilateral channel for aid.

IBRD loans made on hard terms increased substantially from $847 million in FY 1968 to $1.4 billion in FY 1969 and to $1.9 billion in FY 1971. In 1970 the United States supported a $3 billion increase in the capital of the Bank. Of the U.S. share of $246.1 million, $24.6 million was for paid-in capital, the balance being callable capital to be kept in the U.S. Treasury as backing for the Bank's bonds. Only half the $246.1 million requested has been appropriated.

IDA credits rose from $385 million in FY 1968 to $606 million in FY 1970 and declined to $584 million in FY 1971. During 1970 the United States participated in international negotiations that led to agreement in principle on doubling donor inputs to IDA during FY 1972-FY 1974. Legislation authorizing the U.S. contribution was passed by the Congress early this year. The U.S. share of the total $2.4 billion third replenishment would remain 40%, or $960 million over the three-year period ($320 million a year), while other countries would contribute the remaining 60%, or $1.44 billion. Appropriation of the $320 million second installment of the U.S. share is proposed for FY 1973.

The Inter-American Development Bank (IDB), involving the 21 Latin American Republics and the United States, committed $637 million for Latin American economic and social development in 1971 -- $238 million in hard loans from ordinary capital and $400 million from the Fund for Special Operations (FSO). The FSO makes loans on flexible terms to member countries whose balance of payments situations will not sustain loans on conventional terms, or for projects of high social importance with a delayed or indirect rate of economic return.

During 1970 the United States joined with other members of IDB in supporting an increase in the resources of the Bank. The Congress approved an $823 million increase in the U.S. subscription of ordinary capital, of which $150 million is to be paid in three equal installments during FY 1971-FY 1973. The balance of $673.5 million is for callable capital, half in FY 1971 and half in FY 1973, to be kept in the U.S. Treasury as backing for the Bank's bonds. In addition, the Congress authorized the U.S. representative to the Bank to vote for a $1.5 billion replenishment of the FSO, of which the U.S. share would be $1 billion. Half of the $100 million first installment of the U.S. contribution was appropriated in FY 1971. The other half was requested in FY 1972, but was not appropriated by the Congress. The remaining $900 million would be paid in two equal installments in FY 1973 and FY 1974.

The Asian Development Bank (ADB) has 21 Asian regional members and 14 non-regional members, including the United States. Its annual loan commitments have grown to $254 million in 1971 -- $202.5 million in hard loans from ordinary capital and $51.5 million in soft loans from its Special Funds. The United States has now paid in full its subscriptions to paid-in ordinary capital. Another $100 million in callable capital to enable the Bank to market the equivalent value of its bonds has also been appropriated. A $100 million U.S. contribution to the Bank's Special Funds for concessional lending has been authorized, and appropriation of the full $100 million is being sought in FY 1973. As noted above, a $300 million U.S. subscription to a three-year replenishment of ordinary capital is under consideration.

The African Development Bank (AfDB) has a membership of 31 African countries. By the end of 1970, the AfDB had made loans totalling $39 million. Negotiations are well under way for the creation in the Bank of a Special Fund for concessional lending. The United States and other non-member countries are currently considering contributions to this fund.

MULTILATERAL COORDINATION

The major bilateral and multilateral development aid programs described above are coordinated internationally through consortia and consultative groups for individual developing countries and through various arrangements for general consultation on assistance matters.

Multilateral Coordination of Aid To Individual Developing Countries

Consortia, consultative groups and similar mechanisms, normally led by the World Bank or other multilateral agencies, are the primary means used by donor countries and international institutions to coordinate development aid programs to individual countries. These coordinating groups provide a framework to assess the problems, requirements and performance of particular developing countries and a means of assuring donors that they are supporting consistent development goals and that aid resources are used efficiently.

Such groups, in which both donor countries and international agencies participate, link bilateral and multilateral financial assistance, but have had limited concern with technical assistance. The World Bank is a member of all the groups, while the International Monetary Fund (IMF), the UN Development Program (UNDP), the European Economic Community (EC) and the regional development banks participate as appropriate.

The coordinating groups have varying forms and procedures. The India Consortium and the Pakistan Consortium under the sponsorship of the World Bank and the Turkey Consortium under the auspices of the Organization for Economic Cooperation and Development (OECD) are highly structured groups. As a coordinating body, a consortium assesses the development plans and foreign exchange requirements of the recipient and obtains from donor members indications of levels and kinds of assistance; then commitments are made. Consortia have also been effective in focussing both donors' and recipients' attention on the development policies of the recipient government; for example, the Consortium for Turkey played a major role in encouraging the Turks to undertake their economic reforms of August 1970.

Consultative groups, which are less formally structured than consortia, do not require donors to indicate the amount of assistance to be provided. There are 14 active consultative groups under World Bank sponsorship for 13 less developed countries and one region -- Ceylon, Colombia, Ethiopia, Ghana, Korea, Malaysia, Morocco, Nigeria, Peru, Philippines, Thailand, Tunisia, Zaire and East Africa (Kenya and Tanzania).

The Indonesia aid coordination group has some of the features of a consortium. Chaired by the Netherlands, it receives staff support from both the World Bank and the IMF.

Multilateral Consultations

The Development Assistance Committee (DAC) of the Organization for Economic Cooperation and Development (OECD) is the main mechanism for general coordination of bilateral aid. The 16 members of the DAC -- including the United States -- provide over 90% of total worldwide official aid; the members consult frequently on volume, terms, methods and criteria, and review each other's aid programs every year. The United States actively participates in the DAC's work.

Other DAC members, in part as a result of U.S. encouragement, substantially expanded the volume and improved the terms of their aid programs over the past decade.

The United States also participates actively in the Inter-American Committee on the Alliance for Progress (CIAP), which reviews development problems and progress and identifies resource gaps in Latin American countries.

ASSISTANCE FROM COUNTRIES AND INTERNATIONAL FINANCIAL INSTITUTIONS
PARTICIPATING IN CONSORTIA, CONSULTATIVE AND OTHER COORDINATION GROUPS
CY 1970 GROSS COMMITMENTS
(Millions of U.S. Dollars)

DONOR	COORDINATING GROUP															
	CONSORTIA[a]			CONSULTATIVE GROUPS[a]											OTHER AID COORDINATION GROUPS	
	IBRD		OECD	IBRD											IBRD	NETHERLANDS
	RECIPIENT															
	INDIA	PAKISTAN	TURKEY	COLOMBIA	EAST AFRICA[b]	GHANA	ETHIOPIA	KOREA	MOROCCO	NIGERIA	PHILIPPINES	PERU	THAILAND	TUNISIA	ZAIRE	CEYLON	INDONESIA
Australia	2.1	0.5			0.3	0.5	*	1.1			*		7.7			0.3	19.6
Austria	2.0	0.5	0.6		0.2		*						0.2	0.1			
Belgium	3.5	1.5	1.5								1.0						2.5
Canada	79.2	47.1	6.7		23.0	9.0	0.2	0.1	4.4	3.9	0.1		1.3	8.4	0.9	5.0	3.3
Denmark	4.1	0.4	2.7	0.2	6.4			0.1	0.1			*	0.1	*	1.4		
Finland					n.a.							n.a.		n.a.			
France	20.0	8.1	18.4	–	–	1.3	–	–	41.7	–	–	6.5	–	27.9	0.1	–	–
Germany	76.0	36.7	59.8	10.9	9.2	6.5	2.2	12.7	34.7	11.6	1.4	12.9	4.4	26.9	2.5	1.4	27.5
Italy		40.0	15.0	0.1	0.8	0.1	2.7	*	0.7	0.1	*	0.1	*	0.2	0.1	*	18.5
Japan	57.8	82.4	*	*	0.6	*	*	98.6	–	8.7	40.0	0.6	11.0	–	–	–	109.7
Kuwait														n.a.			
Libya														n.a.			
Netherlands	22.8	9.1	1.0		1.0		0.1	1.0		0.8				2.0			33.6
New Zealand													n.a.				
Norway	6.4	1.2	0.5		9.1	0.1	0.2	*		0.5				0.3	0.2	0.1	
Spain				n.a.					n.a.					n.a.			
Sweden		13.3	2.0		22.3		16.5	5.8						11.9		0.4	
Switzerland	5.4	0.8	0.4	0.2	0.6					0.1		0.3	0.1	0.4	0.1		0.8
Taiwan								n.a.									
United Kingdom	111.5	42.5	8.4	0.5	–	–	–	0.1	–	20.8	0.2	0.3	1.2	–	–	9.3	10.3
United States	275.3	274.6	82.6	100.1	16.9	33.0	16.3	143.6	33.7	55.0	34.6	19.2	29.8	29.7	11.6	20.1	205.3
EEC			44.4							0.3		1.7			0.4	1.1	4.4
IBRD	40.0	19.2	40.4	127.6	113.9			40.0	68.3	35.6			46.5	10.0		14.5	
IDA	172.5	99.4			25.2	14.8	6.6	15.0	7.3					10.5	5.0	14.5	104.9
Asian Development Bank		36.8						44.7			25.6		19.0				13.4
African Development Bank					4.5				2.8								
Inter-American Dev. Bank				54.3								67.6					
TOTAL	878.6	714.1	284.0	293.9	234.0	65.3	44.8	360.8	193.7	137.4	102.9	109.2	121.3	128.3	22.3	66.7	554.0

NOTE: *Donor contributed less than $50,000. – Dash means that a donor did not participate in CY 1970. n.a. Data not available.
a/The consultative groups for Sudan and Malaysia and the consortium for Greece are inactive.
b/Includes commitments to Kenya, Tanzania, Uganda, and the East African community.

Sources: DAC Annual Assistance Review, annual reports of international financial institutions, and reports of consortia and consultative groups.

III. HOW MUCH DEVELOPMENT AID DOES THE UNITED STATES PROVIDE?

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.

A.I.D. Development and Humanitarian Assistance Programs. The $1.4 billion appropriation request for development and humanitarian assistance programs to be carried out under the Foreign Assistance Act amounts to

-- little more than one-half of one percent (0.5%) -- one two-hundredth -- of the Federal Budget, and

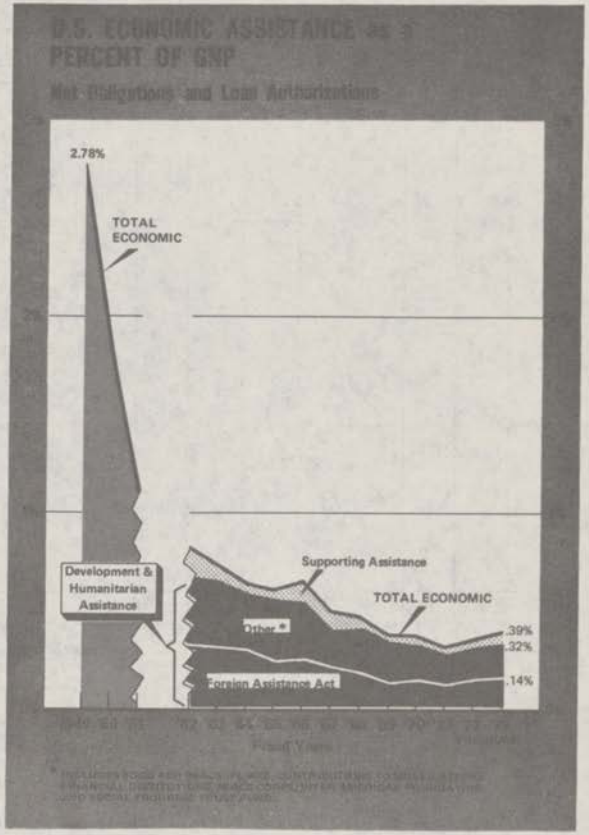
-- only about 1/10th of one percent (0.1%) -- one thousandth -- of our Gross National Product (GNP).

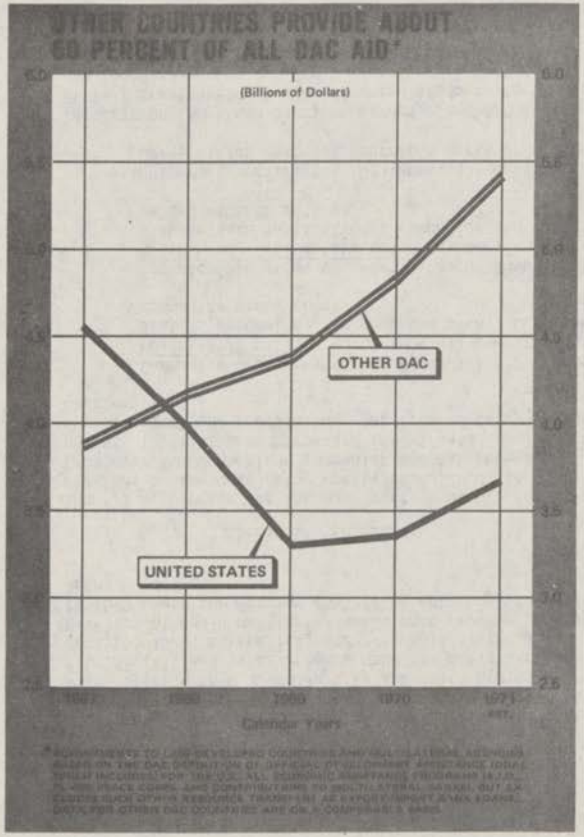
The Total U.S. Development and Humanitarian Assistance Program. The total U.S. development and humanitarian aid program proposed for FY 1973 -- both bilateral and multilateral -- amounts to $3.8 billion, or about 1-1/2% of the Federal Budget and less than one-third of one percent (0.3%) of our GNP.

All U.S. Foreign Economic Aid. The total of all U.S. foreign economic aid proposed for FY 1973 -- whether development, humanitarian or security aid -- amounts to less than $4.6 billion. This is less than 2% of the Federal Budget and well under 1/2 of 1% of our GNP, compared to about 6 times those percentages during the beginning of the Marshall Plan.

HOW THE UNITED STATES COMPARES WITH OTHER COUNTRIES

The United States -- with a GNP about equal to all the other DAC members combined -- now contributes well under half the economic aid going to less developed countries and multilateral agencies, with other countries' contributions expected to continue rising during the 1970's.





There are several ways of measuring foreign assistance -- not all of them very meaningful. The DAC and the UN have set 1% of Gross National Product as a goal for the industrialized countries, but count toward that target flows of private funds, as well as official government resource flows, and the latter include everything from hard-term export credits to outright grants. Six of the 16 DAC member countries exceeded the 1% target in calendar year 1970, the latest year for which figures are available. Many DAC countries have five-year plans to reach the target. The United States has subscribed in principle to the 1% target, but has not set any time in which to achieve it. By this standard of total financial resource flows as a percent of GNP, the United States ranked next-to-last among DAC member countries in 1970.

Offical Development Assistance. In the last few years, the DAC has been using a more meaningful concept, called "official development assistance" (ODA), which excludes not only private funds, but also most hard-term credits and financing provided primarily to finance exports rather than to benefit developing countries. By this standard (which is approximately equivalent to total U.S. economic assistance) the United States ranked in 12th place in 1970 in assistance provided as a percent of GNP.

Even the concept of official development assistance is an imperfect measure of foreign aid, primarily because while it contains only assistance provided on concessional terms, the terms nevertheless vary considerably from grants to a few quite hard loans. (The DAC has this year agreed in principle to exclude hard loans from ODA -- specifically those with a concessional element below 25%.) The United States also ranked 8th among the DAC countries in relative softness of the terms of aid provided in 1970.

In short, the United States, which has more, gives less, and our proportion of the economic aid provided by all countries is still declining.

IV. COSTS AND BENEFITS OF AID TO THE U.S. ECONOMY

Most foreign aid does not consist of giving money to other countries. Development assistance in particular is heavily weighted in favor of loans and credits, which are repayable with interest in U.S. dollars -- and which are being repaid. P.L. 480 Title I sales are now made for dollars or convertible local currencies, and over half of the $1.7 billion development and humanitarian assistance program proposed for FY 1973 under the Foreign Assistance Act consists of dollar loans.

U.S. Procurement

The A.I.D. program for the most part sends U.S. goods and services to the developing countries. A.I.D. dollars buy goods from over 4,000 American companies and pay some 1,000 private institutions, firms and individuals in all 50 states for technical and professional services to carry out projects overseas.

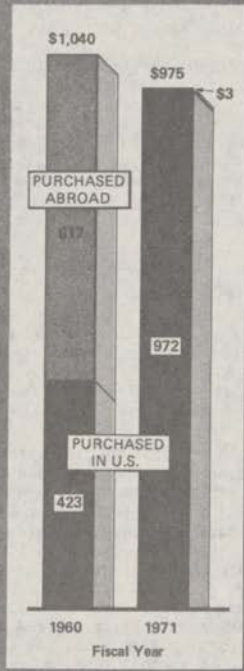
-- Commodity procurement. In FY 1971 A.I.D. funds bought $972 million worth from all over the United States, accounting for over 99% of A.I.D.-financed commodity procurement.

-- Technical services contracts. As of June 30, 1971, A.I.D. had 1,261 active technical service contracts with private institutions, companies and individuals, valued at $682 million.

-- University contracts. Of these, 134 colleges and universities held 362 contracts worth $274 million.

In addition, American carriers earned about $78 million in FY 1971 transporting A.I.D.-financed products to the less developed countries.

A.I.D.-FINANCED COMMODITY EXPENDITURES
MAJOR COMMODITIES PURCHASED IN THE U.S.
FY 1960 vs. 1971 (Millions of Dollars)



Selected Major Purchases in the U.S.	FY 1960	FY 1971
Iron & Steel	$14	$145
Chemicals	18	128
Motor Vehicles	41	90
Misc. Industrial Machinery	14	77
Electrical Machinery	18	62
Nonferrous Metals	1	55
Construction Equipment	20	49
Fertilizer	9	44
Engines & Turbines	4	32
Textiles	4	28
Pulp & Paper	3	28
Tractors	3	27
Rice	1	23
Petroleum Non-fuels	17	21

To increase the effective value of aid to recipient countries and eliminate political frictions caused by tied aid, the President has proposed the untying of bilateral development loans on a fully reciprocal basis. Virtually all the industrialized countries have agreed to the principle of untying. However, we are holding further action on untying pending the completion of ongoing adjustments in international monetary arrangements.

Balance of Payments

This nation's balance of payments and gold outflow problems result primarily from our large defense expenditures, U.S. investments abroad and tourist spending overseas -- not from the foreign aid program. In FY 1971, 87% of A.I.D.'s expenditures were for U.S. goods and services. The remaining 13% spent for foreign goods and services -- only $255 million out of total expenditures of $1,909 million -- was more than offset by $306 million of net receipts of principal and interest on prior-year loans paid to the United States by other countries.

Creating Future Markets

U.S. development assistance programs help build long-run demand for U.S. exports.

-- U.S. aid programs strengthen countries economically, making them better customers for U.S. exports.

-- U.S. products often are exported to countries for the first time through aid financing, paving the way for later commercial sales of those products.

V. PROGRAM EMPHASES

AGRICULTURAL AND RURAL DEVELOPMENT

Today we face two major challenges in agricultural development.

-- We must sustain and further the technological and production gains achieved thus far.

-- The benefits of the agricultural revolution must be shared to the greatest extent possible by all the rural people in the developing countries.

In order to meet these challenges, we are evolving new approaches while continuing the assistance activities that have made a major contribution to the agricultural revolution.

As a result of those efforts and the technological breakthrough which resulted in the "Green Revolution", impressive gains in food production have been made in the past five years. These breakthroughs were achieved in cereal food grains as a result of research financed by the Ford and Rockefeller Foundations and various aid donors, including A.I.D. Improved varieties of wheat and rice were developed; these varieties resulted in 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.

Although the increase in production of basic food grains is of major proportions, significant problems remain. Agricultural production must continue to increase; research capabilities must be reinforced and expanded; restraints on marketing systems must be removed; and an adequate supply of trained specialists must be assured.

U.S. assistance to developing countries plays an important role in helping developing countries confront these problems. A.I.D. is helping to finance a wide variety of essential inputs, including the new high-yielding seed varieties, other crops, fertilizer, irrigation facilities and pesticides, in order to increase agricultural production.

Our research program is part of a worldwide effort to concentrate research directly on agricultural problems, particularly those relevant to the small producer--on crops or stock that he can grow or raise with technology he can use. In this regard, greater attention will be directed toward the development of a network of interrelated research centers throughout the world. We are also financing programs aimed at modernizing and creating more responsive marketing systems. Over the past twelve years, we have trained over 14,000 agricultural participants in the United States and assisted in developing or modernizing more than 100 agricultural schools in the developing countries. However, more technical specialists, particularly in research, must still be trained.

In order to meet the second challenge of agricultural development, we are increasing our emphasis on such problems as income distribution and rural employment while continuing our efforts at solving the problems discussed above. The new emphasis is not limited to specific activities, but rather is an objective that will be reflected to an increasing extent in the agricultural projects and programs we finance. We are relying to a greater extent on sector analysis as the principal tool to enable both recipient countries and A.I.D. to evaluate the effects of policies and programs on agricultural production, rural employment and income distribution. For example, this technique enabled us to alter elements in a sector loan so as to increase substantially the number of jobs created by the activities that the loan financed. Such benefits are expected to increase in the future.

POPULATION AND HEALTH

The quality and quantity of human life are inseparable aspects of the problem of development. Improvement in the quality of life is simply not possible if a rapidly increasing quantity of people intensify demands on already scarce resources. Rapidly increasing population is perhaps the most overriding long-run problem facing mankind, and it affects directly all attempts to solve other development problems.

The effects of debilitating disease and malnutrition will be magnified unless the excessive expansion of population is curtailed. Even if enough nutritious food is available, malnutrition will persist as long as intestinal diseases prevent the retention of protein. Conversely, health programs to cure serious diseases offer little hope for the people of poor countries if some later die of starvation. Improved nutrition and health are necessary to a reduction in infant mortality, which is a pre-condition for large-scale reduction in fertility. Because of the integral relationship between population, health and nutrition, A.I.D. programs in the three fields overlap in conception and in implementation. For example, A.I.D. is assisting maternal/child health programs which provide at one time services and information on family planning, nutrition and health.

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.

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 devised. There are shortages or 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 A.I.D. program has given high priority to assistance to help reduce population growth rates. The program has grown from $2 million in FY 1965 to $125 million proposed for FY 1973. 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. These programs will continue, as will the search for improved contraceptives and distribution systems.

In addition, A.I.D. population programs beginning in FY 1973 will pay increasing attention to the "demand" side of the problem. Numerous variables -- social, economic, religious and legal -- may influence individuals desired and actual family size or their "demand" for family planning. However, the body of knowledge about the relationship of these factors to family size is small; additional research is necessary. Less developed countries must also determine what official policy changes and action programs will influence people to have fewer children, including possible modification of laws regarding age at marriage, child labor, and social security programs.

Health

Without good health, the individual and the society cannot get full benefit from more food and material goods, schools and other services, or new technology. Nor can they make development gains if energy is sapped by debilitating illness. Disease is still a massive problem in many developing countries. To help control disease over the past decade, A.I.D. programs 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 sewerage systems.

Further study is needed to determine the relationship of health to development as a basis for action programs which can materially improve the quality of life for more people in developing countries. In particular, A.I.D. assistance will stress the integration of health planning with national development planning, and the development of multi-purpose low-cost systems to deliver basic family planning, health and nutrition services. The relationship of environmental pollution to health problems will also receive increasing attention -- efforts will be made, in cooperation with various international organizations, to improve awareness of the extent of the problem and what can be done about it.

Nutrition

Malnutrition is the most important direct and indirect cause of child mortality in many developing countries. For those infants who survive, malnutrition can cause permanent mental retardation, thus limiting opportunities for future education and productive work. Recent research has shown that since parents often have many children to guarantee security in old age, a reduction in child mortality rates is a necessary condition for the reduction of birth rates.

The pervasive nature of malnutrition dictates a coordinated approach to its eradication. Opportunities to improve nutrition must be sought in the course of other programs in education, health and agriculture, as well as in specific projects aimed at combatting malnutrition. A.I.D.'s current technical assistance programs in nutrition are largely exploratory attempts to find new ways of dealing with these massive problems. Increasing attention will be given to efforts to encourage broad national planning to attack malnutrition, embracing all relevant fields of activity.

We will also support research to develop new inexpensive protein products and fortified cereals, as well as nutrition education and training programs.

EDUCATION AND MANPOWER TRAINING

The development of human resources -- the education and training of people -- is both the means and the objective of national development. Education in a broad sense is the way in which people obtain the knowledge, skills and motivation needed to improve the quality of their own lives and contribute to a more creative and productive society.

General social progress cannot be achieved by a small elite commanding a huge constituency of illiterate and disoriented people. Suitable education is essential to development of the individual and the nation.

Intense efforts were made by the developing countries in the 1950's and 60's to improve and expand their educational systems and meet the demands for improvement of human skills. Expenditures of their own funds for education increased from $1.5 billion in 1950 to roughly $12 billion in 1970. In some instances, as much as two-thirds of a country's annual growth in revenues was spent on education. Latin American governments spent twice as much on education as on agriculture.

The increased priority given to education during that period resulted in substantial progress in meeting manpower requirements. During the period, primary enrollments more than doubled while secondary and higher education enrollments quadrupled. As a result, a nucleus of high level manpower required for nation building now exists in most developing countries. The United States has made a vital contribution to this progress in the form of substantial technical and capital assistance. We share the pride of the developing countries in the accomplishments, but along with them we recognize that traditional education still does not reach half of the children of the world and falls far short of responding to the actual needs of their societies.

Continued linear expansion of traditional school systems will not produce the kind and amount of education needed for development at this juncture. Indeed, unsuitable education is a severe drain on scarce resources and may impair rather than benefit development. Bold new approaches are needed to solve problems presented by increasing numbers of unemployed and underemployed, shortages of skilled craftsmen and technicians, and rural to urban migration.

Immediate solutions to these problems must be sought. While seeking new answers, A.I.D. must continue to support developing nations in their efforts to build schools, develop better teaching materials, and train more teachers. Moving beyond these tested measures, better planning and analysis of the entire education sector must be undertaken to determine the relationships and linkages of the elements affecting the system. Research and experimentation with curricula, teaching methodology, and educational technology is urgently needed. Perhaps most important, experimentation with new non-formal education approaches must be tried if more children are to be taught at reduced costs.

Emphasizing non-formal education does not necessarily mean de-emphasizing formal education. But a new dimension to education must be realized which will provide modern learning experience for a much larger proportion of the population in the course of its daily life and work. Although recognition of the need to give greater status to out-of-school education has increased, knowledge about its possiblities is still limited. A.I.D. will increase its efforts to learn more about existing and potential non-formal education for developing countries.

Recent analyses have underscored the need to experiment with use of modern communications techniques and with programmed learning to try to spread quality education to more people at a feasible cost. New technology can supplement the job of existing teachers -- many of whom are poorly educated themselves. Mass communication can assist in both formal and non-formal education (e.g. in agricultural advice for farmers). A.I.D. is also financing experiments in programmed learning. Finally, application of sector analysis to educational finance and planning helps developing countries make the most efficient use of modern communications technology as well as of other expensive resources.

INDUSTRY, TRANSPORTATION AND URBAN DEVELOPMENT

Industry and Transportation

Industrialization is a symbol as well as an essential element of development. If the industrial sector is to contribute to overall economic advancement, it requires the concurrent development of physical infrastructure, especially the transportation network; capital resources; imported raw materials and equipment; appropriate industrial policies; an adequate supply of trained manpower; and earnings from exports and tourism.

Our assistance to capital resource development takes many forms. We lend to development banks and intermediate credit institutions in less developed countries, which use loan funds provided by the United States to make subloans to local entrepreneurs. 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' local knowledge to the business of investment. Assistance is also provided to other financial institutions to mobilize capital for development.

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 Overseas Private Investment Corporation (OPIC), (2) by advising on the development of local capital markets and supporting credit institutions, and (3) by assisting in tourism and identifying products which can be manufactured in the developing countries for export sales.

Recognizing that the policies and strategies that a developing country pursues determine the extent to which industrialization contributes to overall development, we seek

to ensure that aid recipients are cognizant of the effects of the policy options that they consider in formulating development strategy. We also acquaint these countries with the results of research efforts on relevant problem areas.

The development of a supply of trained manpower is assisted by a variety of approaches. We furnish technical assistance to intermediate credit institutions and other organizations that provide skills and services for private industry. We also assist a variety of educational institutions whose training efforts range from graduate business administration to basic industrial skills. We also help developing countries make contractual arrangements with private U.S. firms for assistance in technical and management skills.

In transportation, our assistance is directed towards capital development inputs for constructing roads and highways; upgrading and maintaining existing rail facilities; communications, navigational aids, and operational management for air transportation facilities; and capital improvements for ports and harbors.

Urban Development

Urbanization appears to be an inevitable complement to modernization and industrialization. As such, it places additional demands on development.

In the past our assistance efforts have been concentrated on a guaranty program for housing loans, with limited emphasis placed on infrastructure such as roads, sewage and water facilities and transportation.

Today we are directing our assistance in the urban area along the lines of the sector approach. This technique allows us to provide capital and technical assistance in an integrated manner to attack problems such as deficiencies in planning and administrative capacity; lack of basic infrastructure such as roads, sewage and water facilities, and transportation systems; shortages in housing for low-income families; and urban employment.

Already well established in Latin America, our assistance in the housing loan area through the housing guaranty program will be expanded through new activities in Asia and Africa.

Science and Technology

Science and technology are an integral part of and make major contributions to the development process. Increased production, proper management of natural resources, alternative employment opportunities, and better physical infrastructure are all possible through the correct application of modern science and technology.

Our assistance efforts have used talent from the scientific and technical fields for many years. But the scope of the efforts has been narrow and the impact short in duration, usually leaving no indigenous scientific or technical capability.

U.S. expertise in these fields represents great potential for solving the problems of the developing countries. A.I.D. has begun a systematic effort to bring together and direct to development needs the resources of U.S. institutions. The purpose of this effort is to strengthen the capacity of developing countries to acquire and use science and technology more effectively.

We shall continue to support promising centers of excellence that form the basis for expanding local competence and can assist in the development of national science policies in the developing countries.

As the developing countries increase their awareness of the necessity to use scientific and technological resources more effectively, we feel that a collaborative style of assistance can make significant contributions to sustained economic development. The National Academy of Sciences, with A.I.D. support, has developed collaborative programs with a number of developing countries to assist them in integrating local scientific and technological activities

into overall development efforts. A.I.D. is also involved in collaborative activities with various international agencies, as we look to these agencies to provide the framework within which specific A.I.D. activities can contribute to multilateral efforts.

PRIVATE ENTERPRISE

Private resources and individual energies must be applied to the task of development. Economic progress has been greatest in countries which have allowed private enterprise to flourish and enabled the individual to participate actively in the development process.

U.S. development aid programs strengthen private initiative in the developing countries in a number of ways. For example --

-- Technical Assistance helps strengthen individual skills and knowledge and equips the individual to participate more effectively in the development process.

-- Technical Assistance helps private enterprise directly through projects in, for example, management training, small industries development, tourism and development of local credit institutions.

-- Technical Assistance supports private U.S. groups such as the International Executive Service Corps (IESC) and a number of U.S. cooperatives and other associations which provide technical, advisory and other services to private businessmen and organizations in developing countries.

-- Development Lending often permits governments to adopt sound economic policies which liberalize import and other restrictions hampering private economic growth and create a favorable climate for private investment.

-- Development Lending finances the importation of goods needed by private businessmen and farmers.

-- Development Lending helps build the power plants, roads, dams and other basic facilities required to support expanding private activity.

-- Development Lending provides resources for intermediate credit institutions, which are an important source of capital for businessmen, farmers and homeowners in developing countries.

-- Both Technical Assistance and Development Lending help develop capital markets by providing assistance to financial institutions to mobilize capital for economic expansion which can increase investment in development.

-- Both Technical Assistance and Development Lending are used to help less developed countries identify and manufacture products for which a world market exists and which can, therefore, increase countries' foreign exchange earnings through expansion of exports.

POPULAR PARTICIPATION IN DEVELOPMENT

Title IX of the Foreign Assistance Act emphasizes the importance of increasing popular participation in the development process. Central to the legislation is the proposition that the people of the developing nations should be involved in decisions that affect their own lives and should fully share in the benefits of development that we are assisting.

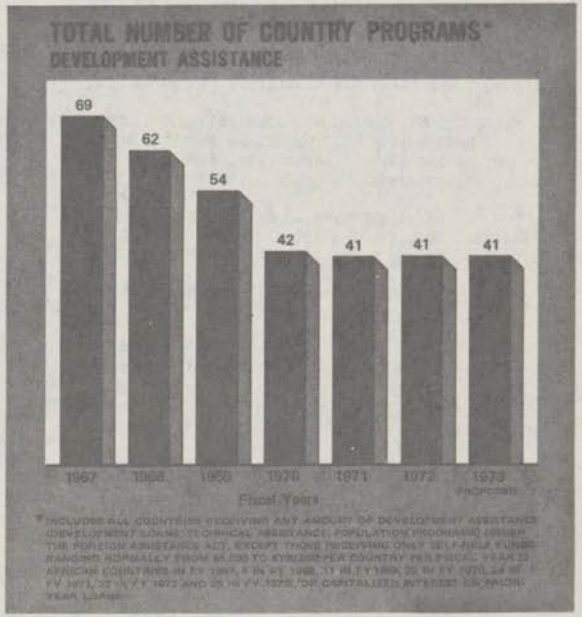
Popular participation can be increased by such activities as taxation to improve income distribution, land reform and other government policies to assist the small farmer or businessman, and motivational leadership and management training. It also requires development or strengthening of a wide variety of institutions which perform economic, social and civic functions at all levels of society. These institutions, including rural cooperatives, labor unions, women's and youth groups, credit untions, legislatures and legal institutions, and many others, enable people to articulate their demands and perform their tasks more efficiently, and cause governments to respond more effectively to the needs of the people.

Through the development assistance program, we are trying to help developing countries move toward fulfillment of these purposes. We are currently analyzing existing operations, to define more precisely the inter-relationships between economic, social and civic development, to identify specific activities and institutions which are most effective in broadening possibilities for participation, and to devise development strategies which maximize popular participation. We aim to apply these analyses operationally -- to develop planning, programming, implementation and evaluation techniques which focus on participatory factors. Simultaneously we are encouraging the growing trend toward giving increased attention throughout the programming process to the employment and income distribution effects of U.S. development assistance activities in all their forms. These techniques are being applied to increase opportunities for popular participation in existing programs and to design new programs which involve people in the tasks and the rewards of development.

VI. WHERE DOES DEVELOPMENT ASSISTANCE GO?

U.S. development assistance goes to less developed countries in the non-communist world.

Many of the countries in Europe and elsewhere which the United States assisted at one time since 1946 have not received aid for years. And no communist country receives

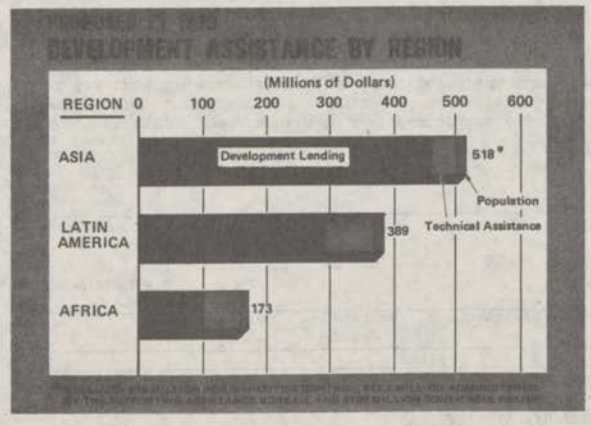


foreign aid from the United States, except for limited emergency assistance to relieve human suffering in time of natural disasters.

Number of Countries Receiving Development Aid

The total number of countries receiving some form of development assistance under the Foreign Assistance Act will drop from 71 in FY 1967 to 66 in FY 1973. Over one-third of the FY 1973 total (25) are African countries which, apart from regional programs, will be eligible only for self-help funds ranging normally from $5,000 to $100,000 apiece.

Excluding the African countries receiving only self-help funds, the total number of countries where there are bilateral programs will drop from 68 in FY 1967 to 41 proposed for FY 1973.



Regular bilateral Technical Assistance programs will have dropped during the same period from 65 to 37 (45 to 19 outside Latin America). Development Loan programs will have gone from 38 in FY 1967 to 30 in FY 1973 (23 to 15 outside Latin America).

Development Assistance Program by Region

Most development assistance funds are used directly for the three regions of the world in which programs are carried out.

Latin America. The FY 1973 program proposed for Latin America amounts to $389 million. Of this sum $241 million is proposed for Colombia, Central America, and Inter-American and regional activities.

Asia. The proposed FY 1973 development assistance program for Asia is $518 million. Over half the funds are for major programs in four countries -- India, Indonesia, Pakistan and Turkey -- where two-fifths of the people in the non-communist developing world live.

Africa. The proposed program for Africa is $173 million. Bilateral activities are proposed for FY 1973 for 10 African countries. Twenty-five others will be eligible for self-help funds, ranging normally from $5,000 to $100,000 apiece, for one-time contributions to local projects, as well as for regional aid (for which $56 million or 32% of the total program is proposed).

Other. In addition, development assistance funds are used for activities not directly connected with a particular country or region. These include contributions to worldwide international organizations and programs, administrative expenses, and program activities such as research and support for private organizations involved in overseas development work.

CONTINGENCY FUND
AVAILABILITY AND PROGRAM FY 1972 AND FY 1973

(in thousands of dollars)

	FY 1972					FY 1973		
	Balance Forward	Appro-priation	Transfers	Recoveries	FY 1972 Program	Appro-priation	Recoveries	FY 1973 Program
CONTINGENCY FUND	466	30,000	- 1,850	500	29,116	30,000	300	30,300

The Contingency Fund is used to meet assistance requirements which are unforeseen or cannot be accurately defined at the time the proposed program is prepared and submitted to the Congress. It is used primarily for disaster relief and for situations involving security interests of the United States.

There is no way of knowing in advance how much will be needed for the Contingency Fund for any given year. What is predictable, however, is that natural disasters and other contingencies will arise, and that funds will be needed to meet them. The need to have funds available for such uses is all the greater when urgent problems such as the relationship between NATO and Malta or relief for South Asian refugees are dealt with in an international framework. In these multilateral settings the ability of the United States to respond quickly often encourages positive action on the part of other donors.

For FY 1973 $30 million -- the full amount authorized -- is requested.

During FY 1972, the Contingency Fund has been used for a variety of purposes. For example --

-- Relief to alleviate human suffering was provided for such disasters as an earthquake in Chile, a hurricane in Nicaragua, drought in Afghanistan and floods in Peru.

--$9.5 million is being used for Malta in cooperation with other NATO donors following renewal of a British agreement for continued use of Maltese military facilities.

--$15 million was made available to Jordan to supplement the $30 million previously provided out of Supporting Assistance to help the Jordanian Government maintain the political stability which is an essential element in the search for a just and lasting resolution of the Arab-Israeli conflict.

--The Contingency Fund was also used to pay temporarily a part of the U.S. contribution to relief operations in South Asia until those costs could be met from the new line-item appropriation established specifically for that purpose.

Prior Years Contingency Fund Uses
(including transfers to other agencies)

	($ millions) FY 1969	FY 1970	FY 1971
Disaster Relief & Reconstruction	4	18	25
Security Assistance	3	1	-
Development Assistance	6	-	-
Other	-	3	4
Total	14	28	29

78-827 O - 72 - pt.2 - 4

CONTINGENCY FUND

During FY 1971 the Contingency Fund was used mostly for disaster relief and reconstruction.

--$7.5 million was used in East Pakistan to provide relief to victims of the cyclone and tidal bore, and another $1 million was used in East Pakistan for victims of the civil strife there.

--$7 million was provided to the UN High Commissioner for Refugees for East Pakistani refugees in India.

--Small amounts were used for disaster relief in response to floods in Malaysia, Colombia, Costa Rica and Romania.

--In the Philippines, $248,000 was used for disaster relief during a severe typhoon, and another $1.5 million was used for school reconstruction to repair the damage from the typhoon.

--In Ecuador, $70,000 was used to relieve the suffering after an earthquake.

--Over $4 million was used in Jordan for emergency relief and rehabilitation following civil disturbances caused by the Palestinian commandoes.

--$1 million was provided to the International Committee of the Red Cross.

--Funds were also given to the World Health Organization for use in combatting cholera epidemics.

--Smaller amounts were contributed through the Ambassador's relief fund in some twenty countries in response to need caused by floods, drought, and disease.

Similar uses have been made of the Contingency Fund in previous years. Major allocations in FY 1970 included $7.4 million after the earthquake in Peru, $2 million for the Nigerian international relief effort, and $1 million to Mexico for narcotics control. Examples of other uses were $7 million to Indonesia in FY 1967 for commodity financing to relieve short term financial difficulties, $5 million in FY 1967 to the Dominican Republic for emergency public works and urban improvement, $4.8 million in FY 1968 for support of the United Nations Force in Cyprus, and $2.7 million in FY 1969 for the U.S. share of a shortfall in funding of the multilateral Nam Ngum dam project in Laos.

APPROVED USES OF THE CONTINGENCY FUND
THROUGH JUNE 30, 1971

		Dollars in Thousands
East Asia:		
Philippines - Typhoon Damage School Reconstruction: As part of the program of relief following typhoons Joan, Kate, and Patsy, a Supporting Assistance grant of $1.5 million was made to the Philippines to cover the repair and reconstruction of typhoon damaged schools. (An additional $248,000 in Disaster Relief was provided for emergency humanitarian relief).		1,500
Inter-Regional:		
Disaster Relief:		
Civil Strife -- Jordan 4,250 -- East Pakistan 1,000	5,250	
Refugees -- made available to UN High Commission for Refugees for care of East Pakistani refugees in India	5,000	
Cyclone -- relief and rehabilitation in East Pakistan	7,500	
Floods	1,118	
Earthquakes	322	
Cholera	310	
Typhoons	248	
World Health Organization	200	
Miscellaneous -- includes Ambassador's fund for disaster relief	96	
	20,044	
Refunded overcharges	-2	
Subtotal		20,042

	Dollars in Thousands
International Committee of the Red Cross (ICRC) A contribution of $1.0 million was made to the ICRC to relieve the financial emergency resulting from the Committee's increased activities in the areas of humanitarian and disaster relief.	1,000
Total Contingency Fund - A.I.D.	22,542
Payments to U.S. Army Corps of Engineers: $3.7 million was provided from the Contingency Fund to the U.S. Army Corps of Engineers to pay a claim to a private U.S. contractor arising out of an A.I.D. construction project for which the Corps of Engineers was the implementing agent for A.I.D.	3,700
Transfer to Department of State: In accordance with the Presidential Determinations, pursuant to Section 2(c) of the Migration and Refugee Assistance Act, $10.0 million of FAA funds were transferred to the Department of State in two tranches in order to meet unexpected urgent refugee and migration needs in connection with assistance to refugees from East Pakistan. Of that total, $3.0 million were from the Contingency Fund. An additional $5,000,000 of Contingency Funds was made available for this purpose to the UNHCR as a disaster relief grant (see above).	3,000
Total Contingency Fund Uses, FY 1971	29,242

INTERNATIONAL NARCOTICS CONTROL PROGRAM

On June 17, 1971 in a special message to Congress President Nixon stated the problem of drug abuse "has assumed the dimensions of a national emergency." At the same time the President announced a major worldwide expansion in existing programs to control the international illicit traffic of narcotics and other dangerous drugs in the United States. In the same message the President requested an amendment to the foreign assistance legislation which would permit assistance to any country in an effort to end drug production and trafficking. Chapter 8 of the Foreign Assistance Act now provides the authority requested.

The major responsibility for the U.S. role in this international narcotic effort rests with the Department of State and the Bureau of Narcotics and Dangerous Drugs (BNDD). Secretary Rogers was designated by President Nixon to chair the Cabinet Committee on International Narcotics Control which coordinates the U.S. Government program. A.I.D. has a major supporting role to play, both through its experience and expertise in carrying out assistance activities abroad and through its authority to conduct and finance U.S. overseas assistance programs. The expertise of the Bureau of Narcotics and Dangerous Drugs, the Department of Agriculture or the Bureau of Customs will also be required frequently. In some cases, a direct transfer of funds to those agencies will provide the most feasible solution to the problem being addressed.

Heroin addiction is the most individually and socially destructive form of drug abuse in our society. Accordingly, the production of, and trafficking in opium and its derivatives, especially morphine and heroin, are being given priority attention. Attention is also being given to cocaine and its movement from Latin America. Plants of the cannabis family also present significant problems and are part of our programs. As more is learned about drug abuse by the world community, increasing attention is also expected to be focused on the mind and mood-altering drugs, such as the amphetamines, the barbiturates and LSD.

The international program of the United States is aimed at reducing the illicit supply of drugs. To achieve this goal, heavy emphasis is being placed on law enforcement activities abroad, but where possible, support is also being given to lessening production.

In support of this program, the U.S. Government is conducting an intensive campaign throughout the world to control the production, processing and trafficking of illicit drugs. Discussions are taking place in every type of forum, multilateral and bilateral. Particular emphasis is being placed on international action through the United Nations. Largely through U.S. efforts a conference was held in March 1972 which approved amendments to the 1961 Single Convention to improve controls over opium production. Also, largely through U.S. efforts, the Secretary General established a Special Fund for Drug Abuse Control on April 1, 1971 to which the U.S. pledged an initial $2 million. Planned programs, including a major program in Thailand involving crop substitution, treatment, rehabilitation and education, already far exceed the $3 million available to the Special Fund. To support the UN efforts, we plan to provide $2 million in FY 1972 and an additional $5 million is being requested in FY 1973 to augment the Special Fund. Special efforts are being taken to coordinate U.S. programs with those of the UN to prevent any duplication.

Opium and its Derivatives

Opium is currently produced in India, Turkey, the USSR, Iran, Pakistan, Japan, Yugoslavia, Burma, China, Laos, Thailand, Afghanistan, Mexico, and reportedly Nepal. Of these, only India and Turkey produce opium for export to meet world medicinal requirements. All production in Burma, Laos, Thailand, Afghanistan, and Mexico is illegal as would be the case of any production in Nepal. Except for those quantities used locally by the producers, all this production enters the illicit world trade. Opium from Turkey, Mexico, Burma, Laos and Thailand is known to be a source of heroin for the U.S. market.

Leaving aside the problems associated with the demand for opium and its derivatives, the production of and trafficking in illicit narcotics essentially breaks down into two major areas -- agriculture and enforcement.

Agriculture. Almost without exception, the opium poppy is cultivated in underdeveloped areas, where farmers' income is at the subsistence level and modern agricultural practices have not been introduced. Although opium poppy cultivation is extremely labor intensive and highly susceptible to the vagaries of weather, other crops which would provide the same rate of return are either unavailable or unmarketable. Nevertheless, in at least one country farmers in some areas have voluntarily abandoned the cultivation of the opium poppy following the introduction of high-yielding wheat seeds. However, these areas, unlike most regions currently producing opium, are population centers with a readily accessible market. In many instances the producers of opium are not users of the drug; to them it represents a crop which has been grown for centuries in the area, is easily transportable to the purchaser and provides an income they would not otherwise earn, or at a minimum can be used in barter to meet their needs.

Enforcement. The largest percentage of illicit opium produced today is grown in areas where the governments are unable to exercise p[illegible]ltical or administrative control. Enforcement of a law prohibiting poppy growing in such circumstances is, of course, impossible and governments must rely on attempting to stop the movement of drugs into and through regions they control. Difficult under the best of circumstances, this effort is further hampered by governments' inability to guard every point of entry into controlled areas; by poorly trained, equipped and paid law enforcement units; and by ineffective administration. However, this is the place where interdiction for the narcotic flow beings. In many cases, the government is faced with so many problems, including insurgency, that effective narcotics enforcement does not rank as one of its major priorities. Moreover, raw opium is increasingly being refined near the source of supply, reducing the bulk to be transported by 90% and making interdiction even more difficult.

In each of the countries producing illicit opium some of these agricultural and enforcement problems exist; in some countries, all of them exist. With the best of intentions and cooperation, solutions will not be found easily, nor can major results be achieved quickly.

The most important breakthrough in the drive to curb drugs was the Government of Turkey's announcement to ban all opium poppy cultivation following the 1972 harvest. Although the decision was not popular in Turkey, there is no reason to believe the Government of Turkey will not fulfill its commitment to the world community. With U.S. Government assistance, Turkey is now developing and implementing a program to help its farmers make the transition from poppy cultivation to other crops without severe economic loss.

Mexico too has launched a major program to control the illicit production of opium and its derivatives. Narcotics agents, police and the Mexican Army are engaged in this effort, which has to date resulted in some degree of success, including the destruction of over 11,000 illicit poppy fields. However, the isolated location of many of the fields makes this a particularly difficult task. The more favored sites are in the Sierra Madre Occidental, a volcanic tableland with mountains over 10,000 feet high and deep gorges which make many sections practically inaccessible and the poppy fields difficult to locate, even from the air.

The so called "golden triangle", where Burma, Thailand, and Laos converge, presents an even more difficult problem. The illicit production of this area, which is estimated to total roughly 700 tons of raw opium annually, has been the sole cash crop of the inhabitants for nearly two centuries. Moreover, this region has not been under the effective control of any government for years. Quite aside from the demand from abroad, these three countries have a combined user population estimated at about three quarters of a million, including some of the producers.

Despite these formidable problems, Laos and Thailand have launched active programs to control illicit narcotics, as has South Vietnam, a recipient of the production from the "golden triangle" area. In Laos, the first legislation to make the production and trafficking in opium illegal has been

passed. A special narcotics enforcement unit is being established, and planning is underway to institute an addict rehabilitation program. Additional U.S. assistance to Laos in support of these efforts is planned.

In September 1971 the U.S. and Thai Governments signed an agreement to cooperate in controlling drug abuse. The Thai Government has also reached agreement with the UN to carry out a comprehensive pilot program including crop substitution, rehabilitation and education. Plans are also under way for U.S. assistance in the enforcement fields as well as some limited assistance in agriculture. These programs are being closely coordinated with the UN.

Cocaine

The only major hard drug native to the Western Hemisphere is cocaine, which is derived from the coca shrub. Primarily grown in Bolivia and Peru, the coca thrives on the moist slopes of the eastern face of the Andes between elevations of 2,000 and 8,000 feet. Peruvian myth dates the practice of chewing the dried coca leaf back to the Incas. Millions of Andean Indians continue to chew coca today. Although coca chewing is officially discouraged in the Andean countries, it is not illegal. Indeed, in many regions, miners and farm workers receive a part of their pay in coca leaves.

Roughly 90% of the total production of coca leaf is used locally. Of the remaining 10%, a large part is legally exported to the United States and Europe, where it is used in the preparation of legal medicines and chemicals. The coca leaf is also used as a flavoring for soft drinks. The rest of the coca leaf is used illegally to produce cocaine, which finds its way into the United States, Europe and Asia.

A substantial portion of the multi-step conversion of the coca leaf into cocaine takes place in Bolivia and Peru, generally in simple mobile laboratories. However, all or part of the conversion sometimes occurs in other Latin American countries.

Many of the factors which make opium poppy cultivation attractive also bear on coca production. Attempts to introduce alternative crops in both Bolivia and Peru have met with little success because substitute crops which can be raised in coca-producing regions are much less profitable. Any attempt to ban coca would probably result in serious social disruption.

The movement of cocaine throughout Latin America and ultimately to more distant destinations is only one facet of the illicit traffic which flows both to and from the United States, handling every type of contraband from American cigarettes and whiskey to migrant farm workers and drugs.

As greater controls have been placed on the movement of illicit drugs directly from Europe to the United States, more of this traffic is being directed through various transit points in Latin America. There are also indications Latin America is a major conduit for drugs entering the United States which originate in the Far East. Further complicating the enforcement effort are the number of people involved in smuggling operations, ranging from innumerable small-scale smugglers to very large, well organized groups, for the most part having little or no connection with the others.

U.S. assistance to Latin America will be concentrated largely on enforcement, with less emphasis on the agricultural and medical aspects of drug abuse.

U.S. Assistance for Narcotics Control Programs

Prior to FY 1972 A.I.D. programs bearing on the illicit drug problem have been limited, confined in large measure to Public Safety activities. Public Safety Advisors specialized in narcotics enforcement were stationed in Iran and Vietnam. From July 1, 1963 to date, 137 enforcement officials from 29 countries have been given specialized training in the United States in narcotics enforcement.

In FY 1967 A.I.D. authorized a loan of $3 million to the Government of Turkey, about one half of which was to finance equipment for the Ministry of Interior's narcotics enforcement efforts. The remainder of the funds was to finance equipment for the Ministry of Agriculture to be used in crop substitution research. In FY 1970 A.I.D. transferred $1 million from the Contingency Fund to the Bureau of Narcotics and Dangerous Drugs to finance equipment provided to the Government of Mexico for use in its narcotics enforcement program.

FY 1972 and FY 1973 Program. Over 50 countries have been identified as those with whom cooperative efforts could result in a significant decrease in the world's illicit drug problem.

During the coming year, discussions will continue or be undertaken with these governments on ways to control drug production and trafficking. As these discussions proceed, additional programs requiring U.S. assistance will be developed and become ready for implementation. In the majority of instances it is anticipated these will fall within the enforcement sector. Readily apparent is the lack of knowledge on the part of many enforcement agencies on narcotics enforcement techniques. The Bureau of Narcotics and Dangerous Drugs, the Bureau of Customs and the A.I.D. Office of Public Safety will increase their training efforts during FY 1973, both in the United States and abroad, to overcome this deficiency. In some instances augmenting equipment available to enforcement agencies will materially improve their capability. Where warranted, this type of activity will be given consideration. Where appropriate, advisory assistance will be provided by the A.I.D. Office of Public Safety and/or the U.S. Customs Bureau. It is also anticipated additional Bureau of Narcotics and Dangerous Drug personnel will be stationed abroad in the coming year.

Assistance will also be provided in the agricultural sector. Of particular importance will be the development of alternative crops which will yield incomes equal to or higher than those currently being earned from the production of narcotic crops. Agricultural research will play an important role in this development. Similarly, increased water availabilities and usage, introduction of already known high yielding grains, improved agricultural practices, including the increased usage of fertilizers, and expanded marketing facilities could have a significant impact on farmers' incomes. Assistance by the U.S. Department of Agriculture may be required in undertaking programs of this type.

Treatment and rehabilitation programs for drug addicts are almost non-existent in many countries and it is anticipated that limited assistance will be provided in this area. Particular emphasis will be placed on U.S. training of foreign health personnel who will be charged with developing and conducting such programs upon their return from the United States.

In summary, the International Narcotics Control program is in the early stages of development and will be refined in the coming months. However, it is essential for the United States to be in a position to provide assistance quickly as opportunities to control drug production, trafficking and use become apparent.

AFRICA

Narcotics trafficking and use is not a major problem in Africa. There is increased concern about potential drug problems in some areas of Africa due in part to the rapid increase in tourism and the dangers this brings for importing drug habits from abroad.

Throughout North Africa, the production and use of hashish (marijuana) in the traditional sector of the society has been tolerated. However there are strict penalties enforced against the use of hard drugs and their use is almost non-existent. The North African governments have developed a system of law enforcement to control drug use and commerce among tourists and the smuggling of drugs out of the country. The efficiency of these agencies varies in the countries concerned, but, as the governments become aware of the

international drug problem, they are increasing their emphasis on strengthening law enforcement capabilities.

Initial approaches to North African governments for increased international cooperation in narcotics control have been well received. Information exchanges and coordination to improve international narcotics control efforts are already underway. An agent of the BNDD has recently been assigned to Morocco to assist the authorities there.

At this time no definite requests for A.I.D. assistance have been received. However, the Governments of Morocco, Tunisia, Libya and Algeria have expressed interest in the possibility of U.S. training in narcotics control for their police and customs officials. A.I.D. will consider providing training for enforcement officials if requests are received.

LATIN AMERICA

Bolivia

Bolivia is one of the largest producers of coca, the source of cocaine. Legally produced for both local consumption and export, coca is grown between the elevations of 2,000 and 8,000 feet on the eastern slopes and valleys of the Andes. Cultivation of the coca bush is relatively easy in Bolivia, and it is an important source of revenue for the thousands of small family farmers engaged in its production. The habit of coca chewing is deeply ingrained in Indian life, resulting in an estimated 90% of the Bolivian crop being consumed in leaf form. Coca leaf can be purchased in practically every market place, and any effective attempt to eliminate the supply could lead to serious social disruption and possibly political disorder. Other than the use of barbiturates, domestic consumption of other narcotic substances is not considered a serious problem in Bolivia.

Reliable coca production and export statistics are not available. The major source of concern, however, is the unknown quantity of coca leaf which is converted into cocaine and enters the illicit drug traffic. Cocaine factories are unsophisticated and require little knowledge, time, space or resources to establish and operate. There reportedly are scores of such small, makeshift factories in Bolivia, many of which are probably in remote rural areas along the Western edge of the Bolivian antiplano.

The Narcotics Bureau within the Bolivian National Police is generally underfinanced and poorly staffed and equipped. Despite its problems, the Narcotics Bureau has recently undergone reorganization and has been expanded slightly to better fulfill its responsibilities. Since 1963 some 72 cocaine factories have been discovered and closed. The Bureau has also been engaged in a public education program to warn Bolivians of the dangers of hard drugs.

The Bolivian Government has pledged to further strengthen cooperative efforts to curtail illicit international narcotics traffic insofar as Bolivia may be involved in the problem. Cooperation with the U.S. Bureau of Narcotics and Dangerous Drugs and Interpol in international trafficking cases also has increased.

Public Safety assistance is currently being provided to Bolivia. In mid-1971 a special training program on narcotics detection and enforcement, with special emphasis on curtailing cocaine manufacturing, was conducted in Bolivia. The 12 officers trained have been assigned as supervisors within the Bureau in La Paz and the outlying areas. The United States also provided the narcotics police with five radio equipped jeeps to increase their capabilities.

Discussions are underway with the Bolivian Government on additional cooperative efforts which could be undertaken to curtail the flow of cocaine from that country. Particular emphasis will be placed on enforcement activities which will probably require additional assistance in this field.

Mexico

Mexico is the source of nearly all the high-potency marijuana and about 10% of the heroin consumed in the United States. In addition, Mexico is increasingly being used as a transit country by international drug traffickers,

particularly for heroin and cocaine. Interdiction of illicit narcotics traffic at the border can only control a portion of this traffic. Complementary efforts must be made to eradicate marijuana and opium poppy production at their source.

Drug abuse is also increasingly a problem for Mexico. A study made public recently reveals that of 7,500 students polled in grades 7 through 12, 15% admitted the use of some type of drug or hallucinogen. Of the 15%, 80% are marijuana smokers. With more frequency, articles are appearing in the Mexican press citing the growing seriousness of the problem.

Obstacles to Solving the Problem. The very size of Mexico and her 2,000 mile common border with the United States create a serious enforcement problem. Added to that are the facts that the Mexican narcotics authorities badly need more and better trained personnel and are seriously short of communications and transportation equipment. The lucrativeness of the drug trade and the often well-organized nature of the drug traffic networks create another type of problem in the sense that in some cases local enforcement authorities may become coopted into or are physically intimidated by the drug traffic and its organizers. Opium and marijuana plantings are usually located in very rugged terrain which is often inaccessible except on foot. Transit narcotics can enter Mexico through a variety of deep water ports or through international and other airports. In turn, they can be transshipped into the United States not only by body-carry across the border but by small craft and light airplane traffic crossing the maritime or territorial boundary with the United States.

Actions Taken by Mexico. In October 1969, the friction created by "Operation Intercept" was converted into the harmonious and relatively successful "Operation Cooperation." In general Mexican Government officials are keenly aware of the narcotics problem and are expending considerable human resources in a broad scale program of cooperation with the United States in narcotics control. In its efforts to eradicate opium poppies and marijuana, the Mexican Government is using light planes and helicopters to spot growing areas. Army ground troops are dispatched to destroy the fields and apprehend illegal growers. As many as 12,000 may be employed in this manner at any given time. In addition, Mexican laws concerning drug abuse are considerably more severe than those in the United States, and a recent change in the Agrarian Code has made the illegal production of marijuana or opium poppies an offense punishable by fine, imprisonment, or confiscation of the land involved. More recently still Mexico has outlawed production of amphetamine drugs.

In October 1971 the Mexican Government released statistics on the cumulative results of "Operation Cooperation" for the year just completed. This report reveals the destruction of 11,245 opium poppy fields covering an area of 28,534,200 square meters; 3,133 marijuana fields covering 18,006,809 square meters; and over 30,000,000 barbiturates and amphetamine pills. Over 5,000 persons have been detained for narcotic law violations.

In FY 1970 A.I.D. transferred $1 million to BNDD to finance three light planes and five helicopters which were provided to Mexico for the use in narcotics control. In 1971 an additional three helicopters were provided, financed jointly by the remainder of the $1 million and the Government of Mexico. Additionally, the Bureau of Narcotics and Dangerous Drugs has conducted joint training seminars with Mexican narcotics authorities, and BNDD and other U.S. enforcement agency personnel stationed in Mexico cooperate routinely with Mexican narcotics authorities in exchange of intelligence and operations directed against the drug traffic.

The insidious and lucrative nature of the drug problem, as well as its size and complexity, preclude any predictions of total success in combating it. However, given the concern and cooperative attitude on the part of the Mexican narcotics authorities, we believe that progress has been made by Mexico in carrying out an increasingly effective campaign against narcotics and other drugs. Additional U.S. assistance may be necessary to achieve the goal of

denying Mexico to the international drug traffic as a major transit country and production center.

Panama

Because of its geographic location and role as a transportation crossroads, Panama has traditionally served as a transshipment point for contraband. In recent years, international narcotics traffickers have increasingly utilized Panama and its established contraband infrastructure as a transshipment point in smuggling narcotics into the United States. There is a modest production of marijuana in Panama. Consumption of marijuana appears to be limited in the Republic, with slightly more use in the Canal Zone among U.S. teenagers and servicemen.

Two major smuggling cases in the past year involving Panamanians served to focus U.S. attention on the need to expand effective cooperation between the Bureau of Narcotics and Dangerous Drugs (BNDD) and the Panamanian Government in order to initially reduce, and ultimately eliminate, the flow of narcotics into the United States.

In 1970 an agreement was reached between the Government of Panama and the BNDD to set up a two-man office in Panama; in 1971 this office was expanded to three men. A special narcotics control unit of the National Guard has been created, and training courses have been provided for both National Guard and Panamanian customs officials.

During 1971 BNDD Director John Ingersoll twice visited Panama to discuss cooperative narcotics control arrangements with high-level Panamanian officials. As a result of these visits, a program of cooperation was agreed upon. The U.S. narcotics control effort in Panama involved BNDD, A.I.D. and the U.S. Customs Service, all operating under the coordination of the Ambassador and in cooperation with the Government of Panama. The principal U.S. assistance to Panama in this area has been carried out and financed by the BNDD and the A.I.D. Public Safety program. In addition, the U.S. Customs Bureau has provided training for Panamanian National Guard personnel.

This cooperative arrangement was severely damanged in mid-March 1972 when the Panamanian Government expelled three BNDD agents, charging them with "intervening in the internal affairs of Panama." This expulsion came in the wake of allegations that BNDD agents in Panama had revealed information implicating high officials of the Panamanian Government in the international narcotics traffic. The BNDD categorically denied such action. The Government of Panama has now agreed to accept replacements for the three expelled BNDD agents, and we anticipate continuing cooperation in this field.

Paraguay

Changing world drug trafficking routes have put drugs into the local smuggling pattern in Paraguay in recent years. Some of the traditional smuggling cliques with foreign ties are trafficking in narcotics and dangerous drugs, and in Paraguay they have found an advantageous warehouse, safe haven, and transfer point from which to move their merchandise in or through the continent. Their major advantages are: Paraguay's countless remote airstrips; its central location in South America; and the lack of criminal sanctions against drug traffickers.

Drugs involved in the traffic include: heroin, usually moving from Europe to the U.S. market through intermediate countries, and cocaine, moving from the Andean countries toward the United States or other countries. There may also be some trafficking in amphetamines and other psychotropic substances, though knowledge of this traffic is scant.

Drug abuse within Paraguay is as yet minimal, probably limited to marijuana use in the capital by a very small circle of people, and abuse of cocaine or amphetamines by even smaller groups. Drug abuse is thus not a national social problem of significant dimensions within Paraguay, which is why most Paraguayans see the drug problem as one affecting Paraguay only indirectly. There is as yet no national consensus about the dangers of drug abuse in Paraguay itself, though some preoccupation that Paraguayan

youth, too, might fall victim to drug abuse has become evident in recent months.

The first criminal drug legislation in Paraguay, drafted in August 1971, is now before the appropriate committee of the Paraguayan Chamber of Deputies. Enactment is expected by the summer of 1972, and this will be an important step forward. The bill contains criminal sanctions against producers and traffickers dealing in a comprehensive list of narcotics and dangerous drugs, and creates systems for control of import and sale of these drugs. The Asuncion City Council is also formulating an ordinance on drugs.

In May 1971 the U.S. Embassy in Asuncion formally requested the extradition of international narcotics trafficker Auguste Ricord, a French citizen previously arrested at our request. The Paraguayan Solicitor General has supported the U.S. request and is now in the process of filing an appeal to reverse a December 1971 lower court rejection of extradition. Bail has been set at over $315,000, an unprecedentedly high figure in Paraguay.

Paraguay has recently signed and ratified the 1961 Single Convention on Narcotic Drugs. Paraguay also recently signed the UN Convention on Psychotropic Substances and ratification is underway. Also, in July 1971, Paraguay signed with Brazil a general health agreement in which provisions relating to control of narcotics and hallucinogens were included at Paraguayan initiative.

The Paraguayan Ministry of Interior has tentatively selected an Assistant Secretary-level official to head a new specialized narcotics investigation unit within that Ministry. No such unit exists now, nor are there any Paraguayan police officials familiar with techniques of narcotics investigation.

The U.S. Government will work with the Paraguayan Government to attack the drug problem rapidly and on a broad front, with more coordinated, efficient measures than have been taken up to now. Paraguay has welcomed the establishment of a two-agent office of the U.S. Bureau of Narcotics and Dangerous Drugs in Asuncion. This office has functioned since October 1971.

The United States is now cooperating with the Paraguayans to organize rapidly and train the specialized drug investigation unit within the Ministry of Interior which they envision. We expect training for Paraguayan personnel for this unit will be underway by mid-1972.

Following passage of the criminal drug bill now in Congress, we will be in contact with the Ministry of Health concerning possible aid which the United States might provide in the implementation of the registration, prescription and other control measures contained in the law.

The effectiveness of the anti-narcotics efforts will increase as Paraguayan awareness of the problem intensifies, local BNDD activities become more extensive, local police learn how to deal more effectively with the traffickers, and criminal drug legislation is adopted. Additional assistance to Paraguay's enforcement efforts may be necessary in the future as the country's capabilities increase. This could include the provision of some equipment to the narcotics investigation unit now being established.

Peru

Peru is a major producer of coca. An estimated 90% of the crop is consumed locally in leaf form, primarily by the Andean Indian population. The coca is grown chiefly on small family farms because of the low value of the unprocessed leaf and the labor intensity of the cultivation. Of the estimated 10% of coca production not consumed locally, a large part is legally exported. In 1970 exports amounted to about 1,000,000 kilograms. The remainder is processed into cocaine for the illegal international market.

Cocaine consumption in Peru is considered to be relatively small, but appears to be spreading among middle class youth. The cocaine traffic controlled by large, non-Latin American criminal organizations appears to be only a small portion of the total. Large numbers of small

operators handle the bulk of the cocaine trade. It is usually smuggled to the United States by means of commercial ships and aircraft. Peru is sometimes reported as a trans-shipment point for opiates, but is not now a major link in the opiate traffic in Latin America.

Peruvian officials appear genuinely interested in curtailing narcotic production and traffic. They are, however, faced with almost overwhelming obstacles to this effort, particularly with respect to cocaine. Because the habit of coca chewing is deeply ingrained in Indian life, elimination of the production would be nearly impossible. Since the extraction of cocaine is relatively simple and inexpensive, there are a great many clandestine laboratories which conduct first stage refining, most of them located near the areas of cultivation in the Andes. The large number and remoteness of these facilities makes their elimination difficult; the simplicity of refining facilitates rapid replacement of captured laboratories. The second stage refining laboratories are fewer and more sophisticated, thereby making them more practical targets for control efforts. However, they are usually mobile and well hidden.

Legally cultivated, coca represents a major source of income to some of the poorest sectors of the population. There is no known crop substitute which would yield the same rate of return which is estimated to average $1,600 annually from each two to three acre farm.

Peruvian authorities at the top level are showing increasing concern with the problem and have indicated a willingness to cooperate with the United States. The Government of Peru has agreed to the stationing of BNDD personnel in Lima and has recently cooperated by extraditing a major narcotics trafficker to the United States for trial. Peru is a party to the major international agreements on narcotics and takes an active part in efforts to strengthen international control.

Discussions with the Government of Peru are underway on additional efforts which could be undertaken to eliminate the production of, and trafficking in cocaine. These may include assistance in the enforcement field.

Other Latin American Countries

To varying degrees many other Latin American countries are involved in illicit drug production or trafficking. Argentina, Brazil, Chile, Colombia, Ecuador, Jamaica, Netherlands Antilles, Uruguay and Venezuela are either known or suspected transit points in the movement of hard drugs into the United States. Chile and Ecuador are known to produce cocaine and Jamaica represents an important source of marijuana entering the United States. There is a small but growing usage of drugs and marijuana in some countries, notably in Brazil and Chile, but for the most part drug abuse is not yet a significant problem.

Few Latin American countries have either the human or material resources to identify or cope with drug production and trafficking. Drug smuggling routes are outgrowths or adaptations of older routes which have been used for smuggling other types of contraband for years. Long unguarded borders and coasts plus difficult terrain remain major obstacles to effective measures to prevent all types of smuggling.

A.I.D. has been involved in modest narcotics control programs in Latin American countries for several years. This assistance consisting principally of training, has been provided under the various A.I.D. Public Safety programs in both Central and South America. Additional enforcement assistance to enable governments to cope with the drug problem is contemplated. Regional training programs may prove to be one approach to the overall problem. Additional requirements for assistance will be determined as bilateral discussions proceed with the governments involved.

NEAR EAST AND SOUTH ASIA

Afghanistan

Afghantistan is not known to be the origin of any illicit drugs in the United States at this time. However, it is

believed that significant quantities of both opium and hashish are produced in Afghanistan, and as Turkish production of opium ends, Afghanistan must be considered a potential source to supply the European and Northern Hemisphere heroin markets.

Although opium production is illegal, Afghanistan is faced with every problem which makes the production and trafficking difficult to control. It is a very poor country in the early stages of development; its difficult terrain makes many areas almost inaccessible; subsistence farming is still the dominant employment pattern, and central government administration does not reach into many remote areas. Further complicating the picture is the fiercely independent nature of some Afghan tribesmen who have been engaged in free trade across international frontiers over the same routes for centuries. This practice apparently continues today with the smuggling of opium into Iran.

The Government of Afghanistan is concerned about the drug problem. In January two Cabinet level committees were established to study the prohibition of narcotics cultivation, ways to control smuggling, the possibility of foreign aid, combating the use of narcotics in Afghanistan and the possible medical application of narcotics. Presumably the Government of Afghanistan's future course of action will be determined by the findings of these studies. Afghanistan has joined the ad hoc Committee on Illicit Traffic in the Near and Middle East of the Commission on Narcotic Drugs and is participating in the plenipotentiary conference to consider amendments to the 1961 Single Convention currently underway in Geneva.

It is clear, however, that regardless of the Government's serious determination to end drug production and trafficking, actual achievement of that goal will be difficult and time consuming. It is equally certain that Afghan efforts will require assistance from external sources. The U.S. Government is prepared to join with other donors, both multilateral and bilateral, to support these efforts.

Iran

Iran is unique among opium producers today. In 1955 all production was banned. However, owing to its own relatively large addict population, opium from surrounding countries continued to enter Iran in sizeable quantities. In 1969 Iran resumed opium production to meet its internal demand. At that time, and on numerous occasions since then, Iran has indicated it will cease all production again when large quantities of neighboring production no longer enter Iran.

Iranian production is very closely controlled and there is no evidence any of its legal production enters the illicit traffic. It does, however, face major problems in preventing illicit traffic entering the country, particularly across the Afghanistan border. In addition, rehabilitation of Iranians addicted to both opium and heroin presents a major social problem.

Improved cooperation between Iran and Turkey has largely closed the smuggling across that border. Iran has been giving increased attention to preventing smuggling across the Afghan border. While this effort has met with some degree of success, the terrain lends itself to continued smuggling on a regular basis.

BNDD has recently stationed an agent in Tehran to work closely with Iranian enforcement officials and an employee of the U.S. Department of Health, Education and Welfare is working with Iranian medical authorities in conducting research into methods of treatment and rehabilitation. Additional cooperative programs may be developed in the future.

Pakistan

Pakistan is not known to be a supplier of illicit drugs reaching the United States. Pakistan produces legal opium under a licensing system to meet its own internal medicinal requirements. However, illicit opium is also produced, and enters both the local and international drug traffic. At

the present time it is believed most of this illicit production is smuggled into Afghanistan and through that country into Iran. However, Pakistan must be considered a potential source for the western illicit drug markets as traffickers seek alternatives to Turkish opium.

Pakistan is typical of many countries in which illicit narcotics are produced. By long standing agreement with some of the tribes in Northwest Pakistan, the Government does not exercise administrative control over territory along the border with Afghanistan. Not only drugs, but commodities of all kinds move freely across the unguarded Afghan/Pakistan border. The Government of Pakistan is aware of the problem but in light of the many pressing problems in the afthermath of both civil and international war, may need outside assistance to undertake an effective control program.

Subsistence level agriculture is generally a problem throughout Pakistan which contributes to the economic attractiveness of opium production.

Bilateral discussions have been undertaken with the Government of Pakistan which has indicated its desire to cooperate in bringing production and trafficking of illicit narcotics under control.

In view of the scarcity of specific information on production in Pakistan, one of the first tasks will be to define more closely the areas of production, levels and number of persons involved which will permit the development of strategies and programs designed to address both the enforcement and agricultural aspects of the problem.

Turkey

Under a UN convention, Turkey is one of those few nations permitted legally to grow poppies for export.

However, Turkey's geographic location and historical connections with Europe have resulted in European traffickers obtaining much of their illicit opium supply from Turkey, passing it on through their smuggling teams to consumers in Europe, Latin America, and principally the United States.

Removal of Turkey as a source of illicit supply will cause considerable disruption to established patterns of smuggling of opium and its derivative, morphine base, through Europe. It also removes a product particularly high in quality and forces processors to try to develop new sources of supply, taking additional risks of detection as they are obliged to use new contacts and transport their wares over longer and untested routes, thereby exposing them to enforcement activities throughout the world which are being improved.

Obstacles to Solving the Problem. For hundreds of years, thousands of Turkish families have raised opium poppies as a legitimate cash crop. Not only are poppies grown for opium gum but as a source of food and fuel as well. About 20 to 30% of the crop is used for no other purpose than to obtain poppy seeds which are important in baking and are processed into edible oil. The residual oil cake makes an excellent animal feed. The farmer thus could profit from the sale of opium gum, from the use of seed in cooking and oil extraction, from the legal sale of poppy heads to European pharmaceutical firms, and from the use of the remaining stalks for fuel. Accordingly, a ban on opium poppy production was a particularly difficult decision for the Turkish Government, particularly since the poppy farmer has little, if any, knowledge of his part in the spread of the narcotic.

Actions Taken by the Government of Turkey. During the past decade Turkey has reduced the areas in which the opium crop can be grown. In 1962, production was limited to 42 provinces; 21 in 1968; 11 in 1969; and 7 in 1970. On June 30, 1971, Turkish Prime Minister Nihat Erim, in announcing the annual decree governing opium poppy cultivation stated that within one year the opium poppy would no longer be planted in Turkey. By law, the Turkish Government must announce poppy cultivation decisions one year in advance of their implementation, making the annual

decree the strongest and most direct action legally possible for the Turkish Government to take. The decree of last June confirmed that poppy cultivation would be allowed in only four provinces during the 1971/1972 growing season, and states that a total ban would apply thereafter.

The Turkish Government has acted vigorously within its legal limits to ensure that only legitimate growers are allowed to plant poppies, and to ensure that opium gum is turned over to government purchasing offices. The Government initiated a number of measures in the spring of 1971 to improve collections.

These included increasing the price the Government paid for opium gum, increasing the number of collection points in poppy growing provinces, and initiating cash payments to farmers at the time the gum is turned in, rather than using a cumbersome voucher system. These measures, which substantially reduced the amount of gum flowing into illicit channels, are being reinforced for the final crop year.

The Government also has initiated a new licensing law which further strengthens the Government's authority over the growing process and requires farmers to provide much greater detail about the location and extent of areas planted. The law gives the Government greater legal basis, including stiffer penalties, against those who fail to comply.

U.S. Assistance. Following the Government of Turkey's announcement on June 30, 1971, to ban opium cultivation, the United States indicated to the Government of Turkey that we would be prepared to provide financial assistance to help alleviate the economic difficulties resulting from the ban. Subsequently, the United States agreed to provide $35 million in grant economic assistance over a three to four-year period, subject to Congressional appropriations, to the Government of Turkey in support of its decision to ban opium production. The funds will be used to cover legitimate foreign exchange losses resulting from the ban on opium production and to help finance development programs aimed at providing new sources of income for those farmers who will suffer the consequences of the June 30th decree.

The United States also agreed to send to Turkey a high-level team of USDA agricultural experts headed by Secretary Hardin. This visit, which occurred in November 1971, was designed to assist the Government of Turkey in exploring alternate means for developing substitute income, and resulted in the promulgation of a Joint Turkish/American Report on the poppy growing areas, including recommendations for improving farm income.

A follow-up team of A.I.D. and USDA officials returned to Turkey in February 1972. The purpose of their work there was to assist the Government of Turkey in preparing an action program and implementation plan for the poppy region. It was concluded that priority should be given to programs ready to start by the fall of 1972 and which would have an income effect by spring harvest for a large number of farmers. The United States team concluded that primary emphasis should be placed on introducing high-yielding varieties of wheat which could increase yields fifty percent over conventional varieties.

During FY 1972 the United States plans to obligate $15,700,000 in support of Turkey's efforts to eradicate opium poppies. $15 million of this amount falls under the $35 million pledge, and is divided into two categories -- $5 million to cover foreign exchange losses and $10 million for development programs in the areas affected by the ban. The United States also agreed to provide $700,000 over and above the $35 million-pledge--$300,000 for control and surveillance purposes connected with the last crop year; and $400,000 to finance a U.S. team to work for the Government on the development of its programs for realizing substitute income for farmers affected by the ban on opium production. We plan to obligate an additional $15 million during FY 1973 against the $35 million pledge--$5 million to compensate for foreign exchange losses and $10 million for development purposes.

Prospects for Success. The elimination by the Government of Turkey of opium poppy cultivation in 17 provinces during the past 4 years augurs well for the success of the current effort to stop opium production entirely in the

remaining four provinces by the end of this year. We are confident that the continuing effort of the Turkish government working fully within the Government's legal framework, will achieve success.

Turkey's action should set an important example to encourage other nations to act with similar purpose in attempting to control the spread of narcotics.

EAST ASIA

Burma

Burma is the largest producer of opium in Asia -- an estimated 400 tons per year. Production is concentrated in the Shan and Kachin States of northeastern Burma where the Government's control is tenuous, and in many parts, non-existent. This area is dominated by a number of armed minorities and insurgent groups who use opium production as a source of financial support. Most of the opium is smuggled out of Burma into Laos and Thailand by heavily armed caravans, often in the form of heroin or morphine base which is both more profitable and compact.

The Government of Burma is not in a position to effectively interfere with this opium production since whatever presence it has in the Shan and Kachin States is limited to a few major towns. Until recently it has even been reluctant to discuss the problem. However, a shift of attitude seems to be occurring as a result of the emphasis being placed on the matter of narcotics control by the UN, Asian regional organizations, and the United States. It is too early to determine the result of this change. The United States has made known not only its interest but also its willingness to provide narcotics control assistance if Burma should request it. It is probable, however, that little immediate progress will be made due to the inextricable relationship of the opium to the unstable political situation in the production areas.

Laos

From the United States standpoint the narcotics problem in Laos is more one of transit through Laos rather than production in Laos. Although opium has been a traditional cash crop of the mountain tribesmen in Laos--Meo and Yao--the war has disrupted the production process. Relatively little opium is now being produced within areas controlled by the Royal Lao Government, and nearly all of what is grown is consumed by the hill tribesmen themselves. The production situation in the enemy-controlled areas is less clear, but there is no firm evidence that such opium is transiting the controlled areas of Laos to enter into international traffic.

The problem faced at the outset of 1971 was thus to curb the transit of narcotics originating in Burma or Thailand, plus a lesser amount of Lao opium not consumed locally, into the international market. There was at that time no law against opium production or trafficking, or against the processing of opium into heroin. On two occasions smugglers arriving from Vientiane were apprehended with heroin at Tan Son Nhut airport in Saigon.

The Royal Lao Government has responded to the problem with commendable speed. On September 23, 1971 a law was promulgated limiting the production of opium in the hill tribe areas and proscribing the trafficking and use of opiates outside such areas. There have been important seizures of opium, heroin and acetic anhydride. One heroin refinery was dismantled. As recently as January 6, 1972 Lao police arrested an important dealer and seized 10 kilograms of heroin then in his possession. This individual committed suicide while awaitingtrial.

The Lao Government has committed itself to a major augmentation of its enforcement machinery, including police, customs and a new special group reporting to the Prime Minister which has nationwide jurisdiction over both civil and military elements. This group is headed by a Lao General who already wields considerable power as confidant of the Prime Minister and head of the Lao intelligence

78-827 O - 72 - pt. 2 - 5

service. He is being closely advised by the U.S. Bureau of Narcotics and Dangerous Drugs.

A crucial test of success in the continuing effort to halt the transiting of narcotics through Laos will be the Royal Lao Government's ability to assure effective control of the Lao armed forces, particularly the air force. There are indications this group will use its authority to act effectively in this area.

The United States has provided assistance in narcotics control activities. The Bureau of Narcotics and Dangerous Drugs and Bureau of Customs personnel as well as A.I.D. Public Safety Staff, are now advising the government. The U.S. training and advisory effort was doubled as of February 18 with the arrival in Vientiane of an additional 10 U.S. Customs advisors. Approximately $1 million is expected to be allocated for support of the government's narcotics control program in FY 1972. FY 1973 funding is now proposed at a level of $723,000.

Philippines

The opium poppy is not believed to be grown in the Philippines. For the most part locally used hard drugs are smuggled into the Philippines and there is no evidence at this time that the Philippines is being used as a major trans-shipment point for drugs being smuggled into the United States. However, since Filipinos are known to be involved in the flow of hard drugs from Hong Kong to the United States, the potential exists for it to become a major transit point.

Although narcotics is not now a severe problem in the Philippines, both the public and private sectors have begun to take action to deal with the threat which is present. Philippine drug legislation needs to be revised and backed with stiffer penalties against individuals involved in the production and illegal distribution of narcotics. The capabilities of Filipino law enforcement agencies to control the production, trafficking and use of dangerous drugs and narcotics is limited. According to official sources, there are only forty-five persons from the various government law enforcement agencies working full time on the drug problem. These agencies are hampered in their modest efforts by lack of funds, trained personnel and logistical support. In spite of these handicaps the number of arrests, prosecutions and sentencing of drug offenders has increased markedly in the past two years.

Over recent months a number of very positive steps have been taken in the Philippines to call attention to and combat the drug problem. The Philippine Government has responded vigorously. A revised narcotics bill was introduced in the last session of Congress and was passed by the House of Representatives but failed to come to a vote in the Senate. President Marcos is reintroducing the bill in the current session of Congress. This bill is designed to strengthen the anti-narcotic laws of the nation. The President has appointed the Solicitor General as the nation's action officer on narcotic drugs. Law enforcement agencies have become more agressive and are working closely with U.S. military base security units. The Citizens Committee for Peace and Order, the National Social Action Council and Narcotics Foundation, Inc., took the leadership in developing programs in enforcement, education and rehabilitation. The news media have also supported the program by providing much newspaper space and air time to educate the citizenry.

U.S. assistance, which is still being discussed with the Philippine Government, will be designed to help the Philippines control illegal international narcotic trafficking and its own narcotic and dangerous drug threat. Areas of assistance may include prevention and education activities; enforcement of existing laws, development of information (intelligence) concerning illegal narcotic traffic and training of law enforcement personnel; treatment and rehabilitation; and advice on appropriate legislation to deal with those facets of narcotics and dangerous drugs not now codified.

Thailand

The narcotics problem in Thailand consists of basically two activities -- poppy cultivation and trans-shipment. The annual production of known opium, which is confined to the northern provinces (forming the Thai portion of the "Golden Triangle"), is thought to be about 200 tons. An unknown but significant amount is also smuggled in from Burma and Laos, some of which has already been refined into opium derivatives. While a considerable amount of opium is used within Thailand by hill tribe minorities and by the urban Chinese communities, a large portion is trans-shipped to other Asian countries. Although the great majority of the opium produced in Southeast Asia, which for all intents and purposes means the Golden Triangle contiguous border areas of Thailand, Burma and Laos, is consumed in Asia, the production of No. 4 heroin, a highly refined derivative of opium not commonly used by Asians, has been increased in recent years to meet the market among U.S. troops in Vietnam.

The control and eventual elimination of this production and trafficking (which has been illegal since 1958) is inhibited by the inability of the Thai Government to operate effectively in the northern area and by the economic commitment of the hill tribes to their only cash crop. The Government has never exerted complete control over the inaccessible mountain regions of the North. The terrain, the ethnic dissimilarities, and the traditional Government focus on the area around Bangkok have caused the hill tribes to avoid close or binding relationships with the central government. The existence of a communist insurgency has further interfered with Government efforts in recent years to establish its authority over the territory. Another problem is the high intensity of air and sea traffic transiting Thailand. Numerous small trawlers move along the Thai coasts and on the high seas to other countries. Narcotics traffickers use these vessels to transport narcotics, but seldom use the same ship twice, making interdiction difficult.

Despite these difficulties, the Thai Government has given high level assurances of its intention to undertake narcotics control and to cooperate with both the United States and UN in coping with their drug problem. The Government signed a formal memorandum of understanding to this effect with the U.S. Government in September 1971. There is every indication that the Government plans to honor this commitment.

Since then, the Government has increasingly cracked down on narcotics trafficking. On January 21, following a shipment of 17 pounds of No. 4 heroin from Thailand to the United States, a heroin smuggling ring conducted by U.S. ex-servicemen was broken by simultaneous arrests in Bangkok and the United States. On March 7 some 26 tons of opium were publicly burned by the Government. This quantity of opium, if refined into heroin, could have supplied nearly half the United States market for one year.

The Thai Government has also established a new 48-man task force now commencing operations in the North. This force includes police, customs and border patrol personnel, and will be supported and monitored by the Bureau of Narcotics and Dangerous Drugs (BNDD). It will be used to interdict the movement of narcotics from the North to Bangkok and the international market. Transportation equipment for this unit has been provided by A.I.D.

A.I.D. funds will be used to finance assistance by the U.S. Bureau of Customs to the Thai Customs service to improve Thai border and waterway surveillance and anti-smuggling operations. A.I.D. has already transferred funds to the BNDD to finance its activities in working with the Thai Government. BNDD has a regional office in Bangkok comprised of eleven agents, of which two are assigned to Chiang Mai.

It is recognized that the narcotics production and trans-shipment problem in the north can, in the long run, only be solved by basic changes in the economy of the hill tribes and their relationship with the Thai Government.

The UN, Thai Government and United States are all working toward a solution in different but complementary ways. On December 7, 1971 the Thai Government signed an agreement with the UN Special Fund for Drug Abuse Control which calls for UN and Thai contributions of approximately $2 million and $5 million, respectively, over the period 1972-76. The program has four central aims, to be implemented simultaneously, (a) opium poppy cultivation replacement; (b) drug addict treatment; (c) law enforcement; and (d) drug abuse education and information. The UN plans to spend some $700,000 in the first year and the Thai Government has already appropriated $1.5 million equivalent for the first year.

The King of Thailand has taken a personel interest in the welfare of the hill tribes and has inauguarated a hill tribe's project to provide economic assistance, including development of alternatives to opium growing. The King's project is coordinated with the Hill Tribes Research Center and with a program of the Border Patrol Police which provides schools and agricultural demonstration plots.

Apart from funds transferred to BNDD, the FY 1972 A.I.D. obligation of $500,000 is expected to rise to $970,000 in FY 1973. A.I.D. is budgeting $570,000 in FY 1973 for an uplands development project which will provide an overall survey and master plan for the economic development of the hill tribe areas, specifically including the identification of alternatives to opium production. The remaining $400,000 will be used to finance U.S. Bureau of Customs Advisory Assistance, and to provide training and equipment for Thai enforcement agencies. A.I.D. Public Safety Advisors are financed under the continuing Public Safety program and not under the special narcotics program.

The problem of narcotics control in Thailand will require a protracted effort by the Thai Government, the United States, the UN and others concerned with the problem. A promising start has been made and programs begun which have the potential to bring the drug problem under increasing control.

Vietnam

The hard narcotic problem in South Vietnam concerns its distribution, not its production. While marijuana has long been cultivated in the Delta along tributaries of the Mekong River, the opium poppy is not cultivated in Vietnam. High-quality prepared opium, however, is in demand and is brought into Vietnam from neighboring countries. Opium smoking is a traditional and well-entrenched problem among a small portion of the population (approximately 138,000) but does not constitute a problem for U.S. personnel.

Heroin, on the other hand, has presented a problem among U.S. military personnel, and is now reported to be increasingly used by Vietnamese army personnel. This processed opium derivative is illegally brought into Vietnam through busy civilian and military airports, small coastal ports, and remote roads and rivers crossing national boundaries. Policing all of these potential points of entry presents a problem of considerable magnitude, particularly in a wartime situation.

The Government of Vietnam, recognizing this growing problem, has taken a number of steps, both on its own and in cooperation with the United States Mission, to stop the inflow, trafficking, and use of narcotics in Vietnam. President Thieu has initiated an anti-narcotics campaign and made it a national policy of the highest priority. A Special Commission for the Eradication of Drugs and Smuggling has been established, under the President's special assistant, to plan and coordinate the effort. Customs personnel have been replaced and customs and policing procedures at Tan Son Nhut Airport tightened. An indication of the success of these actions has been a substantial increase in the price of heroin in Vietnam, although it still is available. Over 270 pounds of heroin and 1,000 pounds of opium were confiscated in 1971, compared to 119 pounds of both drugs in 1969. More than 6,000 arrests for narcotic offenses were made in 1971, up from 3,880 in 1970 and 2,911 in 1969.

INTERNATIONAL NARCOTICS CONTROL PROGRAM

A.I.D. has given special attention to the problem, working with representatives of other U.S. agencies in assisting the Vietnamese to prepare and carry out an effective program of narcotics suppression. Vietnamese police and customs personnel have been given special training in spotting narcotics and drug sellers in addition to the normal police and customs training in narcotics suppression.

During the period 1969-1971, a total of 1,023 police investigators were trained in narcotics and 486 are now performing specialized work in the Vietnamese Narcotics Bureau and in covert teams assigned to key drug abuse areas. Narcotic identification has been introduced into the curricula of all National Police Training schools. Police are engaged in a substantial public education program.

At the present time, 11 Public Safety Advisors are assigned specifically to narcotics training, intelligence gathering and suppression. Commodities and equipment and participant training are supplied through the normal A.I.D. police assistance programs.

Four customs advisors from the U.S. Bureau of Customs carry out narcotics investigations and training, in addition to their normal customs duties concerned with contraband investigation and suppression.

A.I.D. is also working with the Vietnamese Ministry of Health to establish a treatment center for Vietnamese addicts. This is included as part of the normal A.I.D. Public Health assistance program. All together narcotics control and suppression activities in Vietnam require approximately $500,000 a year in funds devoted solely to such activities. If personnel and pro-rata operational costs of the many U.S. military, civilian and Vietnamese organizations working on narcotics control were taken into account, the figure would be nearer $29.5 million.

Much has been accomplished since 1969 in establishing the administrative machinery to carry on an effective narcotics suppression program in Vietnam. Working committees have been established to coordinate the many public and private agencies concerned with this work; police, customs and health personnel have been trained; and a broad program of public information initiated. The U.S. troop withdrawal program lessens the demand for illegal drugs and at the same time reduces the amount of money that finds its way into clandestine operations.

In spite of these encouraging steps, control of drug trafficking will continue to be a problem as long as border areas remain insecure and there continues to be large movements of people within Vietnam and the rest of Indochina.

FISCAL YEAR 1973 REQUEST FOR FOREIGN ASSISTANCE PROGRAMS

Mr. PASSMAN. I believe the 1973 estimate, excluding military assistance for fiscal 1973, is $2,551,194,000. Is that correct?

Dr. HANNAH. Yes, sir.

Mr. PASSMAN. That is an increase of $498,245,000 over the amount programed for last year. Is that correct?

Dr. HANNAH. That is correct.

Mr. PASSMAN. I would assume that we have the same understanding this year that we had in previous years, that there is an asking price and a taking price, so we are dealing now with your asking price. Would that be a statement of fact?

Dr. HANNAH. That's correct.

Mr. PASSMAN. Thank you very much, Doctor. Again, you are being very fair. I hope the taking price will be substantially lower this year.

Because the distinguished gentleman from Maine has another important meeting, I would like to yield to him at this time to ask questions under the 5-minute rule so that he may go to the other committee.

Mr. HATHAWAY. Thank you, Mr. Chairman.

INCREASE IN REQUEST FOR RESEARCH FUNDS

Dr. Hannah, it is a pleasure to see you again. I have two or three questions to ask you in this 5-minute period.

On page 7, you talk about research. Would you give me a little more detail on that statement and why there is a necessity for a $3 million increase.

Dr. HANNAH. Mr. Hathaway, basically, as you know, the role and function of AID is to help peoples and their governments in less developed countries move in the direction of helping themselves—to utilize the total resources of the country for the improvement of the lives of their people.

That is the basic philosophy. That is the basic commitment. Of course there are no two LDC's alike. They run all the way from countries that are pretty nearly able to stand on their feet to countries that have nothing but people and problems.

Basically, we categorize the kind of things we are interested in helping them with into four principal categories. The first one is food. Not only the production of food to fill their stomachs, but food with the nutritive values that promote health and growth in children and development of their mental capacities.

Education—because education develops the potential of the individuals to make useful contributions to their society.

Basic health and population planning—because if they are going to move in the direction of better lives for their people, down the road there comes a time when there is a limit to the number of people they can take care of.

Now, to come to your question, one of the difficulties we face immediately is the solutions to the problems in Ethiopia, or Chad, or Costa Rica, or Niger. Research that gives us an answer as to how to accomplish the purpose in Maine, or Michigan or Louisiana, doesn't necessarily work in the LDC's.

It does not make any difference whether you are talking about an educational system, or a health system, or an agricultural system. When we are talking about increased emphasis on research, we are talking about two things. First, we have to find answers to the problems. Second, we have to adapt those answers to the situation in the LDC's, which is much different than the situation in developed countries.

I am sure the best dollars we spend are those that we spend on research.

We are not talking about basic research, finding the kind of answers they look for at Harvard University or Stanford University where they pursue basic research for the sake of knowledge. We are talking about practical applications.

An example of what I am talking about occurred this morning. We had a press conference with press people and people from the Wildlife Research Institute of the Department of Interior. Four years ago, we hired the Wildlife Research Institute, with money that Congress gives us for aid, to see if we could find an answer to the rabies in the cattle herds running from middle Mexico to Southern Argentina that is spread from animal to animal by vampire bats.

Four years later, after spending $800,000, they have the answer—a very simple way of getting rid of vampire bats without affecting anything else in the ecological system. I don't recall the name of the drug, but they are using a drug that is used in human medicine for preventing the clotting of blood.

So this is why we need research funds and why we are asking that the ceiling be raised from $9 million to $12 million. With research of this kind we prevent major economic losses. There are better than a million beef animals a year that die in this part of Latin America with rabies. You have a human health risk, and you have a risk for every animal in the community because these bats bite the animal that has rabies and spread it to other animals and humans.

Mr. PASSMAN. Thank you very much, Mr. Hathaway.

I try to explain to witnesses we are operating under a five-minute rule. I wish you all would take that into account because when a member asks a seven-second question and gets an eight-minute answer, all of the time is gone.

I would assume you have other questions, Mr. Hathaway.

Mr. HATHAWAY. Yes. There is no time limit the second time?

Mr. PASSMAN. No, take all day.

Dr. HANNAH. If there is, you give me the questions, we'll give you the answers.

Mr. PASSMAN. Mr. Shriver?

U.S. CONTRIBUTIONS TO ASIAN DEVELOPMENT BANK

Mr. SHRIVER. Thank you, Mr. Chairman.

It is good to see you again, Dr. Hannah.

On page B–20 of the justifications, you say an additional U.S. subscription to the Asian Development Bank of $300 million is "under consideration." We have been a little concerned in this committee about the growth of these banks and the fact that there is no control by this committee nor by Congress of their activities.

I do not think my constituents would particularly want me voting for moneys in these multilateral programs, such as the Asian Bank, where there is no Congressional control.

What is the status of that request and why is it needed now?

Dr. HANNAH. It is under consideration by the Treasury and the White House. They make these decisions. It is not an AID decision.

Mr. SHRIVER. I know. But you do participate with them in consortium and bilateral programs.

Dr. HANNAH. That is correct. It is under consideration. The decision has not yet been made. It has not yet been transmitted to Congress, but it is being favorably considered in view of the fact that Japan is willing and able to provide additional funds.

AID PERSONNEL

Mr. SHRIVER. You mentioned the cut-backs in AID personnel. You say, your overseas staff has been cut by 35 percent since 1968, and you expect 10 percent more to be cut at the end of fiscal 1973.

Elsewhere, you say you expect a manpower cut of 25 percent "over time."

Dr. HANNAH. Correct.

Mr. SHRIVER. Will you verify those percentages and show for the record what they mean in terms of numbers of people on the payroll?

Dr. HANNAH. The number of direct-hire, as of the end of this fiscal year, will be 6,277 U.S. citizens, and about 6,123 foreign nationals. This includes both field and Washington.

The breakdown on Americans is 3,137 in Washington and 3,140 overseas. Now, the questions you ask, you don't say exactly what you expect——

Mr. SHRIVER. Not entirely. I am wondering about the "over time."

Dr. HANNAH. Over a period of time. I'll be glad to answer that very quickly. Our problem is that everybody on our payroll has tenure in the job. They are Civil Service or Foreign Service people and they have seniority in those categories.

If we were to reduce the staff by x percent, or x dozens of people, the end result is that we have left the people with the highest seniority and the longest tenure. We are not able to pick out the ones we don't need. We cannot take a RIF because of the fact that many of the people that are most valuable to us are junior people in lower categories. What you end up with when you go through a RIF procedure is that all the senior people remain and all the junior people are gone. You can't run an effective program that way. We think it is absolutely essential that we avoid a RIF.

To cut down our staff while avoiding a RIF, we have to have a way of retiring people that do not really want to retire.

Mr. SHRIVER. Do you not have some legislation——

Dr. HANNAH. Yes, we have——

Mr. SHRIVER (continuing). For an early retirement of your personnel?

Dr. HANNAH (continuing). Proposed some. What we are asking is that the Congress put our Foreign Service people under the Foreign Service Retirement System because this requires them to retire at age 60. Is this the legislation you are talking about?

Mr. SHRIVER. Yes. Thank you. My 5 minutes are gone.

Mr. PASSMAN. Thank you.

Mr. Robinson?

Mr. ROBINSON. Thank you, Mr. Chairman.

INCREASED ATTENTION TO LEAST DEVELOPED COUNTRIES

The foreign assistance funding has been on a downward curve in recent years. It appears to me, that, in view of our persistent deficit situation, most of our citizens favor a continuation of this downward curve. They certainly do in my district, based on a poll, by a better than 2-to-1 margin.

In your statement, you mention changes in program emphasis, and you indicated a prospective concentration on the problems and requirements of the least developed countries, notably in Africa.

This is on page 3 of your statement. You mentioned that you intended to devote increased attention to the special needs of these countries.

Will we be able to do what you have in mind in Africa, and perhaps in Southeast Asia and elsewhere, and still hold our foreign assistance investments at current levels or lower?

Dr. HANNAH. I recognize we are going to hold them at whatever level the Congress provides the funding. And the important issue is that we spend whatever money we have so there is the best possible outcome—so the money is used for the purpose of providing more food and more nutritious food and better health, and hopefully, better education, or some kind of an education for the people in the poorest countries.

You asked about doing more for the least developed and whether are we able to do what we want to do and stay within essentially the present levels. The answer is "Yes." I would hope that when the appropriations are made this year, there may be a little different distribution than we had last time.

The answer is "Yes, we'll try to do the job with whatever funding we get." We are going to use the money so we get the most outcome and better lives for a larger fraction of the people in the poor countries. And the poorer countries are the ones that need help the most.

Mr. ROBINSON. But regardless of the funding levels, then, you do intend to implement this going concept in terms of the least-developed countries?

Dr. HANNAH. Correct.

Mr. ROBINSON. Looking past fiscal 1973, would you appraise for us the trend of the program in this regard? Is this going to continue to build in terms of the future or is this something we are entering into with six figures in mind, so to speak?

Dr. HANNAH. It is a little hard to answer the question because you are talking about a number of dollars without reference to the purchasing value of those dollars, either here or abroad. The tentative commitment made by this country is that we will carry a fair share of the total responsibility on the part of all of the developed free countries to do something to help these people in the less-developed countries.

I am not trying to obfuscate or take it out of time, but when you are talking about a billion dollars in 1973 compared to a billion dollars in 1963, it is a substantial reduction for no other reason than that the dollar is not worth what it was.

Mr. PASSMAN. Namely because of foreign aid.

Thank you for yielding.

Mr. ROBINSON. I have used my 5 minutes.

BUDGET REQUESTS FOR FOREIGN ASSISTANCE PROGRAMS

Mr. PASSMAN. Thank you. Mr. Robinson is one of our new and extremely able members of this subcommittee. Foreign aid is so complex and so diversified, it takes hundreds of hours of deliberate and calm research to establish the facts as to what they are and not what they may appear to be on the surface.

Now, the distinguished gentleman asked a very important question and he got a very good answer. But he did not get an accurate answer, and not by intent. Foreign aid is not being reduced, even the item under consideration today, the part that you handle.

Now, let us see if we can make the record for what it is. It is not going down. Your part of it, the bilateral program is going up. And let us be realistic about this thing.

In 1969 you asked for $2,920 million. The Congress only allowed $1,755,600,000. In 1970 you asked for $2,710,020,000. The Congress only provided $1,812,380,000. In 1971 you asked for $2,200,500,000. The Congress only provided $1,940,185,000.

Now, last year you asked for $3,085,218,000. The Congress provided $2,230,721,000. This does not include supplementals and applies only to title I of the bill.

Have I not read that accurately from the record?

Dr. HANNAH. According to my statistics.

Mr. PASSMAN. These were given to me by your Agency. You might take a copy of this for your own benefit.

Dr. HANNAH. Well, I think that——

Mr. PASSMAN. You may include other items, but this was the original budget request.

Dr. HANNAH. Does that include MAP and supporting assistance? Our figures are without MAP and supporting assistance.

Mr. PASSMAN. We have to get this matter accurate. Let me make my statement.

You have an asking price and a taking price. In 1969, your asking price was so unreasonable, we cut you 40 percent and still left you overfunded.

Let us look at something else that Mr. Shriver touched on. Foreign aid is increasing by leaps and bounds, and it is so frustrating.

Let us look at the facts of life. Foreign aid last year, all spigots, we thought it reached an all-time high of $13,528 million. When we put the same pieces together for this year, we find it is $18,542,916,000.

INTERNATIONAL DEVELOPMENT ASSOCIATION

Let us look at the International Development Association. They started this operation off at $61 million a year for 3 years.

Then they came in and requested $104 million a year, for 3 years, and presented the same argument.

They jumped up their request to $160 million a year. They ran at that level for 3 years. Do you know what they did this year, Dr. Hannah?

They jumped their request up to $320 million a year, double what they had last received. Up and up it goes.

Let me describe IDA's operation for the record, it makes your program look holy and good.

We turned this money over to this international organization. We know not what projects are going to be financed. We know not when they are going to make the application. We know not the amount of the application. We know not what country it is going to go to.

There is no provision whereby one dime of this money will ever be returned to the U.S. Treasury. You know that is true, Dr. Hannah. Is that correct?

Dr. HANNAH. Correct.

Mr. PASSMAN. Let us go a little further. The terms of the credits provided by IDA are 50 years with no interest at any time during the entire 50 years, only a three-quarter of 1 percent service charge. Is that not correct?

Dr. HANNAH. Yes.

Mr. PASSMAN. They have a 10-year grace period before they pay a dime on the principal. Is that correct?

Dr. HANNAH. I think that is right.

Mr. PASSMAN. I believe that if we look at the record that other than the United States, the other donors contribute only little titbits. I think the United Kingdom contributes as high as 12 percent, and France about 5 percent; but 60 percent of all the money out of IDA goes to the former colonies of these European nations. Isn't that true?

Dr. HANNAH. I don't have the statistics, but a large part of it does.

Mr. PASSMAN. The countries that contribute small amounts immediately draw it back because they have strong and profitable trade agreements with these former colonies.

I must make this record because I am so unhappy over the trends and seeing foreign aid increase by such large amounts over the years. You have some Americans who believe it is being reduced. It is not being reduced.

Let us go a bit further to show you how unrealistic and how little the administrators know about their own business, Dr. Hannah.

Let us look at the record of IDA. Since the inception of this association, 11 years ago, we have appropriated $1,112,290,000. I hope you are listening to this.

Dr. HANNAH. I am.

Mr. PASSMAN. Then you share my disillusionment. That is an annual appropriation average of $101 million. Now for 11 years these people have had their $1 billion and they come in and tell us they are out of money and we must give them a supplemental of $300 million. We did a little real down-to-earth research. We found out they had $463 million cash in the pipeline, which represents 42 percent of all the money that we have given them over a period of 11 years.

It is a bad record and very disappointing. But let's look at another chapter. Now they come in and say "we want you to add to the $463 million, 8.57 percent for the maintenance of value." That's where you catch them coming out of the chickenhouse with a hen under one arm and a rooster under the other. If these funds have been obligated under firm contracts then of course they wouldn't need the additional funds for the so-called maintenance of value formula.

Do you read me, Doctor?

Dr. HANNAH. Yes.

Mr. PASSMAN. You see my point, don't you?

Dr. HANNAH. Yes, sir.

Mr. PASSMAN. That isn't true in your case. You go out and you enter into solid contracts and they are firm. It would be the exception where you would have to make revisions of long-term contracts. Isn't that right?

Dr. HANNAH. Yes.

Mr. PASSMAN. They have this money on hand; it is not obligated. If it was obligated under firm contracts, they wouldn't need an additional 8.57 percent. I'm glad you verified it on the record. That is why I am so frustrated. These people have outsmarted us all the way through.

Dr. HANNAH. May I make a response?

Mr. PASSMAN. Yes. I thought you had answered the question very well. But sure, I want you to make a response.

Dr. HANNAH. First of all, Mr. Chairman, I would be remiss if I didn't put in the record, at this point, the appreciation, not only my personal appreciation, but the appreciation of the Agency of International Development and the appreciation for the administration for the very responsible way in which this committee and the House performed when the appropriation and the authorizations were up for fiscal 1972.

Mr. PASSMAN. This is a responsible committee. This is a dedicated and sincere committee and we try to perform in a responsible manner.

In our hearings it gets a little peppery at times but we don't mean it personnally.

I have been on this committee 20 years and chairman 18 years. I think I understand this program. When I tell you I am frustrated, you know why I am frustrated, don't you, Dr. Hannah?

Dr. HANNAH. Yes, I think I do.

Mr. PASSMAN. You look at these multilateral organizations, which is the worst type of foreign aid, and their requests are increasing each year.

Let's contrast the multilateral institutions with the bilateral development loan fund. You are making loans for dollars, repayable to the U.S. Treasury, with the interest being repaid in dollars, are you not?

Dr. HANNAH. Yes, sir.

Mr. PASSMAN. I believe all of the development loans, with a few exceptions, are all up to date are they not?

Dr. HANNAH. The record is good.

Mr. PASSMAN. I mention that so you can contrast your bilateral development loan program against IDA.

PERSONNEL ASSOCIATED WITH FOREIGN ASSISTANCE PROGRAMS

The actual personnel involved in foreign assistance would appear small if you did not read all of them into the record.

Now, you have your direct hire personnel, you also have your contract personnel, and you have these participants. All of these people get a monthly check and there were 52,884 on the rolls as of March 31 last year. These are your own statistics put in the record.

Would you update this chart?

Dr. HANNAH. We will be glad to. You are talking about every student that is involved in any kind of a training program?

Mr. PASSMAN. If they get a monthly check, I want them included.

(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 3/31/72		
	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	6,402	6,368	12,770
Military 1/ 2/	3,727	578	4,305
Total, direct hire	10,129	6,946	17,075
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	2,657 3/	1,105	3,762
Military 1/	103	221	324
Total, other than direct hire	2,760	1,326	4,086
3. Number of foreign national trainees programmed during the year (number in training at any given date is approximately half this number): 4/			
Economic	-	9,456	9,456
Military 1/	-	46,937	46,937
Total, foreign national trainees programmed	-	56,393	56,393
Total Economic and Military Assistance	12,889	64,665	77,554
PEACE CORPS			
1. Direct-hire personnel	860	309	1,169
2. Volunteers and trainees:			
Volunteers	6,942	-	6,942
Trainees	628	-	628
Total, volunteers and trainees	7,570	-	7,570
3. Contractor and reimbursable detail employees	689	-	689
Total, Peace Corps	9,119	309	9,428

1/ Entries for military programs are estimated as of 6/30/72.
2/ Includes military personnel paid from DOD appropriations.
3/ As of 12/31/71.
4/ 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.

Dr. HANNAH. One month during the year, 2 months?

Mr. PASSMAN. This is your average. I only want to use your own figures. Don't include someone who has been on the payroll for 2 days, but at least we are going to insist that the total average number of people on AID rolls, getting a check every month be placed on the record.

You might have a look at it yourself. These are your figures, not mine.

Dr. HANNAH. We will be glad to look at it.

Mr. PASSMAN. I want you not only to look at it, I want you to update it.

Dr. HANNAH. We will update it.

Mr. PASSMAN. This is on page 104 of last year's hearings.

I don't care how you classify the people, they are still on the payroll and drawing these monthly checks.

Dr. HANNAH. Yes, sir.

PAYMENTS ON AID LOANS

Mr. Chairman, what I was looking for was the statistics when you were raising the question with reference to the results, the repayment experience, with aid loans.

What I have here and I would like to put in the record that the total loans by AID and predecessor agencies totals—where is the total amount of loans—$14,396 million, and the total amount of money from the very beginning that is somewhat delinquent, either in interest or in principal payment, totals $19.7 million out of $14-plus billion.

As you know, the bulk of that is in the Arab world where they broke relations with us after the Arab-Israel war.

We have some additional statistics which I would like to send to you showing you what has happened, by country, in the last 12 months.

Mr. PASSMAN. We would be glad to have them, but in the main, under your development loan program, the nations are paying on schedule.

Dr. HANNAH. That is right.

Mr. PASSMAN. They are also paying their interest in dollars, and that is on schedule.

Dr. HANNAH. Correct.

Mr. PASSMAN. That comes back into the U.S. Treasury.

Dr. HANNAH. Correct.

Mr. PASSMAN. In IDA it is a one-way street. The money goes out and there is no provision for any of it to come back to the U.S. Treasury.

Dr. HANNAH. That is correct.

Mr. PASSMAN. It goes into an international organization over which we have no control, where we have no right of detailed examination and we do not know whether this money is obligated or not, because those who administer the program know very little about it.

If they did, you would not find 42 percent of an 11-year appropriation on hand undisbursed. Now, they want the United States to maintain the value of this contribution. You are not asking us to update any of the bilateral loans because of the loss of value, are you?

Dr. HANNAH.We are not.

Mr. PASSMAN. Certainly you are not.

Dr. HANNAH. If I might go on, with reference to this tabulation that you are referring to, with reference to the $18½ billion in total payments for military and the Ex-Im Bank, et cetera, they are accurate. And what you say is correct.

We have great respect, not only for the committee, but for you and for the memory and knowledge that you have, not only of the AID program, but the other bits and pieces.

And I would like to point out, in this $18.5 billion you have $7.3 billion that are Eximbank credits, which are really just a way of selling U.S. export material. It is $7.3 billion out of the $18-plus billion.

Mr. PASSMAN. You said that a little too hurriedly, because we want this record straight.

You know and I know that they have three windows under the Export-Import Bank.

Of the Export-Import Bank you have your long-term credits window for $2,813 million; you have your short-term operations for $3,600 million; and then you have under your regular operations, $918,775,000.

I am not criticizing all facets of foreign aid, I am only stating that when you give a man maximum terms under the Export-Import Bank, or any other agency, for 20 years, that is a form of assistance and aid; is it not?

Dr. HANNAH. It is aid, say, in providing aid through the United States.

Mr. PASSMAN. It is understood it is going to finance commodities, but when you get into these long terms it is a form of aid. We are making these loans because the people do not have the money to pay cash. Is that correct?

Dr. HANNAH. Right.

Mr. PASSMAN. When we put these pieces together, we were quite fair. We made it all inclusive. The caption sheet does not show that all of this is bad.

All we want to do is to point out the grand total of credits that we are extending to other nations, whether it is for long terms, whether it is for short terms, or whether it is outright grants. We have been following this same format for exactly 18 years. I trust that you are not quarreling with it.

Dr. HANNAH. I am not quarreling with it at all.

Mr. PASSMAN. Let us go back. Let us take the case as it is. Comparing last year's sheet with this year's sheet, this year's total is $5 billion above last year's; is it not?

Dr. HANNAH. Your memory is correct.

Mr. PASSMAN. Last year's sheet was $1.4 billion above the year before.

Dr. HANNAH. If you say, that is true. I do not recall the figure.

Mr. PASSMAN. Let us just show how it is getting completely out of control. The Export-Import Bank, and I have a lot of respect for them, but they, too, could get over extended if we did not watch it very carefully.

All I want to do, Dr. Hannah, is keep the record straight. Let people make up their own minds as to what is good.

I have defended your development loan fund as being preferable to IDA credit, which we both know is a dead giveaway. Not a provision to ever bring one dime of the U.S. contribution back into the United States. That is true, is it not?

Dr. HANNAH. Correct.

Mr. PASSMAN. But with bilateral development loans, the record shows it is coming back in and it is coming back to Uncle Sam. It is not going to some international organization.

Dr. HANNAH. I think that is also true of the Eximbank.

Mr. PASSMAN. Yes; the Eximbank is a good operation.

Dr. HANNAH. I think their long terms are 5 to 10 years in 6 percent interest.

Mr. PASSMAN. They have the right to go up to 20 years.

U.S. FOREIGN ASSISTANCE AND THE GNP

Dr. HANNAH. The point I would like to make, and I am not arguing——

Mr. PASSMAN. What is wrong with arguing?

Dr. HANNAH. You included about $2 billion of U.S. contributions to the world and regional banks, and that is what the records shows. They asked for money and all the rest of it.

When you put $7.3 billion in Eximbank credits and $2 billion for the other banks, your $18 billion is cut in half.

The point I want to make, Mr. Chairman, is, back in the early days of development aid, when there was the Marshall plan and the early days of point 4, this country was putting a much larger sum in.

I am not putting in a pitch. I am not saying we ought to put in 1 percent of GNP, or some other percentage.

Mr. PASSMAN. Those are fake statistics. You take them and impress some other people, but not me.

GNP is what the Nation produces, not what AID or the Government produces.

Dr. HANNAH. By and large. Back in 1940, the GNP for this country was $260 million.

Mr. PASSMAN. That does not justify you or anybody else giving away our money. The GNP is what the free-enterprise system produces, not what Passman and Hannah produces. What right do you have saying we should give away 1 or 20 percent of it.

Dr. HANNAH. I am not saying——

Mr. PASSMAN. Do not use those fake statistics that they have been trying to confuse this committee with for 20 years.

Dr. HANNAH. It is no more confusing than this is.

Mr. PASSMAN. Nor as accurate, because the statistics I use come from the aid agency.

ADVERTISEMENTS RELATING TO FOREIGN ASSISTANCE

Dr. HANNAH. The figures are accurate, but you know what happens. This figure goes out and Time magazine and others run a full-page advertisement, and this is all described as foreign aid.

Mr. PASSMAN. No; it is not. I have been fair in putting this sheet out. I would just as soon argue with you as anybody else. I always say there

are new requests for authorization and/or appropriation for foreign aid and assistance. It speaks for itself, Doctor.

Dr. HANNAH. There is nothing wrong with this.

Mr. PASSMAN. Then why are you arguing about it?

Dr. HANNAH. When Warner and Swasey or somebody else takes this and runs it in a full-page ad, and the headline is, "No Wonder Our Taxes Are High, Our Country Is Going Broke," and the rest of it.

PARTICIPANT TRAINING PROGRAM

Mr. PASSMAN. I said in the beginning you are a great administrator. You are one man I can work with, because you admit immediately there is inflation in the bill. There is an asking price and a taking price. Let us get along with the examination and subsequently we will arrive at a taking price.

Foreign aid and assistance is climbing in almost every category, including your own workshop, because it speaks for itself. Now, this is a full-time job for you, is it not?

Dr. HANNAH. Yes, sir.

Mr. PASSMAN. I would assume it is a full-time job for all the personnel working under you, either foreign nationals or local personnel, is it not?

Dr. HANNAH. I hope so. I hope they earn their pay.

Mr. PASSMAN. I would assume these participants get a monthly stipend. It is a full-time job for them, is it not?

Dr. HANNAH. Yes, sir.

Mr. PASSMAN. Let us see what we are confronted with. You have 52,884 people trying to sell foreign aid, cooking up a reason why it should be continued.

Dr. HANNAH. That is not true.

Mr. PASSMAN. Wait a minute. Yes, it is. You have 52,884, discount any amount you want to.

Dr. HANNAH. You have got military people and everybody else.

Mr. PASSMAN. Are they not trying to sell foreign aid just like you are?

Dr. HANNAH. No, they are not.

Mr. PASSMAN. Certainly they are.

Dr. HANNAH. It is a matter of opinion.

Mr. PASSMAN. That salesman is out trying to sell military hardware. You ought to read the record, Dr. Hannah. But you contrast the 52,884 people of all types that you have working full-time in the area of foreign aid, with the people on this side of the table. You have one country-boy chairman who could only give part of his time to foreign aid, plus one clerk.

Now, believe me, these are some odds. We have got to match wits with 52,884 people.

And you have 125 ambassadors and all of their staff in foreign countries selling this aid.

Dr. HANNAH. Mr. Chairman, I'll be perfectly happy to have this off the record.

Mr. PASSMAN. I know, but you brought it up and I wanted to accommodate you.

Dr. HANNAH. You include— for instance, we have in fiscal 1971, 13,110 trainees—trainees from foreign countries. Some of them enrolled in colleges and universities, half of them in practical training programs to give some additional skills.

Mr. PASSMAN. What difference does it make as long as they are selling foreign aid?

Dr. HANNAH. They do not even know what foreign aid is all about.

Mr. PASSMAN. They are getting a check from you, are they not?

Dr. HANNAH. They are getting their check.

Mr. PASSMAN. Why do you not send them home, if you are sitting here telling this committee that these people you select to come over here to get an education, drawing the taxpayer's check every month, do not know what it is all about?

Do they know where that check is coming from?

Dr. HANNAH. They know where the check is coming from.

Mr. PASSMAN. If what you say is true, you have got the wrong people over here. They know more about it than I do, maybe as much as you do. If you sell them short you are making a mistake. They are in the best universities and the best colleges.

Dr. HANNAH. They are.

Mr. PASSMAN. Why do you not put in the record where they are located?

Dr. HANNAH. We will be glad to do that.

(The information follows:)

LOCATION OF 20 LEADING U.S. UNIVERSITIES PROVIDING ACADEMIC TRAINING TO AID PARTICIPANTS DURING FISCAL YEAR 1971

Arizona, University of, Tucson, Ariz.
California State Polytechnic, San Luis Obispo, Calif.
California, University of, Berkeley, Calif.
California, University of, Los Angeles, Calif.
Colorado, University of, Boulder, Colo.
Columbia University, New York, N.Y.
Hawaii, University of, Honolulu, Hawaii.
Kentucky, University of, Lexington, Ky.
Michigan State University, East Lansing, Mich.
Michigan, University of, Ann Arbor, Mich.
Missouri, University of, Columbia, Mo.
Ohio State University, Columbus, Ohio.
Pittsburgh, University of, Pittsburgh, Pa.
Purdue University, Lafayette, Ind.
Southern California, University of, Los Angeles, Calif.
Southern Illinois University, Carbondale, Ill.
Syracuse University, Syracuse, N.Y.
Texas A. & M. University, College Station, Tex.
Texas, University of, Austin, Tex.
Wisconsin, University of, Madison, Wis.

Over 65 participants were enrolled for academic training at each of the above schools. In addition, 410 universities and colleges having 65 or less AID students also participated in the training program.

U.S. FOREIGN ASSISTANCE AS A PERCENTAGE OF GNP

Dr. HANNAH. Let us go back. This tabulation that you have, the $18.5 billion, whatever it is this year, if we tag it all as foreign aid and compare it with the GNP—and I am talking about the sum total of everything, the wages paid to people and everything according to the experts—it is going to be about $1.2 trillion.

If we call all of this foreign assistance, your 18-point something billion is about 1.4 percent of the GNP. If we go back to 1960 or 1950 and look at the GNP and what we are putting into foreign assistance at that time, we are putting much less, relative to the capacity of the country, the interest of the country, and so on.

MARSHALL PLAN AND PRESENT FOREIGN ASSISTANCE PROGRAM

Mr. PASSMAN. Let us make the record. You remind me of the man who bought a bottle of castor oil. It did such a good job, that he bought the factory.

When this foreign aid program started, it took a rather courageous Member of Congress, one well fortified with seniority, to walk down into the well of the House and address the Chair and say, "Mr. Speaker, we are now embarking upon a new program to provide aid for the starving people of Europe. Conceivably, it will take 5 years to complete this program, and it may cost $15 billion, and we may go into as many as 17 nations of the world."

You could have heard a pin drop. We had just concluded the war a few years earlier.

Now, you contrast 5 years with 24 years, contrast 15 nations with 127 nations, contrast $15 billion with $212 billion net when you add the interest on what we had to borrow to give away.

Doctor, we started a program that we lost control of, and we do not have the experts to hire like you do.

No government has the right to say we should give away a certain percentage of our GNP. GNP is something the free enterprise section produces, not the Hannahs and the Passmans up in Washington.

I want to be fair about this thing. The cost of this program is going up, Doctor, not down. Even your own window is up over last year.

Also, I have not heard you or any other person in your shop do anything but defend these multilateral organizations, which are just mushrooming left and right and means we are taking control away from the Congress.

These multilateral organizations go out, sometimes a year or 2 years in advance, and they open up negotiations with these other nations who are putting up little tidbits and, either directly or indirectly, are the recipients of the aid and enter into agreements. They then come to this committee and say, "We are committed. You have no right to cut the request." When you see these requests that are five times over what they received years ago, would you not be a little bit excited if you were sitting in my chair?

Dr. HANNAH. I do not blame you for being excited.

Mr. PASSMAN. Thank you. Why do you not help point that out, even at the expense of going back to teaching or something? Somebody has to point this out. A few of us do it, and people resent it. A man has to go by his convictions, his conscience, and his constituency.

I know the rules of the road. But this thing has gotten into such a mess and it has increased so terrifically, I do not know the answers, Doctor. I was going to come to you for some answers.

Now, do you want to stop quarrelling and get down to the examination?

Dr. HANNAH. Yes, sir. I made the point I want to make.

Mr. PASSMAN. All right, sir. Make some more if you can, because I will be making some, too.

I want to yield to the distinguished gentleman from New York, Mr. Rooney.

Mr. ROONEY. I do not have any questions at this time.

Mr. PASSMAN. I yield to Mr. Roybal.

SPANISH-SURNAMED PERSONS EMPLOYED BY AID

Mr. ROYBAL. Last year you and I had a colloquy with regard to the employment practices of the Agency.

Dr. HANNAH. Yes, sir.

Mr. ROYBAL. You have submitted for the record some of the information I was seeking. I think we established at the time that there were approximately 40 Spanish people working for AID, but the record shows there are only 47 Spanish speaking people working in Latin America with a total of 78 throughout the entire Nation.

Is that figure still true today?

Dr. HANNAH. The last figure I have is as of November 30, 1971. This shows 114 Spanish-speaking people on the payroll as of the end of November. If you like, Mr. Roybal, we can get this as up-to-date as we can. We probably will be able to get a figure for January or February.

(The information follows:)

Figures are not available at this time for a period more recent than November. This data is collected on a worldwide basis twice a year, and the next report will be issued around the end of May.

Mr. ROYBAL. It appears then there has been an increase from 78 last year to 114 this year?

Dr. HANNAH. 114 as of the end of November.

Mr. ROYBAL. I see. But there was 78 at the time I asked the question, and as of last November there are 114?

Dr. HANNAH. That is right. 83 overseas and 31 in Washington, a total of 114.

Mr. ROYBAL. What are those figures again, Doctor?

Dr. HANNAH. Spanish surnamed people, total of 114, 31 of them in Washington, 83 of them employed in our overseas program.

Mr. ROYBAL. I see the number employed in Washington has decreased from that of last year.

Dr. HANNAH. I do not have the figures you have. I just have November 30.

Mr. ROYBAL. There is a slight increase, then.

Dr. HANNAH. That is right. Outside of Washington, we are down a little in Washington.

Anyway, let me answer that question before you ask it. The intention is to employ Spanish-surnamed people whenever we are looking for employees. Our basic problem, as you know, sir, is we have been going down, down, down in our total employment.

So if a Spanish-surnamed person leaves us, quits for a better job or something of that sort, it is a little difficult to immediately replace him, because we are doing almost no hiring at all.

Mr. ROYBAL. I understand what the problems are, because I have been studying the situation from afar. In many instances, a person with

tenure coming home on leave and receiving full pay, sometimes waits 6 months, either at his home base or in Washington, before he is reassigned.

Is there not some kind of a plan that could be made so the individual coming from overseas would at least have something to do to earn his salary rather than spending 6 months doing nothing?

Dr. HANNAH. A few minutes ago a question was asked by Mr. Shriver on this matter. The basic problem of the people with tenure that we are unable to get jobs for, because we have too many of these people that have come back from overseas, that are in high categories, that perform well; but because of the unwillingness of people to retire that are entitled to retire, we have difficulty in putting them in places.

So we have asked the Congress to extend the advantages of the Foreign Service retirement system to our Foreign Service officers. I am talking about nobody but those who are Foreign Service officers.

At the present time the State Department and USIA have a retirement system where the maximum retirement for people who have been on the job for 20 or 30 years is at age 60. Our people retire under civil service rules, which means we cannot retire them, if they do not want to retire, until age 70.

If we could have the advantage of the earlier retirement proviso—it is a little more generous to them, but that is incidental—we believe that we would reduce without any arbitrary action on our part—that there would be about 850 positions opened up with people who are already entitled to retire. They work for AID or other agencies of the Government for 20 years, 30 years, 35 years but they have not reached the age of 70.

If this is concluded as I believe the House intends, or the Foreign Affairs Committee intends to include this amendment to the authorization act that is now before them, that will be the answer to this point that you have. It will open up some positions for the Spanish-surnamed, and others coming back from overseas, as the program is reduced in size.

Now, we have a substantial number of people that we have to find jobs for.

Mr. ROONEY. Will the gentleman yield?

Mr. ROYBAL. I'll yield.

Mr. ROONEY. That situation has not worked out so well in the State Department or USIA. It may have helped to a significant extent but the State Department still has a group known as the loose pack.

What do you call your people that you bring back from overseas and you cannot place them here?

Dr. HANNAH. We call them on complement, making busy work for them until we can find a place for them.

Mr. ROONEY. But you don't have any work for them to do?

Dr. HANNAH. We do keep them busy. This has bothered me very much. I have spent a tremendous amount of time trying to figure it out.

Mr. ROONEY. This is a fine way to use the services of people who are being so adequately compensated as our Foreign Service Officers.

Dr. HANNAH. All I am asking of this committee and the Congress is to give me the opportunity to retire those who have earned retirement and will voluntarily retire if they can do so under the Foreign

Service retirement rules, and I will take care of my problem, and I could save about 850 positions in doing it.

Mr. ROYBAL. It seems to me, with proper planning, these people would not have to be idle for 6 months. Six months is a long time. There are several individuals I know of personally who have been idle for that length of time. They finally got fed up and went to work for another agency.

They even went to work for the Peace Corps. That seems to me to be quite unfair, not only to the agency but to the individuals involved.

Dr. HANNAH. I am not testifying at all, but what I would like to do, if you would give me the names of these people, you know, who have been in this category for my own education, I would like an opportunity to look into it.

Mr. ROYBAL. One is already in the Peace Corps and I would not hesitate to give you his name. Here, you lost a man that was in the AID program and who finally ended up as a Peace Corps director, and, incidentally, in a higher category than he occupied with AID.

The truth of the matter is, his was the only name you gave me last year of a Spanish-speaking individual in Latin America. He was the mission director in Peru and his name is Perez. I met him several years ago and he is a very well-qualified individual, and, of course, deserving of that position.

It seems to me—particularly in Latin America—that Spanish-speaking people should have more opportunities to occupy higher-level positions. Last year I remember complimenting you on the fact that there were more blacks in Latin America and throughout the world than Spanish-speaking people. I told you that I thought AID should continue this effort.

I also felt, and I still feel so today, that in contrast, the Spanish-speaking should have a little more consideration, particularly in Latin America, but this has not happened as yet with the agency.

I see some slight increase, but it still is not sufficient. I still believe that less than 2 percent of the workforce in the United States is composed of Spanish-speaking personnel.

Dr. HANNAH. I am not saying we have enough. We have done a little better. In Washington, we have increased the number of Spanish-speaking surnamed people in professional positions from 9 to 21. There has been that much improvement in Washington.

It is not as good as it ought to be. What I stated to you last year was seriously meant and we are going to continue to work at it.

Mr. ROYBAL. In the Latin American countries, it is my understanding that many of the Spanish-speaking public safety advisors do not plan to remain under AID. Then, of course, AID will not be able to take credit for these employees.

What I am getting at, Dr. Hannah, is to try to point out to you again that the Spanish-speaking community of the United States sees Governments—sees the U.S. Government—in a very unfavorable light. This is based on civil service statistics where it is definitely shown that the Spanish-speaking community of the United States is the only group in this country not having reached so-called parity, and there is direct discrimination in this regard.

I would like to see AID, who deals with the problems of the world, become the leader in this effort to utilize the resources of this Nation to

the point where they will be sending bilingual individuals to all the countries because of their understanding of the problems of the various ethnic groups of the world.

I hope that next year, you can come back with a real good report and say, look what we have done. When that time comes, I will compliment you.

Dr. HANNAH. We will try.

REDIRECTIONS IN AID PROGRAM

Mr. PASSMAN. Dr. Hannah, on page 1 of your statement you say, "We have extensively reviewed AID's operations this year. On January 24, 1972 we announced a series of major redirections in our program emphasis."

What is meant by that?

Dr. HANNAH. What this means is what it says. We are concentrating our activities on a few areas of major emphasis instead of being scattered in many areas, as we have ben doing in the past.

We're putting the first step in agricultural production, the production of food to fill people's stomachs, nutritious food, high protein food. We have put substantial emphasis on human health, on family planning, on education, and we are going to continue to cooperate with the governments in helping the training of people in public administration.

Those are the principal areas.

Mr. PASSMAN. On the bottom of page 2 of your statement you say:

> AID will become a more specialized agency. It will focus its development loan and technical assistance on a relatively limited group of priority development problems which are basic human development in the poor countries.

I thought that had been the practice in the past, Dr. Hannah.

Dr. HANNAH. Well, we are going to be more concentrated than we have been. We are closing up projects that are in operation, finish them out until the end of the commitment that has already been made. And then we are not going to continue them.

Mr. PASSMAN. You may recall, Dr. Hannah, that several years ago when you first became Director, I repeated each year thereafter that in my considered judgment and based on some experience that the country and your agency would be much better off if you would go into these countries on a select number of programs and do them well, rather than to try to cover the waterfront and do a lot of them halfway.

You remember the exchange previously?

Dr. HANNAH. Yes, sir.

Mr. PASSMAN. This is kind of leaning in the direction of my suggestions.

Dr. HANNAH. That is correct.

Mr. PASSMAN. I suggested that 15 years ago. I wish they would have listened back them, because I am afraid in many instances we have made a bad impression, we have started so many projects and not done too many of them very well.

Dr. HANNAH. The other side of the coin is some of them we have done better than most people figured we had. That is particularly true in agriculture and food production.

REAL ACCOMPLISHMENTS OF AID PROGRAM

Mr. PASSMAN. That is a good statement and I know you feel that way. You would not be Administrator of this program if you did not.

But sometimes claims, and honest claims, claims that are made with all sincerity, may not be supported with facts.

Let us take one underdeveloped country, such as Guatemala. Let us put our finger on any real accomplishments that we have made there, other than these things that are purely imaginary and mythical.

Have you taught those people how to raise bananas, better coconuts? Get into any specialized programs? Let us pick an agricultural commodity. You mentioned agricultural commodities.

Dr. HANNAH. In Guatemala significant growth has taken place in the last decade. It has helped create a better Central American common market. Growth probably cannot continue at that same high rate.

The diversified commodity exports are reaching their limits. The consumer goods sector has already excess capacity as it does throughout Central America. Markets outside of the area must be found, they must reach a wider local market.

For agriculture to grow, it must find resources and so forth.

Mr. PASSMAN. They have made progress, but how can AID say that it is responsible for it?

That is what we are trying to find out.

Dr. HANNAH. Again, unfortunately, Mr. Chairman, I have never been in Guatemala, so I have no first-hand experience. I rely on what I am told and what I read.

Mr. PASSMAN. Statistics?

Dr. HANNAH. And statistics. All of the Central American republics have real problems.

Mr. PASSMAN. I know they do. I am sympathetic to them. But one of these days some of us are going to have to have proof to show AID had anything to do with it.

They may have made just as much progress without our aid.

Let us go to an agricultural commodity. Isn't corn one of the commodities he said is produced in Guatemala?

Dr. HANNAH. Yes. All domestic corns all came from that part.

Mr. PASSMAN. How much have we increased the corn production per acre?

Dr. HANNAH. I would have to get the information. I do not have it. Coffee and bananas I have.

(The information follows:)

CORN PRODUCTION IN GUATEMALA

Corn production per acre in Guatemala increased 43% from 1950 to 1968. In 1950 production averaged 11.5 bushels per acre while in 1968 (the year A.I.D. completed a survey preparatory to making an Agricultural Development loan) yields reached 14.8 bushels per acre. This increase over 18 years averaged 2 1/2% growth per year nationally.

During this same period total production increased from 438,000 metric tons to 627,000 metric tons. Preliminary data from the U.S. Department of Agricultural shows 1971 production at 782,000 metric tons. We believe that a substantial proportion of increased yields are attributable to A.I.D. financial and technical assistance, especially in the Pacific coastal area of the country where extensive colonization programs were initiated between 1955 and 1962.

National Corn Production Yields

	1,000 Metric Tons	Bushels/acre
1950	438	11.5
1955	361	10.1
1960	500	12.0
1965	639	14.7
1968	627	14.8

There is appreciable variation in yields in different parts of the country. In general yields are declining on the unprotected and depleted soils in the Indian highlands areas while those of the Pacific coastal area are increasing. A.I.D. assistance to selected colonization "parcelamientos" of the Pacific Coast took place during the era of Presidents Castillo Armas (195401957) and Ydigoras Fuentes 1958-63 which followed the overthrow of President Arbenz 1951-54.

The attached page of tables show the extent and importance of A.I.D. assistance to the Pacific Coast Resettlement Program. Most of Guatemala's increase in corn production can be attributed to this program to which A.I.D. furnished 40% of the financing ($7.7 million) and extensive technical assistance.

While increased yields resulted from use of better seeds, fertilizer and insecticide procured through A.I.D. assistance, the success of the program can also be attributed to the better soils, climate and rainfall of the area, and to some extent to the practical double cropping on some of the parcelamientos.

Analysis of the yield of corn during the 1969-1970 crop year on the Pacific Coast shows a variation from 31 bushels/acre without modern productions inputs to 64 bushels/acre with A.I.D. supported inputs and an average yield of 44 bushels/acre. It is apparent that between 1/3 and 1/2 of the farmers on the 5,600 farms had adopted improved grain production practices. At 1970 prices the 13 bushel per acre average increase from the 1969-1970 crop year was worth $2.5 million or 1/3 of the value of the A.I.D. contribution to the project.

Of the increased acreage planted to corn between 1955 and 1962, 100,000 acres (60% of the total increase) are in the Pacific Coast resettlement project. This acreage while representing 1/13 of Guatemala's total is responsible for 25% of the national corn production.

Currently A.I.D. is devoting it's major attention in Guatemala to the agricultural sector through its $23 million Rural Development Loan which directly supports Guatemala's 5 Year (1971-75) Rural Development Program. While most agricultural project activity under the Program is concentrated in the Indian highlands, some of the resources will benefit the Pacific Coast area.

The overall Rural Development Program allocates $12 million to improvement of basic grains production and $22 million to crop diversification. A.I.D. is contributing $8 million for basic grains and $8.5 million for diversification. The balance of the A.I.D. loan is allocated for training of agricultural extension credit agents and for handicraft training programs for farmers.

GUATEMALA PACIFIC COAST RESETTLEMENT AREA

I. Resettlement Program 1955-1962

A.I.D. Contribution	Gov't. Contribution	No. People Resettled	No. Farms	No. Acres
$7,700,000	$12,300,000	112,000	5,600	472,500

Variation in Yields, 1969-1970 Crop Year

Small farmers w/o fertilizer or technology	Farmers receiving A.I.D. technical assistance using Min. Ag. seed, fertilizer, insecticide	Difference, i.e. increase attributable to A.I.D. assistance	Average corn yield Pacific Coast Area	Average Increase over traditional farming practice, i.e. 44 bu/acre less 31 bu/acre
31 bu/acre	64 bu/acre	33 bu/acre	44 bu/acre	13 bu/acre

II. Pacific Coast Resettlement Area - Corn Production - 1969-1970

Bushels Produced	Average Local Price/bu	Total Value
4,800,000	$1.46	$7,000,000

III. Value of Increase Attributable to A.I.D. Assistance

Average Increased Yield	No. Bushels Produced due to improved production	Value per bushel	Value of Increase
13 bu/acre	1,721,000	$1.46/bu	$2,512,660

Mr. PASSMAN. We are going to have to be able to establish that AID had something to do with improving conditions in these countries, because these people may have made the same progress on their own.

You are doing business with an enlightened world. They read statistics. If they pick up a formula out of one of the international magazines, they could follow that formula to plow an inch deeper, to put your seed an inch further under ground. You do not have to send a man out there to explain the process. These people know how to get up and put their clothes on every morning.

TECHNICAL ASSISTANCE PROGRAMS

Dr. Hannah, I would assume that inasmuch as you are going to move AID offices into more specialized operations and have fewer projects and do them better, we could make substantial reductions in the bilateral technical AID program, could we not, to accommodate this revised program?

Dr. HANNAH. I do not think we could make a reduction in the total amount of technical assistance we are putting in. We ought to put it in different places.

I think our technical assistance money is the best money we spend. It is my feeling that technical assistance should not be cut below what it is now. In fact, if we have a little more money, we ought to put it into technical assistance.

Mr. PASSMAN. Would you not need less money for fewer projects?

Dr. HANNAH. It depends on the kinds of projects.

Mr. PASSMAN. This program is 25 years old, and technical aid goes way back.

REDUCTIONS IN AID PERSONNEL

Dr. HANNAH. Let us get at it another way. We have reduced overseas personnel by about 10 percent per year in the last 3 years.

Mr. PASSMAN. You are talking about total, Doctor? You have direct hire, then you have contract personnel.

Dr. HANNAH. I am talking about the people on our payroll and I am talking about the total number of people that we have overseas, because we are not increasing the number of contract people.

Mr. PASSMAN. You mean you have less people and you need more money for less people?

Dr. HANNAH. As we put more money into research, and as you pay people more salaries and we make more purchases, the costs do not go down.

Mr. LONG. You have about 70 percent of the personnel you had 3 years ago?

Dr. HANNAH. That is right. We could reduce our Washington staff very materially, but for reasons we talked about earlier this afternoon, we have a basic problem in the number of people that we have that have that have been on the payroll for 25 or 30 years that have given good service, and we really do not have need for them.

But with the bumping rights that they have, if we have to go the reduction-in-force route, these people all have seniority.

Mr. LONG. We understand seniority.

Dr. HANNAH. You understand how that works. We hope the Foreign Affairs Committee will include in the Authorization Act the Foreign Service retirement system for AID Foreign Service officers who are already in the Foreign Service category.

The purpose is to come into that 60-year retirement, which is now 70 years because they are in the civil service retirement system.

AID EVALUATION PAPER ON ECONOMIC RESEARCH

Mr. PASSMAN. On another subject, I hold in my hand here a book entitled "Agency for International Development Evaluation Paper for Utilization of Economic Research."

I made some notes when I read this paper. Let us go over to page 9. It says, "Contracts funded under the economic research program, $10,939,000."

Dr. HANNAH. For that book?

Mr. PASSMAN. I am talking about under research.

Dr. HANNAH. All kinds of economic research.

Mr. PASSMAN. Let us go over to pages 17 and 18, and read right out of the book. It says, "Of 104 questionnaires distributed, 42 were completed and returned in time to be included in the primary compilation; another five more received late; and eight more addresses offered reasons why they should not be included in the sample."

It goes on to say here, "The actual number of confirmed readings was 255, which means that on an average of only 1 out of every 5 reports was being read by the selected audience." One out of five. The reading refers to skimming as well as thorough study. The actual number of thorough readings was 65, which means that 1 out of 20 reports that reach AID offices was getting the attention it properly deserved.

This is right out of your own publication. I just wonder if such expenditures like this can be justified if you have this going on.

Mr. LONG. I wrote seven books when I was a professor. Not one of them got the attention it deserved.

Mr. PASSMAN. You were getting paid to write those books. Are you familiar with this evaluation paper?

Dr. HANNAH. No, I never saw it.

Mr. LONG. You were college president. You heard of that before?

Dr. HANNAH. The libraries are full of them.

Mr. PASSMAN. The people are not reading this stuff.

I want to yield 5 minutes to the distinguished gentleman from Maryland. He is not only a distinguished gentleman but he is one of our hard-working members.

FOREIGN ASSISTANCE FOR THE ORDINARY MAN

Mr. LONG. Thank you, Mr. Chairman. It is a pleasure to serve under you, one of the leading men in Congress. What is AID doing to improve its programs to be sure that the ordinary man in the recipient countries is being aided to secure a better life with our tax dollars?

Dr. HANNAH. Mr. Long, we are trying to recast the entire Agency. And in my statement to the committee today, the first three or four pages, that has to do with what we are now doing. I do not call it reorganization.

We are redirecting the Agency. We have the Peterson task force report and the President's recommendations that the Congress decided not to act upon. So we are in the process of doing it under existing legislation, and putting the emphasis where it should be.

First of all, I believe with conviction that the only thing that is important in Baltimore, Md., or anywhere, is its people. The only thing that is important in Guatemala or in Chad or whatever the host country is, is its people.

The fundamental role and purpose of development assistance should emphasize the utilization or helping people and governments utilize whatever resources they have for making some slight improvement, at least, in the quality of life for their people.

Now, to get to the answer to your question, we are coming down to four or five areas of emphasis: agriculture, and not only production of food but quality of food, education, family planning, human health.

Mr. LONG. Do we have any way of assessing the percentage which goes to them?

Dr. HANNAH. Yes.

Mr. LONG. You see, what is bothering me—and I communicated this to you before—when I go to these underdeveloped countries, I see great progress in a modern sector, sometimes in a lot of programs, like fancy hotels, tourist attractions, and office suites. That has moved their already modern sector ahead, but has left the rural innerland largely untouched.

I would like to find out how that money is being diverted by looking at your reports. Can you tell?

Dr. HANNAH. Yes and no. You can get some idea of it. But when you come to measure improvement in the lives of little people—you were in Columbia?

Mr. LONG. I have been in Columbia and in Venezuela, in so many countries.

Dr. HANNAH. They are somewhat better off than they were, but by and large they are in pretty bad——

Mr. LONG. They have a tremendous precipice that separates the modern sector from the rural.

Dr. HANNAH. They have—basically, one of the problems is that, in much of Latin America, there has been a good deal of rhetoric about democratic societies and so on, but not very much interest in the people.

Mr. LONG. I understand the ruling groups in most countries do not really care about these people. They only care about the modern sector. I think this is fair to say, is it not?

Dr. HANNAH. Yes, that is true. That is particularly true of Latin America.

Mr. LONG. I wish there was some way we could look through the programs and see what is going to improve the quality of life.

Dr. HANNAH. Do you have any particular countries you would like to have us look at? I am not going to make a big study, but where we can dig up something quickly.

Mr. LONG. I would like to see it for Colombia, for example.

Dr. HANNAH. All right.

(The information follows:)

Effects of the AID Program on the People of Colombia

The major focus of AID's present assistance to Colombia is three sector loans, valued at $77 million, in agriculture, education, and urban/regional development. These three loans were signed in August 1971 and are being implemented now. The AID mission in Colombia has calculated that approximately 666,000 families and 146,000 individual students at the "grassroots" level in Colombia will receive during 1971–72 direct and visible benefits from loan funds joined with Colombian resources invested in the programs the loans support. Since the average family size in Colombia is between five and six, the total number of persons benefited could reach approximately 3.7 million or nearly 17 percent of the total population. This analysis excludes the employment creation effects of the program which are considerable and most certainly have "grassroots" effects.

In addition, Public Law 480 title II food programs are entirely dedicated to "grassroots" recipients, and benefit over 2 million Columbians (10 percent of the total population) directly, mainly through supplemental nutrition available to expectant mothers, infants, and school-age children. It is possible, therefore, that more than 5 million Colombians, one-fourth of the population, are beneficiaries of our assistance.

AID provides less than 40 percent of the total investment funds allocated to the sector programs the loans support. AID provides less than 30 percent, if the Colombian operational budget for education is included in the total. The "grassroots" effect corresponds to activities in which for example: (1) a farm family or householder either receives a loan, a title, a home, et cetera directly from the Colombian agency carrying out the program or (2) that family or householder sees a physical improvement directly related to his well-being during the 2-year period; for instance, installation of water pipes in his house, a feeder road going to his village or new classrooms for his children.

A breakdown of the families affected by the sector programs during 1971–72 follows:

AGRICULTURE PROGRAM

Sixty-four thousand families (50,000 of which will receive two loans) are receiving supervised credit from the Colombian Agrarian Reform Institute.

Forty-seven thousand families are receiving titles to land from the Agrarian Reform Institute.

Seven thousand and five hundred families are receiving supervised credit from the Colombian Agriculture and Livestock Institute.

Twenty-five thousand families will use new feeder roads being built.

Thirteen thousand will receive benefits from irrigation and rural infrastructure provided by the Agrarian Reform Institute.

This brings the total to about 156,500 families which will benefit at the grassroots level from AID-assisted agriculture programs, although some families may benefit from more than one of these programs. The analysis includes 62 percent of total program costs. Funds from the AID loan and the Colombian Government allocated to research, extension, quality control, development of natural resources, development of food marketing systems, and agricultural planning are not included.

EDUCATION PROGRAM

Sixty-one thousand students are benefiting from the construction of 2,450 new rural primary classrooms.

Forty-five thousand students are benefiting from the development of 30 rural school centers which include prevocational education.

Twenty-two thousand and five hundred students will benefit from the opening of nine new comprehensive secondary schools (10 of these schools have opened already).

One thousand and five hundred students are receiving scholarships for teacher training.

Sixteen thousand students are benefiting from construction at the national university.

The resulting total of 146,000 is an understatement since those students receiving textbooks and other services have not been included. The analysis does not include expenditure of 53 percent of AID and Colombian funds in this sector program for higher education, in-service teacher training, educational research, development of technological institutions, and similar activities.

URBAN/REGIONAL PROGRAM

Two hundred thousand families will directly benefit from sewerage installation and street paving.

Two hundred and fifty thousand families will benefit from low-income neighhood utility installations.

Twenty thousand families will benefit from improvement and replacement of slum housing.

Forty thousand families will benefit from shell housing and sites and services construction.

This totals 510,000 families. Funds which are allocated to grants-in-aid to municipal development institutes and regional development foundations, industrial credit for labor-intensive industry, improvement of public administration, and evaluation and research on urban programs and problems have not been included. These funds amount to 27 percent of the total program.

Mr. LONG. We are putting a good deal into Colombia.

Dr. HANNAH. We have a pretty good program.

Mr. LONG. I think that is an excellent case in point.

AUDIT REPORT ON UNDP

In regard to the United Nations development program I understand the auditors' report on the agency is published by the U.N. Have you taken the results of the most recent audit report into account in requesting $90 million for this agency for fiscal 1973?

Dr. HANNAH. Yes; we have. We have taken into account the fact that we have—Rudy Peterson is the Administrator of UNDP, and he is making an all-out effort to get the thing reorganized to follow out on the recommendations of the Jackson committee. He was in my office this morning. There is good promise for better performance than we have had in the past. When we are recommending $90 million, it is $4 million more than they got this year, $4 million more than they got the year before.

I think in fairness we should support an outstanding American who is trying to make production of getting UNDP reorganized.

I do not think we should cut much below the $90 million.

INSPECTION OF UNDP ACCOUNTS

Mr. LONG. I understand the Danish Government auditors recently inspected the books. Has a group of U.S. auditors either from AID or from the General Accounting Office, ever inspected the books of the UNDP?

Dr. HANNAH. We have not. If it was done, it would be done probably by the Inspector General of the State Department. I would have to find out.

Mr. LONG. I would be interested to know that. Don't you think it ought to be done?

Dr. HANNAH. I will get the answer for you.

(The information follows:)

The UNDP is audited by the U.N. Board of Auditors, which is composed of national representatives. The Auditor General of Canada is at present Chairman of the Board of Auditors and is the member of the Board specifically concerned with the UNDP. (As a consultant to the UNDP, the Auditor General of Canada has also done a study on management information services).

Various national governments have from time to time asked the UNDP to allow them to examine informally certain aspects of UNDP operations. A spe-

cial study of U.S. participation in international organizations by the Comptroller General in 1968–70 received full UNDP cooperation in this regard. Danish Government auditors recently asked for certain UNDP internal management reports referred to by the U.N Board of Auditors, and they have been given access to such reports.

While the UNDP is quite willing to open its records informally to governments for the purpose special studies, general audits of UNDP operations by individual governments would not be appropriate.

The Office of the Inspector General of Foreign Assistance has never audited the accounts of UNDP.

Mr. LONG. Don't you think it ought to be done?

Dr. HANNAH. If they will open up the records to us.

Mr. LONG. If the Danish Government could inspect the books, surely we can.

Dr. HANNAH. I think we could.

Mr. LONG. I was pointing out that I understand the Danish Government's auditors inspected the books of UNDP. Dr. Hannah says we would do it if we could get into the books. I would say if the Danish can get into them, why can't we.

One of my staff members found out about the Danish Government doing this at a briefing the new head of UNDP, Rudolph Peterson, and his staff, gave in the Rayburn Building this morning. A staff member made the statements which are the basis for these first two questions.

Mr. PASSMAN. Will the gentleman yield? You say Mr. Rudolph Peterson is in Washington this morning?

Dr. HANNAH. Today he was in my office. This morning he was going over to a congressional meeting, some kind of group that was meeting.

Mr. PASSMAN. I wonder if he knew that the Foreign Operations Subcommittee of the House handled the UNDP funds? If he is in town, I would like him to meet some of the valuable members we have here.

Dr. HANNAH. I know he knows it, because he was asking me this morning as to when we were going to be heard and so on, and we were talking about UNDP, and I assumed that he was in touch with you.

AMENDMENT FOR GAO AUDIT OF UNDP

Mr. PASSMAN. No, he is not in touch with me. I want to say for the record, if the gentleman will yield further, that I feel that this committee—since we are going to be called upon to appropriate money for the UNDP, and it is a very substantial sum—that we should have the right of detailed examination and we should have the right, upon request, to have the GAO audit the books of the UNDP.

I think I am going to ask this year that the amendment that I had introduced previously, which was approved by this committee, by the full committee and by the House, that the GAO should have the right of audit. I think I am going to reintroduce it, because if other nations are now examining the accounts of the UNDP as the distinguished gentleman from Maryland, Dr. Long, just indicated, then we should have that right also.

I think we are going to exert that right.

Mr. LONG. Very good.

Mr. PASSMAN. Thank you, Dr. Long.

Dr. HANNAH. I think if you would invite him, I think you would find it worthwhile to have him come in and let him answer your questions.

Mr. PASSMAN. Let me assure you, I am not going to invite Mr. Rudolph Peterson. If Mr. Rudolph Peterson wants to testify, he will make the request. We will take care of his account when we get to it.

If you think I am going to run out and invite these people, you are mistaken.

We are the paid representatives of the people and we make the decisions as to what Mr. Peterson will get. We made it this year, we will make it again.

Thank you, Dr. Long.

UNDP BUDGET SYSTEMS AND PERSONNEL POLICIES

Mr. LONG. I understand that the implementation of UNDP programs is hampered by the fact that other U.N. agencies with which UNDP coordinates its activities has a variety of budget systems and personnel policy.

I would appreciate your assessment of how this affects U.S. contributions to the agencies.

Dr. HANNAH. I do not know enough about the various U.N. agencies to talk intelligently about them. We have a good deal to do with UNDP because they are operating in practically all the countries we are. They have representatives and people who do one thing or another, and we try to coordinate with them.

One, you are talking about FAO and WHO and many of the agencies. I know some of the personnel. I think what you are leading up to is the reasonableness of some sort of inquiry into how all of our money is spent. And I cannot answer the question for the U.N. It is a U.N. operation.

Mr. LONG. Could you answer this for the record?

Dr. HANNAH. Yes.

(The information follows:)

COORDINATION IN THE U.N. SYSTEM

The United Nations system—that is, the United Nations, specialized agencies, special programs, and the International Atomic Energy Agency—has in the past suffered from a lack of coordination. This problem has long been recognized and considerable progress has been achieved in recent years in improving coordination, particularly the fields of developing common systems of program budgeting, common financial regulations, common personnel regulations, and wage scales, and common data and information handling systems. For example, acceptance of common personnel regulations and wage scales is well advanced and almost all the agencies operate under common regulations. On the other hand, the development of common program budgeting systems ranges from a well established system in the World Health Organization to the mere beginnings of consideration of program budgeting by the United Nations itself.

Under the aegis of the Economic and Special Council, which is the body mandated under the U.N. Charter with coordination of the U.N. system, several "across-the-board" mechanisms have been established to enhance coordination of the system. The principal secretariat organ to achieve this end is the Administrative Committee on Coordination (ACC), consisting of the chief executive of the agencies and chaired by the Secretary General of the U.N. Various subcommittees have been established for the primary purposes of establishing a common system of programs and administrative, budgetary, and financial operations.

Examples of these are the Consultative Committee on Administrative Questions; the International Civil Service Advisory Board; the Subcommittee on the Development Decade; the Subcommittee on Statistical Activities; the Subcommittee on Population; the Interorganization Board for Information Systems and Related Activities, designed to establish common information systems; and the International Computer Center in Geneva to provide commonly owned and managed computer hardware for the agencies, etc. In addition, there is another systemwide body, the Joint Inspection Unit, jointly financed by the U.N. and the agencies to evaluate the entire range of system activities. At the country level, the country programing approach for development activities is well advanced. with the UNDP resident representative serving in the role of leader and coordinator of the U.N. "countryteam" for development activities. To date approximately 37 country plans have been submitted and are in the process of being approved by the UNDP Governing Council.

At a level below systemwide coordination, many ad hoc groups exist to consider specific issues and problems not involving all agencies. Joint operating divisions have been established in some cases between two or more agencies to handle specific operational activities involving overlapping jurisdictions between two or more agencies.

Mr. SHRIVER. Will you yield?

Mr. LONG. I will be glad to yield.

UNDP CONTRIBUTIONS TO COMMUNIST COUNTRIES

Mr. SHRIVER. You do not operate in a country like Bulgaria, do you?

Dr. HANNAH. No.

Mr. SHRIVER. It is a Communist country. Yet the UNDP does. We contribute a good share of the money that they operate on, and thus we are helping to finance economic development programs in Bulgaria.

Dr. HANNAH. Again, Mr. Shriver, I know that this has been discussed in the past. It is my understanding, it is a question that our representatives have not wanted to raise because the Communist countries are also supporting programs that are in countries where we think it is in our interest that they operate.

That, I am told, is one of the reasons.

Mr. LONG. Who gets the net gain?

Dr. HANNAH. Some of our people consider it even-steven.

Mr. LONG. We ought not to operate blindly. We ought to know what we are doing. If we are doing this, we ought to be doing it with our eyes open rather than closed.

Mr. PASSMAN. Will the gentleman yield?

Mr. LONG. I will be glad to yield.

Mr. PASSMAN. Of course, we are going to have before this committee someone from the State Department, Mr. DePalma, to justify the UNDP request. We are told—and, of course, this is causing the committee members some concern—that even China, since they are a member of the United Nations, that they, too, now would be eligible for the UNDP aid.

And we do know that Cuba and some of the other Communist countries are getting this aid. I think Dr. Long is making a very excellent case.

If you have contacts with these people, you tell them to do their homework well, because we are going to have some rather pointed questions about this.

I want to thank Dr. Long for bringing it up at this time.

Incidentally, if the Doctor will yield further, on page 671 of part 2 of the hearings last year, it said:

Mr. PASSMAN. How many Communist nations are participating to any extent in this program?
Mr. DEPALMA. Participating in the sense of receiving or giving?
Mr. PASSMAN. Receiving.
Mr. DEDALMA. Those receiving, are: Albania, Bulgaria, Cuba, Czechoslovakia, Hungary, Mongolia, Poland, and Romania.

And this is in the hearings. And I think there are several others now added to that list.

Thank you.

Mr. Long. I just have two more questions.

Dr. HANNAH. May I? Many of these questions Mr. DePalma would be able to answer better than I am. We will take questions you have asked, insofar as we can get answers, we will get them.

AID POPULATION PROGRAMS

Mr. LONG. I wonder if you could give us some details about the main purposes of your population programs, for which you are asking $125 million.

Dr. HANNAH. The main purpose is to put front and center before people in the governments of all the countries where we work, to figure out what it is they would like to do with their countries, take a look at their population as it is now. If they have predictors, they can give them estimates as to what their populations will be 10, 20, 30, 40 years from now.

If they do not have them, we try to help them get them.

Mr. LONG. This is for planning and implementing population control programs?

Dr. HANNAH. That is right. First of all, we want to get them to first face up to—if they have limited resources—most of them have limited resources and some limit to their human resources. If they are going to have 25 or 30 or 40 percent more people x years down the road, it is going to be very difficult for them to provide the kind of lives and the kinds of standards of living they want to.

When you get them thinking about this one, almost invariably they come up to the answer, "That's right. We have got to be concerned with the human increase rate."

When we go beyond that, we are trying to help them involve themselves. If they have any medical research capacity, and wanting to have their own people do research on family planning, not only on techniques to accomplish human infertility, but how you get the people to want to do that.

Mr. LONG. How do you deal with the religious resistance which you must encounter?

Dr. HANNAH. You tread very lightly. But the interesting thing is a number of Latin American countries that would have no part of it that now have approved official policies. It is only recently that Venezuela wanted no part of family planning. Now it is a part of their national policy. They recognize that there has to be some reduction of the rate of human increase.

Of course, we do a great deal of it through agencies other than governments. The International Planned Parenthood Federation and the Population Council are much more effective with our money than we could be if we tried to do the job directly. We are subject, always, to the propaganda, that we're trying to get the number——

Mr. LONG. Is $125 million an adequate sum, considering the dimensions of the program?

Dr. HANNAH. It's a big program but about as much as we can spend wisely.

SUPPORTING ASSISTANCE TO VIETNAM

Mr. LONG. How long do you think we'll be providing supporting assistance to South Vietnam?

Dr. HANNAH. It's my own feeling that it should be not more than 5 to 7 years. After the war winds down, it should be a short period, but we are going to have to commit the commitments these governments have made, one after the other, if the war is over, that we are going to help them.

Mr. LONG. Do you have any scale?

Dr. HANNAH. Yes. There has been some thinking done.

Mr. LONG. For example, after we have withdrawn all our military personnel, are we going to continue providing weapons and food, et cetera, at the same level that the Communists are supplying North Vietnam? Is that the type of aid we will provide?

Dr. HANNAH. I don't think we're going to put in as much money as they are putting into North Vietnam. It's our feeling—the feeling of the people who are dealing with it—that 1973 should be the peak year.

If the war winds down, we should move rapidly downward from that level of support and phase it out completely in 5, 6, or 7 years.

Mr. LONG. Can we control that? Suppose the Communists continue to pour in huge quantities of weapons and foodstuffs. Don't we have to do the same thing?

Dr. HANNAH. I don't have the answer.

Mr. LONG. That completes my questions.

AMERICAN SCHOOLS AND HOSPITALS ABROAD

Mr. PASSMAN. Dr. Hannah, as an educator and former president of a great university, I am sure that your understanding of education, schools and the meaning of them, and the value of hospitals and schools abroad is greater than any witness to appear before this committee.

This was a very small program until recently, and it has begun to expand. Do you feel the investments we are making in hospitals and schools abroad is a good investment and is fully and completely justified, Dr. Hannah?

Dr. HANNAH. Yes, sir.

Mr. PASSMAN. I notice we have three very fine universities: The American University of Beirut, the University of the Americas, and the Weizmann Institute.

AMERICAN UNIVERSITY OF BEIRUT

As I understand the situation in Lebanon, the American University of Beirut may have prevented some of the other nations in that part of the world from breaking off diplomatic relations with our country, including the country in which it is domiciled. Is that your understanding?

Dr. HANNAH. I think that is right. I think the American University of Beirut has provided education for a very large part of the leadership in the Arab world outside of Egypt.

Mr. PASSMAN. Should we not make this known and also that their university is heavily financed by the United States?

This investment has meant a lot to the United States and I think it should be publicized.

Dr. HANNAH. There is no reason why it should not be publicized. Until this Israeli-Arab thing is settled, they might regard it as no great advantage.

If they were to give too much visibility to it—we made no secrets about it.

Mr. PASSMAN. Since we are putting up the money, I don't know why the world should not know it.

Dr. HANNAH. I think they do, but they—is it your notion they ought to be given more visibility?

Mr. PASSMAN. We have been told by a lot of diplomats in the State Department and by other officials that this university served us in good stead during the conflict in the Middle East.

Dr. HANNAH. It still does.

Mr. PASSMAN. Conceivably, without it, other nations would have broken off diplomatic relations.

Dr. HANNAH. They have a substantial number of students from all of those Arab countries. It is is the only contact we have had with many countries.

UNIVERSITY OF THE AMERICAS

Mr. PASSMAN. Let us look briefly at the University of the Americas. We have had in the past a substantial program for the University of the Americas, have we not?

Dr. HANNAH. We have.

Mr. PASSMAN. It was terminated. Now we have resumed assistance because of a matching grant made by the Jenkins Foundation.

Dr. HANNAH. Right.

Mr. PASSMAN. If I read the record correctly, it was understood from the beginning that the Jenkins Foundation would agree to put up $5 million and our Government would agree to put up $5 million.

Dr. HANNAH. We agreed to do it, and agreed to do it over a 3- or 4-year periods.

Mr. PASSMAN. I thought you said 3 years: 2 years for $1,500,000 and 1 year for $2 million.

Dr. HANNAH. One and a half.

Mr. PASSMAN. $1,500,000 for 2 years?

Dr. HANNAH. That is right.

Mr. PASSMAN. You have in the budget for this year $1,500,000?

Dr. HANNAH. Right.

Mr. PASSMAN. You have $6 million for the American University of Beirut?

Dr. HANNAH. Correct.

WEIZMANN INSTITUTE

Mr. PASSMAN. You did not make any specific request for funds for Weizmann Institute simply because of the limitation placed upon you by the budget; is that correct?

Dr. HANNAH. That is correct.

Mr. PASSMAN. Do you feel the committee should give some consideration to maybe using the authorization that is outstanding and furnish funds to Weizmann?

Dr. HANNAH. If the committee should feel that it is a good thing to do, I certainly would agree to it.

Mr. PASSMAN. The committee is not going to act until we have an expression from Dr. Hannah. We have been providing considerable money for Weizmann. We had money last year for Weizmann. They had a very substantial request for this year but because of a tight budget, you did not make any recommendations for funds for Weizmann in the fiscal year 1973 presentation.

Dr. HANNAH. Not in the presentation. We have to stay within in $15,575.

Mr. PASSMAN. The reason was because of the budget ceiling?

Dr. HANNAH. That is correct.

Mr. PASSMAN. Do you think the project is just as worthy of consideration this year as in previous years?

Dr. HANNAH. Yes, sir.

Mr. PASSMAN. Have they made a good case?

Dr. HANNAH. Yes, sir, and I visited the institution; I know it is a good institution.

Mr. PASSMAN. Are you privileged, as Director of AID, to say that you would like to have funds included?

Dr. HANNAH. The answer is yes.

Mr. PASSMAN. Dr. Hannah, we want to be fair about this, I believe the hospitals and schools abroad item is one of our better investments, if there is a better investment in AID. Is it true because of prior commitments and partial allocations, you would need approximately $24.5 million in fiscal year 1973 to carry out the programs, if they are going to continue the programs they started, with the original allocations?

Dr. HANNAH. That is correct.

1972 PROJECT FUNDING FOR ASHA

Mr. PASSMAN. As I remeber last year under "Hospitals and Schools Abroad," the funds were appropriated on an illustrative basis and it was left up to the Agency to decide what schools should be funded; is that correct?

Dr. HANNAH. Right.

Mr. PASSMAN. You made allocations on a priority basis?

Dr. HANNAH. Yes, sir.

Mr. PASSMAN. Again, looking at the record, there is $30,000 authorized for hospitals and schools abroad in fiscal year 1973?

Dr. HANNAH. $30 million.

Mr. PASSMAN. $30 million, I meant. How I would love to see it down to $30,000.

If you were to provide funds to all the institutions recommended in the various authorization reports, you would need about $45 million, would you not?

Dr. HANNAH. If you were to meet all of the requests.

Mr. PASSMAN. That is what I am talking about. They listed them, I think, by institution. Are you following a priority system this year in making your recommendations?

Dr. HANNAH. Yes, sir.

Mr. PASSMAN. I want to rely upon you and I want to rely upon Mr. Costantino that you have not played favorites and you are following your best judgment on which schools should be funded.

Dr. HANNAH. That is correct. May I go off the record for a moment on this one?

Mr. PASSMAN. Sure.

(Discussion off the record.)

Mr. PASSMAN. On the record.

ACCOMPLISHMENTS OF FOREIGN ASSISTANCE

Dr. Hannah, as we indicated earlier today, we are at a tremendous disadvantage because the average Member of Congress must handle some 55,000 to 60,000 letters in a year; discuss with his constituents many problems covering the waterfront; read thousands of bills and reports; make his telephone calls, both local and long distance, so we are unable to spend our full time on foreign aid as you are able to do.

You have all the experts, literally thousands of people, fighting for more foreign aid, pointing out the wonderful virtues of the program and the great things that have been accomplished on account of it.

That is what is to be expected, but on this side of the table we have 10 members of the subcommittee with one clerk, and you can imagine, as dedicated as we are, what a small, small percentage of our time we can actually give to this one bill.

Now, I wonder—possibly unintentionally—if you people have not taken credit for a lot of things that you have very little, if anything, to do with. Every country where there has been some progress made in the past 25 years, AID puts out all these voluminous statistics, taking credit for this program or some of it.

However you have a few countries around the world where they declined our aid and others where they said, "Get out, we don't want it" and they look like they are getting along all right. I would suggest that you have a close look at the statistics which would indicate that all of the accomplishments that have been made have been because of U.S. foreign aid.

I am afraid, in the past, that we had not pressed that point; that some of these people would have made progress if they had not gotten U.S. aid at all.

FISCAL YEAR 1973 REQUEST FOR TECHNICAL ASSISTANCE

I am not saying it has not been helpful in instances. There is one part that is not hard for me to embrace if we could keep it within bounds, and I am afraid that we have not, and that is your bilateral technical aid. What are you requesting this year for your bilateral technical aid?

Dr. HANNAH. We are asking for $166.4 million Worldwide and $88.5 million in Alliance Technical Assistance.

Mr. PASSMAN. Both of these provide the same type of aid, is that correct?

Dr. HANNAH. The same thing.

Mr. PASSMAN. What is the grand total, Doctor?

Dr. HANNAH. That is $274.9 million.

Mr. PASSMAN. That is over a quarter of a billion dollars in bilateral technical aid.

Dr. HANNAH. That is 254.

OTHER TECHNICAL ASSISTANCE PROGRAMS

Mr. PASSMAN. It is over a quarter of a billion dollars in just bilateral technical aid. Now, of course, bilateral technical aid and the United Nations Expanded Technical Aid Program, so far as the actual work in the field, is about the same, is it not?

Dr. HANNAH. It is of different quality. I think we do a vastly better job than they do.

Mr. PASSMAN. I certainly agree with you on that. It is technical aid as we think of technical aid.

Dr. HANNAH. It is everything in agriculture and health and education. It is all in the technical assistance operation.

Mr. PASSMAN. Actually, there are about nine spigots from which technical aid is provided; such as the World Health Organization and the Food and Agriculture Organization.

Dr. HANNAH. Of course, WHO is not financed through our operation. It comes through the State Department.

Mr. PASSMAN. Peace Corps is in the area of technical aid, is it not?

Dr. HANNAH. It is increasing.

Mr. PASSMAN. I want to be honest. It is in the general area of technical aid?

Dr. HANNAH. And we increasingly have close cooperation with them.

Mr. PASSMAN. I have not asked that question. I am trying to find out if it is technical aid as such.

Dr. HANNAH. In part.

Mr. PASSMAN. I believe you said last year, under your bilateral technical aid program, in its 25-year history, you have never had any nation that has asked you to remove your technicians from their country?

Dr. HANNAH. Correct.

TECHNICAL ASSISTANCE CONTRACTS UNDER AID

Mr. PASSMAN. Thank you. Now, could you put together, at this point in the record, all grants of technical aid so that we can see it in one place.

Dr. HANNAH. Yes, we will.

(The information was supplied to the committee.)

Mr. PASSMAN. Now, we made a study about 3 years ago, I had four people assigned to this for several days, and I think we came up with 4,416 projects and subprojects going into 99 nations of the world.

NUMBER OF COUNTRIES RECEIVING FOREIGN ASSISTANCE

Could you tell us at this time how many nations you have a foreign aid program of some type going in 1973?

I am not speaking of just your spigot. We have this year 26 spigots. Can you give us the number as compared to last year? Last year you had 99.

Dr. HANNAH. We have it in pieces. We have—we know we have 41 in our development assistance programs. We have Public Law 480 programs in 85 countries and territories, supporting assistance in eight, Peace Corps in 49, then MAP and FMS. We can get this together for the record.

Mr. PASSMAN. In many of these nations you have all of them?

Dr. HANNAH. That is right. There are 102 total countries and territories that will receive disbursements for something.

Mr. PASSMAN. You have picked up three since last year. Last year you had 99.

Dr. HANNAH. I do not know what they are, but that is what they said here.

Mr. PASSMAN. It was 99 last year. It is 102 this year.

Dr. HANNAH. Disbursements will be made in 102.

SUPPORTING ASSISTANCE TO MALTA

Mr. PASSMAN. Now, Doctor, there is a little country which was a former British possession called Malta with a population of 330,000.

Dr. HANNAH. It is an independent nation.

Mr. PASSMAN. Since 1964 they have been an independent nation. Is that correct?

Dr. HANNAH. Correct.

Mr. PASSMAN. I think the British had bases in there for many years, and since 1960 they had paid, we do not know the exact amount, under $10 million annual rent on the bases, and they were kicked out.

Then they went back in, I believe, under some kind of a NATO arrangement, and the rent moves up to $36 million.

Dr. HANNAH. I think it is $37 million.

Mr. PASSMAN. $37 million. It would appear that our part of the rent is $9½ million.

Dr. HANNAH. Twenty-five percent of the total.

Mr. PASSMAN. Whatever it is $9½ million, and our part may equal or exceed the amount, the total amount, that had been previously paid to this country by Britain.

Now you have a man who administers the Vietnam program. I would have thought he had a full-time job staying on top of that, but he is being ordered into Malta to check to see if these people could not use some aid funds, maybe in the technical aid field or some other. Is that correct?

Dr. HANNAH. Well, yes. But Nooter—you know, this was not something that he sought. He was asked by the State Department to handle the study that was being made of Malta, and of course, we are technically a part of the State Department.

The Malta story, as you know, you have indicated what it is, that NATO and our Government were very much concerned because of the fear that the Malta Naval Base would become available to the Soviet Union.

We were not involved in the discussions at all, as I say, AID was not involved. This was a matter that concerned the State Department and the Defense Department.

Mr. PASSMAN. That contract had been concluded. I am talking about going in to make a study about the possibility of providing economic aid.

Dr. HANNAH. This is what they are now talking about, to see if there is justification for aid of some kind, because there is now some feeling that maybe economic assistance could be substituted for what is now supporting assistance.

Apparently, some assistance was made.

Mr. PASSMAN. If they did that, that would give you more supporting assistance for other areas?

Dr. HANNAH. Again, all I know is what I am told. We are not involved in these discussions.

Mr. PASSMAN. You mean, you are saying for the record that you are told what to do by the State Department?

Dr. HANNAH. I am saying for the record that supporting assistance, as it has always operated, is to make it possible for friendly nations to achieve military capacity, to make it possible for them to resist communism, or to make it possible for the U.S. Government to achieve short-range political objectives.

Mr. PASSMAN. Are we afraid this little nation of 330,000 may attack us or something?

Dr. HANNAH. No, not at all. We were involved when the decisions were being made that it was in our interest to see to it that this naval base was kept out of the hands of the Soviet Union.

COUNTRIES RECEIVING FOREIGN ASSISTANCE IN FISCAL YEAR 1973

I now have a corrected sheet that shows we are involved in assistance programs in 97 countries and territories.

Mr. PASSMAN. Which one did you drop?

Dr. HANNAH. I do not know.

Mr. PASSMAN. You had 99 countries last year. Earlier you said 102. Now you say the corrected figure may be 97. Let us be correct, will you?

Mr. FURMAN. There are programs proposed for 93 countries and 4 territories in fiscal year 1973.

Mr. PASSMAN. All I want you to do is be absolutely complete, because we want you to name the countries and update our sheet.

Dr. HANNAH. All right.

(The information follows:)

FOREIGN SECURITY ASSISTANCE AND ECONOMIC ASSISTANCE
Countries for which Authorization/Obligations are Planned for FY 1973
and/or
Countries for which Disbursements are Anticipated in FY 1973

	PROGRAMS IN FY 1973					DISBURSEMENTS IN FY 1973				
	Security Assist.		Economic Assist.		Net Total Countries	Security Assist.		Economic Assist.		Net Total Countries
	Mil.	Supp. Asst.	FAA	PL 480		Mil.	Supp. Asst.	FAA	PL 480	
AFRICA - Total	8	-	34	35	37	8	1	35	35	37
Ethiopia	x	-	x	x	x	x	-	x	x	x
Ghana	x[b/]	-	x	x	x	x	-	x	x	x
Kenya	-	-	x	x	x	-	-	x	x	x
Liberia	x	-	x	x	x	x	-	x	x	x
Morocco	x	-	x	x	x	x	-	x	x	x
Nigeria	-	-	x	x	x	-	x	x	x	x
Somalia Republic	-	-	-	x	x	-	-	x	x	x
Tanzania	-	-	x	x	x	-	-	x	x	x
Tunisia	x	-	x	x	x	x	-	x	x	x
Uganda	-	-	x	x	x	-	-	x	x	x
Zaire	x	-	x	x	x	x	-	x	x	x
Botswana	-	-	x	x	x	-	-	x	x	x
Burundi	-	-	x	x	x	-	-	x	x	x
Cameroon	-	-	x	x	x	-	-	x	x	x
Central Africa Rep.	-	-	x	x	x	-	-	x	x	x
Chad	-	-	x	x	x	-	-	x	x	x
Congo (Brazzaville)	-	-	-	x	x	-	-	-	x	x
Dahomey	-	-	x	x	x	-	-	x	x	x
Gabon	-	-	x	-	x	-	-	x	-	x
Gambia	-	-	x	x	x	-	-	x	x	x
Guinea	-	-	x	x	x	-	-	x	x	x
Ivory Coast	-	-	x	x	x	-	-	x	x	x
Lesotho	-	-	x	x	x	-	-	x	x	x
Malagasy	-	-	x	x	x	-	-	x	x	x
Malawi	-	-	x	x	x	-	-	x	x	x
Mali	x[b/]	-	x	x	x	x	-	x	x	x
Mauritania	-	-	x	x	x	-	-	x	x	x
Mauritius	-	-	x	x	x	-	-	x	x	x
Niger	-	-	x	x	x	-	-	x	x	x
Rwanda	-	-	x	x	x	-	-	x	x	x
Senegal	x[b/]	-	x	x	x	x	-	x	x	x
Sierra Leone	-	-	x	x	x	-	-	x	x	x
Sudan	-	-	-	x	x	-	-	-	x	x
Swaziland	-	-	x	-	x	-	-	x	-	x
Togo	-	-	x	x	x	-	-	x	x	x
Upper Volta	-	-	x	x	x	-	-	x	x	x
Zambia	-	-	x	x	x	-	-	x	x	x

FOREIGN SECURITY ASSISTANCE AND ECONOMIC ASSISTANCE
Countries for which Authorization/Obligations are Planned for FY 1973
and/or
Countries for which Disbursements are Anticipated in FY 1973

	PROGRAMS IN FY 1973					DISBURSEMENTS IN FY 1973				
	Security Assist.		Economic Assist.		Net Total Countries	Security Assist.		Economic Assist.		Net Total Countries
	Mil.	Supp. Asst.	FAA	PL 480		Mil.	Supp. Asst.	FAA	PL 480	
NEAR EAST & SOUTH ASIA TOTAL	12[a]	2	7	15	17	12	3	10	16	19
Afghanistan	x	-	x[e]	x	x	x	x	x	x	x
Bangladesh	-	-	x	x	x	-	-	x	x	x
Ceylon	x[b]	-	-	x	x	x	-	x	x	x
Cyprus	-	-	-	x	x	-	-	-	x	x
Greece	x	-	-	-	x	x	-	-	-	x
India	x[b]		x	x	x	x		x	x	x
Iran	x[a]	-	-	x	x	x	-	x	x	x
Iraq	-	-	-	-	-	-	-	-	x	x
Israel	x	x	-	x	x	x	x	-	x	x
Jordan	x	x	x	x	x	x	x	x	x	x
Lebanon	x	-	-	x	x	x	-	-	x	x
Nepal	x[b]	-	x	x	x	x	-	x	x	x
Pakistan	x[b]	-	x	x	x	x	-	x	x	x
Saudi Arabia	x	-	-	-	x	x	-	-	-	x
Southern Yemen	-	-	-	x	x	-	-	-	x	x
Syria	-	-	-	x	x	-	-	-	x	x
Turkey	x	-	x	x	x	x	-	x	x	x
UAR	-	-	-	-	-	-	-	x[f]	-	x
Yemen	-	-	-	x	x	-	-	-	x	x
EAST ASIA - TOTAL	7	4	6	10	11	7	6	7	10	11
Burma	-	-	-	x	x	-	x	x	x	x
Cambodia	x	x	-	x	x	x	x	-	x	x
China, Republic of	x	-	-	-	x	x	-	-	-	x
Indonesia	x	-	x	x	x	x	-	x	x	x
Korea	x	-	x	x	x	x	x	x	x	x
Laos	c/	x	x	x	x	-	x	x	x	x
Malaysia	x[a]	-	-	x	x	x	-	-	x	x
Philippines	x	-	x	x	x	x	-	x	x	x
Singapore	-	-	-	x	x	-	-	-	x	x
Thailand	x	x	x	x	x	x	x	x	x	x
Vietnam	c/	x	x	x	x	-	x	x	x	x

FOREIGN SECURITY ASSISTANCE AND ECONOMIC ASSISTANCE
Countries for which Authorization/Obligations are Planned for FY 1973
and/or
Countries for which Disbursements are Anticipated in FY 1973

	PROGRAMS IN FY 1973					DISBURSEMENTS IN FY 1973				
	Security Assist.		Economic Assist.		Net Total Countries	Security Assist.		Economic Assist.		Net Total Countries
	Mil.	Supp. Asst.	FAA	PL 480		Mil.	Supp. Asst.	FAA	PL 480	
Europe - Total	3	2	-	2	5	3	2	1	2	6
Austria	x[b]	-	-	-	x	x	-	-	-	x
Iceland	-	-	-	x	x	-	-	-	x	x
Malta	-	x	-	x	x	-	x	-	x	x
Portugal	x	-	-	-	x	x	-	-	-	x
Spain	x	x	-	-	x	x	x	-	-	x
Yugoslavia	-	-	-	-	-	-	-	x	-	x
Classified Countries	1	-	-	-	1	1	-	-	-	1
Total Countries	48	8	66	81	93	48	13	74	83	97
Territories										
United Kingdom										
British Honduras	-	-	-	x	x	-	-	-	x	x
West Indies	-	-	-	x	x	-	-	-	x	x
Hong-Kong	-	-	-	x	x	-	-	-	x	x
Seychelles	-	-	x[d]	x	x	-	-	x	x	x
Netherland										
Surinam	-	-	-	-	-	-	-	-	x	x
Total Territories	-	-	1	4	4	-	-	1	5	5
Total Countries and Territories	48	8	67	85	97	48	13	75	88	102

a/ U.S. and Overseas Training only
b/ U.S. Training only
c/ In Regular DOD Budget
d/ Self-Help only
e/ Relief and Rehabilitation
f/ Disbursements only for Amer. sponsored U. of Carlo

Mr. PASSMAN. At a subsequent date we will have witnesses from your Agency to cover many of the projects and your bilateral technical aid program.

We have not singled out individual projects in supporting assistance, because it goes into a limited number of countries. I think about 90 percent of it goes into Laos, Cambodia, and Vietnam.

Mr. PAOLILLO. About 85 percent.

Mr. PASSMAN. This is more or less a commodity proposition or budgetary support, and it is impossible, almost, to examine in detail all the individual projects. But we will want to go into some detail when your bilateral people come before us.

Now, splitting your Agency up, your three main items are supporting assistance, development loan funds, and technical assistance.

FISCAL YEAR 1973 REQUEST FOR DEVELOPMENT LOANS

What is your worldwide development loan request?

Dr. HANNAH. $415,500,000 worldwide and alliance——

Mr. PASSMAN. That is one spigot. Worldwide is $415 million?

Dr. HANNAH. Yes.

Mr. PASSMAN. What is the request for Latin America development loans?

Dr. HANNAH. $206.5 million.

Mr. PASSMAN. Development loans, but it moves under different headings?

Dr. HANNAH. That is right.

Mr. PASSMAN. What is the grand total?

Dr. HANNAH. $622 million.

TERMS OF AID DEVELOPMENT LOANS

Mr. PASSMAN. Are all of the loans repayable in dollars?

Dr. HANNAH. Yes.

Mr. PASSMAN. All of the loans bear some rate of interest?

Dr. HANNAH. Yes.

Mr. PASSMAN. What percentage of those loans have been, in recent years, made with a grace period?

Mr. FURMAN. All of them have some grace period.

Mr. PASSMAN. What is the prevailing interest rate now, the minimum and the maximum

Dr. HANNAH. The standard is two and three, but we have the opportunity to charge more than 3 percent if the country has reached a stage of development where that is reasonable.

Mr. PASSMAN. Could you furnish for the record at this point what percentage of the development loans you have made in the past 5 years at 2 percent, at 3 percent, and the ones that bear the regular rate of interest?

Dr. HANNAH. All right, we will.

(The information follows:)

During the last five years, from Fiscal Year 1968–1972, as of March 31, 1972, $3,380 million in Development Loans were authorized with the percentage distribution by interest rate indicated below:

Fiscal year 1968–1972 A.I.D. developemnt loans interest rates after grace period

Interest rate:	*Percent of total value*
2½	32.3
3	67.6
3½	0.1

LOANS BY INTERNATIONAL FINANCIAL INSTITUTIONS

Mr. PASSMAN. It is my understanding that most of the so-called developing countries, either borrow through the World Bank or through Export-Import Bank. They pay the going interest rate; do they not, on those loans?

Dr. HANNAH. It is in return for purchases made in the United States.

Mr. PASSMAN. It does not make a bit of difference. It is still money.

Dr. HANNAH. World Bank has the commercial rate. The IDA window is a very soft rate.

Mr. PASSMAN. I am talking about the Export-Import Bank and the World Bank.

Dr. HANNAH. That is right.

Mr. PASSMAN. Since those two international organizations charge the same rate, why would you not, as quickly as possible, move into that area?

Dr. HANNAH. First of all, we get the poor risks. The effort is made for the country that has good credit to borrow from the commercial banks if they can.

If they need to borrow money, our first effort is to get them to borrow from the commercial banks. If they do not have rating that makes them a good risk to the commercial banks, then they go to the World Bank.

They may go to the Asian Development Bank, which has a high interest rate, too.

Now, the countries that are our customers are, for the most part, countries that cannot pay the high rate of interest at the commercial rate.

Mr. PASSMAN. You mean they prefer not to?

Dr. HANNAH. They prefer not to, and many of them cannot. Of course, we just fool ourselves if we get these countries with high debts and high interest payments so that they get into debt repayment problems. Then you have to get through an exercise of rescheduling the debt and all the rest of it.

Mr. PASSMAN. We are in serious difficulty, in all probability more difficulty than any nation on the face of the earth, with that same problem as we sit here and talk this afternoon. We know that our balance of payment deficit is extremely high.

We know, for the first time since 1888, in 1971 we actually had a trade deficit. We know, as we sit here this afternoon, even with the most stringent controls, that our gold reserves is dropping again. We are down to $10 billion-plus. And we know that foreign nations hold some $60 billion of short-term claims that are due now; not a month from now.

U.S. ASSISTANCE TO THAILAND

Now, let us move to one nation that you people list as an underdeveloped country, and that is Thailand. We find you list Thailand as

a developing country. But we look at their balance sheet, and we find they have over a billion dollars in gold and foreign exchange reserve. And remember, this is the country where we borrowed a hundred million dollars to be repaid in 4½ years at 6 percent.

It is pretty hard for me to see that those people need any kind of concessionary loans or any gifts.

Dr. HANNAH. Mr. Chairman, I am not arguing about the point that you are making, that they are comparatively well off. But Thailand is no longer an AID country. It is a supporting assistance country.

Mr. PASSMAN. That is aid. What do you call supporting assistance?

Dr. HANNAH. It is these countries we have military and short-range U.S. political objectives that put them into another category. So Vietnam, Laos, Cambodia, Thailand, Jordan, Israel, are all in that category.

They get the preferential treatment because it is a fact that it has been important in this Southeast Asia war for us to have available the bases and so on we have there.

Mr. PASSMAN. That is for their own protection. They are closer to this problem than we are. That country is 12,000 miles away. Any money we spend there is to protect their own country. They are right in an area where the trouble is; is that not correct?

Dr. HANNAH. Correct.

Mr. PASSMAN. So you do have supporting assistance. It is either grant aid or concessionary loans; is it not?

Dr. HANNAH. Yes; mostly grant.

Mr. PASSMAN. And it goes into the so-called underprivileged, developing countries; does it not?

Dr. HANNAH. Yes; if you place Israel in that category.

Mr. PASSMAN. That is another subject.

Let us go back to Thailand. They are listed as an underdeveloped or developing country; are they not?

Dr. HANNAH. Yes, sir.

Mr. PASSMAN. I look at the record, and I find those people have a billion dollar foreign exchange surplus. Let me read it into the record, Dr. Hannah.

We are going to have to borrow $100 million somewhere and repay that loan to Thailand next year; are we not, Doctor?

Dr. HANNAH. Yes.

Mr. PASSMAN. Yet in fiscal 1973 you are proposing supporting assistance grants and loans to Thailand; are you not?

Dr. HANNAH. Yes. But I am honest about it, we are doing it in supporting assistance. Mr. Chairman, let me point out, that while you do not like reference to per capita GNP, that the per capita GNP in Thailand last year was $178 per head.

Mr. PASSMAN. You could buy more with $178 in Thailand than with $2,200 in America. Let us be realistic about that. The per capita GNP is increasing, it has gone up from $151 to $178.

It is what you can buy with that money. Again, these people have a billion-dollar foreign exchange surplus. We went out and borrowed $100 million from them. They do not need the assistance. Why do we have to provide it?

It does not make sense to me.

Dr. HANNAH. May I go off the record and answer.

Mr. PASSMAN. Sure. Off the record.

(Discussion off the record.)

Mr. PASSMAN. On the record.

FISCAL YEAR 1973 TOTAL U.S. FOREIGN ASSISTANCE

What will be the total U.S. assistance to foreign nations in fiscal year 1973 from all spigots?

Dr. HANNAH. It is estimated that the total U.S. assistance will be $7,511,483,000 consisting of the following items.

(The information follows:)

Security assistance programs

Military:	
Grants	$819,700,000
Sales	629,000,000
Excess defense	245,000,000
Service funded	2,055,000,000
Ship loans	39,600,000
Total military	3,788,300,000
AID supporting assistance	879,418,000
Total security assistance	4,667,718,000
AID programs:	
Humanitarian and development assistance	1,598,976,000
Other programs	72,800,000
Total AID programs	1,671,776,000
Peace Corps	72,200,000
Public Law 480	1,099,789,000
Total programs	7,511,483,000

Mr. PASSMAN. In addition to the AID program request of $2,551,194,000 which includes certain receipts, reimbursements and recoveries, what other funds or commodities will be available to AID in fiscal year 1973 to provide assistance to other countries and how do these amounts compare to the last 2 fiscal years?

Dr. HANNAH. Including the AID program, totals for the 3 years are $3,249,778,320 in fiscal year 1971, $3,389,940,000 estimated for fiscal year 1972, and $3,710,992,000 proposed for fiscal year 1973 as set forth in the following table.

TOTAL AVAILABILITIES

	Fiscal year 1971 actual	Fiscal year 1972 estimated	Fiscal year 1973 proposed
AID development humanitarian assistance [1]	$2,032,801,320	$2,072,949,000	$2,551,194,000
Public Law 480	1,138,843,000	1,249,966,000	1,099,789,000
Advances of foreign currency for technical assistance	78,134,000	67,025,000	60,009,000
Total availabilities	3,249,778,320	3,389,940,000	3,710,992,000

[1] Includes security supporting assistance and administrative and other expenses State.

NUMBER OF COUNTRIES

Mr. PASSMAN. Dr. Hannah, could you tell us how many nations are presently in existence throughout the world?

Dr. HANNAH. There are 141 independent countries (other than the United States).

Mr. PASSMAN. Is it not true, the United States has provided aid to most of these?

Dr. HANNAH. In fiscal year 1971, the United States provided economic assistance to 90 countries.

Mr. PASSMAN. Would you tell us how many nations in fiscal year 1973 will receive some form of U.S. assistance? Please include all spigots.

Dr. HANNAH. In fiscal year 1973, the United States is scheduled to provide economic and military assistance to 92 countries.

FISCAL YEAR 1973 BUDGET REQUEST

Mr. PASSMAN. Would you please provide a breakdown of the fiscal year 1973 budget request for new obligational authority of $2,256,593,000 into the various programs and compare these totals with fiscal year 1972?

Dr. HANNAH. Yes sir.

(The information follows:)

COMPARISON OF FISCAL YEAR 1972 AND 1973 BUDGET REQUEST FOR NEW OBLIGATIONAL AUTHORITY

[In millions of dollars]

	Fiscal year 1972	Fiscal year 1973	Increase/ decrease
Development loans	$200.0	$415.5	$215.5
Technical assistance	160.0	166.4	6.4
Alliance for Progress:			
Development loans	150.0	206.5	56.5
Technical assistance	80.0	88.5	8.5
Population programs	125.0	125.0	
International organizations: Grants:			
U.N. and other programs	127.0	124.8	−2.2
Indus Basin grants	12.0	18.0	6.0
Indus Basin loans	10.0	25.0	15.0
South Asia relief	200.0	100.0	−100.0
American schools and hospitals abroad	20.0	15.6	−4.4
International narcotics control		42.5	42.5
Contingency fund	30.0	30.0	
Administrative expenses—AID	50.0	50.0	
Total, development and humanitarian assistance	1,164.0	1,407.8	243.8
Security assistance:			
Supporting assistance	550.0	844.0	294.0
Administrative and other expenses—State	4.2	4.8	.6
Total, security assistance	554.2	848.8	294.6
Total AID	1,718.2	2,256.6	+538.4

INCREASE OVER FISCAL YEAR 1972

Mr. PASSMAN. Could you tell us briefly what areas account for the $498.3 million increase over last year's program?

Dr. HANNAH. Yes, sir. The increase is due primarily to an increase of $450.5 million in Asia and $63.6 million in Latin America. Mr. Chairman, we have a table which itemizes the changes that account

for the $498.3 million increase and would like to submit it for the record at this time. (The table follows:)

Net increase and decrease—Fiscal year 1973 over 1972

(In millions of dollars)

Latin America	+63.6
Asia	+450.5
Africa	+10.1
Europe	+3.0
International organizations and programs	+11.3
South Asian relief	−95.0
American schools and hospitals abroad	−4.4
Administrative expenses—AID	−2.2
Administrative and other expenses, State	+.5
Development research	+2.3
Institutional grants, sec. 211(d)	+1.2
Program support and interregional activities	+11.0
Contingency fund	+29.2
Undistributed	+17.2
Total	498.3

PORTION FOR GRANTS

Mr. PASSMAN. What percentage of your total request of $2.3 billion for fiscal year 1973 is for grants?

Dr. HANNAH. Mr. Chairman, grants, which include administrative expenses and supporting assistance, represent 71.3 percent of AID's total appropriation request for fiscal year 1973.

PROGRAMS REQUIRING AUTHORIZATION

Mr. PASSMAN. Could you tell the committee briefly what programs will require authorization in fiscal year 1973 and what are the amounts involved?

Dr. HANNAH. Yes. There are three programs for which we are requesting authorization in fiscal year 1973. We are seeking an authorization of $844 million for supporting assistance. This would fund a program of $874.5 million, the major share of which is for countries in Southeast Asia. For South Asia relief and rehabilitation we are requesting $100 million to continue to provide our fair share of this vital relief and rehabilitation effort. And we are requesting a new line item authorization and appropriation of $42.5 million for international narcotics control to implement the program authorized by the Foreign Assistance Act of 1971.

SECURITY ASSISTANCE PROGRAM

Mr. PASSMAN. As you know, last year in the Foreign Assistance Act of 1971, a position called the coordinator of security assistance program was created and the security assistance program was made a separate paragraph in the act. Does AID still have the responsibility of administering the security supporting assistance program? Would you please tell the committee what the relationship is now between the security supporting assistance program and AID?

Dr. HANNAH. Yes, sir. AID continues to administer the supporting assistance program. Operational management is conducted through a

new Supporting Assistance Bureau created in mid-1971. The Bureau is self-contained in an operational sense but not administratively. Like the regional bureaus in AID, the Supporting Assistance Bureau draws on a corps of central services for accounting and similar support. Under the internal AID reorganization now in progress, all of these bureaus will draw increasingly upon the central service corps as more staff personnel are relocated to this overall support function. Mr. O'Connor, the Coordinator of the Supporting Assistance Bureau, has responsibility for the Bureau's operation, subject to Agency guidance from me. At the same time, as part of the security assistance program which includes military assistance grants and sales administered by the Department of Defense, AID's supporting assistance program responds to policy guidance from the office of the State Department's coordinator for security assistance programs. As senior representative of the Department of State in the area of security asistance, the new coordinator will be responsible for insuring that all elements of security assistance programs are planned and developed consistent with U.S. foreign policy and national security objectives. The coordinator will direct the preparation of country assistance plans, will make determinations on U.S. security assistance resource allocations, and will propose legislation for executive branch consideration.

Mr. PASSMAN. Would the security supporting assistance program eventually be taken away from AID?

Dr. HANNAH. That would be difficult to predict, sir. I can only say that there are no present plans to transfer it elsewhere. The current organizational relationships have evolved in response to the AID internal reorganization and the new entity set up under the coordinator in the Department of State. As you know, sir, the proposed International Security Assistance Act, which the President submitted for congressional consideration in April 1971, called for direct administration of the security supporting assistance program by the Department of State. I continue to favor such separation of security assistance from the developmental and humanitarian assistance with which the remainder of AID deals, but I do not know at this time if or when such separation will in fact occur.

FOREIGN AID AND THE BALANCE OF PAYMENTS

Mr. PASSMAN. Dr. Hannah, I'm sure you are aware that in 1971 we had the worst trade imbalance since 1888 and the balance of payments deficit in that same year was the worst in history. How are we able to provide foreign assistance to these countries when our own economy is in such bad shape?

Dr. HANNAH. Foreign aid operations did not add to this Nation's balance-of-payments problems during fiscal year 1971. Eighty-seven percent of AID expenditures were for U.S. goods and services. The remaining 13 percent spent for foreign goods and services—only $255 million out of total expenditures of $1,909 million—was more than offset by $306 million of net receipts from abroad earned on past loans. Our expenditures abroad during the current fiscal year will be higher this year than last year. The net deficit attributable to AID operations will still be small compared to total U.S. deficit in its international payments. We believe the very modest costs in balance of payments

terms of our current program are much more than compensated for by the political and economic benefits which accrue to the United States over time from our effort to help the poor countries.

OVERFUNDING SUPPORTING ASSISTANCE

Mr. PASSMAN. Last week when we had hearings on the supporting assistance program we were told that there have been plans made to give Jordan an additional $10 million in fiscal year 1972 from other accounts in supporting assistance. It seems that if an additional $10 million can be found to give Jordan in fiscal year 1972 that the program was overfunded, would you please comment.

Dr. HANNAH. The fact that the administration has decided that an additional $10 million needs to be provided to Jordan by fiscal year 1972 does not mean that other SA programs were overfunded. It does mean that the additional $10 million for Jordan is the most urgent requirement and has priority. There is of course no way to finance that additional Jordan requirement without cutting back by the same amount in Indochina. We are making this cut most reluctantly particularly in light of the latest developments, but we have no choice.

MALTA ASSISTANCE PROGRAMS

Mr. PASSMAN. During the same hearings last week, we were interrogating on Malta and we found out that Mr. Bob Nooter, of AID, is going to travel to Malta to see what other assistance programs could be provided to this country in addition to the $9,500,000 requested for supporting assistance. Would you please tell the committee why we are sending people to these countries to see what additional assistance could be provided.

Dr. HANNAH. In an effort to expedite the negotiation of the United Kingdom-Maltese Defense Agreement, the United States offered last winter to send a team of financial experts to Malta once the agreement was signed. We are now meeting that pledge to look at Malta's problems, prospects, and assistance requirements.

UNTIED AID

Mr. PASSMAN. About a year and a half ago, the President made an announcement that he was going to propose that all donor countries take steps to end the requirement that foreign aid be used to purchase goods and services produced in the nation providing the aid. He went on further to say that he was going to take an initial step by directing that our own aid be immediately untied for procurement in lower income countries. Could you tell the committee what aid has been actually untied as of this date, and are there plans presently taking shape that will further untie aid provided by the United States?

Dr. HANNAH. As announced by the President on September 15, 1970, all development loans were untied as of that date to permit procurement in eligible developing countries. Development grants and sup-

porting assistance funds are not untied and procurement of goods and services financed with these resources must be from U.S. suppliers, except in a few emergency situations usually connected with the Vietnam situation.

No further untying action is contemplated for the time being. The negotiations with DAC donors for an agreement to untie on a reciprocal basis development loans and contributions to multilateral agencies to permit procurement in participating donor countries have been suspended until the international trade and monetary situation is clarified.

As a result of the untying of development loans, procurement of goods and services in eligible developing countries totaled cumulatively $12.1 million as of January 31, 1972; all but $228,000 of it since June 30, 1971.

BILATERAL VERSUS MULTILATERAL PROGRAM

Mr. PASSMAN. Under the Foreign Assistance Act of 1971, there is a paragraph that states that the President should reduce the amounts and numbers of loans made by the United States directly to individual foreign countries with the objective of reducing the total amount of bilateral loans made under the act so that by not later than June 30, 1975, such total amount shall not exceed $100 million. Dr. Hannah, don't you feel that the bilateral lending program is just as effective, if not more so, than the multilateral lending program?

Dr. HANNAH. I do feel that bilateral lending is just as effective as multilateral lending. But they are different. Both forms of assistance have advantages in different areas. The community of donor nations needs both forms to provide adequate flexibility for varying donor-recipient relationships, for different areas of activity where particular sensibilities may be involved, and to enable the recipients to derive the greatest benefit they can from the different special competencies of multilateral institutions and the individual donor countries. I must emphasize, however, that neither our responsibilities within this framework, nor the growing needs of the developing countries, could be addressed adequately under the $100 million constraint on bilateral lending.

Mr. PASSMAN. Why are so many people so anxious to reduce the bilateral lending program?

Dr. HANNAH. Most of the people who want to reduce the bilateral lending program wish to increase the multilateral lending program. There is a useful discussion of this subject in the Report of the Senate Foreign Relations Committee of October 21, 1971. On page 20 of the report, the committee elaborated upon the amendment to which you refer and gave some of its reasons for favoring a shift from bilateral to multilateral lending. In enumerating some of the advantages of multilateral lending, it quoted the Under Secretary of the Treasury, Charls Walker, in testimony before the committee:

> Here are some reasons why we think the multilateral approach is a sound one and worthy of our increasing support. It permits each donor country to contribute according to its financial strength with all countries contributing on the same terms. It permits a pooling of knowledge and expertise on development problems which no single country can muster.
>
> It provides for an allocation of assistance on the basis of development needs, relatively free from political ties or commercial factors, thereby minimizing political motivation for assistance. These institutions are forums for bringing

international influence to bear on donor countries, in connection with their trade policies, and on recipient countries, to follow generally acceptable development policies. They provide an important force in favor of more open and less restricted national economies leading to a more effective use of externally provided resources as well as a more rational allocation of resources at home. And finally, they provide a shielding device against undue reliance of any recipient on a particular source of aid, an undue responsibility of any donor in support of a particular recipient.

Mr. PASSMAN. Dr. Hannah, in fiscal year 1973 do you plan to move an increased amount of U.S. bilateral funds through the multilateral channels where the U.S. funds are mixed in a pot with other donor countries or multilateral institutions and how much of your fiscal year 1973 request will be allocated to the various countries through consortia or consulting groups?

Also, don't you agree we lose control over U.S. funds by this approach?

Dr. HANNAH. We are now moving about 70 percent of our bilateral loan funds to countries for which consortia or consultative groups exist, and we do not expect this percentage to change significantly in fiscal year 1973. Technical assistance funds are not normally coordinated through such groupings. As, for loans, there is no loss of control, because AID—not the consortium or consultative group—determines what loans it will make and for what purposes, and the loans are made in accordance with our established statutory and other procedures. There is no comingling of our funds with those of other donors.

Mr. PASSMAN. On page B12 you state that in the future, it is expected that the trend toward multilateral coordination of development lending will be further expanded, with the United States looking to international institutions to provide the framework for U.S. lending programs. Would you please explain this statement and how are we going to funnel more of our development lending through multilateral institutions and still maintain the degree of control that we should have over U.S. funds?

Dr. HANNAH. What we mean is that we are going to rely to an increasing degree on consultative groups and the World Bank's economic analysis, which is of very high professional quality, for evaluating the development performance of the borrowing countries and determining the priority sectors in which AID should become involved with its own bilateral funds. As far as control is concerned, we will continue to follow the same procedures as before in committing bilateral funds and monitoring their use.

ANTICIPATED UNEXPENDED FISCAL YEAR 1973 FUNDS

Mr. PASSMAN. What is the anticipated unexpended balance estimated for fiscal year 1973 concerning all the programs contained in the $2,256,593,000 estimate?

Dr. HANNAH. Sir, approximately 75–80 percent of the amount you mention will remain unexpended at the end of the year. The total unexpended balance as of June 30, 1973, for all AID funds is estimated to be $3,222,951,000.

Mr. PASSMAN. How much of the total will be unobligated as of the end of fiscal year 1973?

Dr. HANNAH. For budgeting purposes, we assume that all funds appropriated will be obligated. This is true of other funds available for obligation as well, except for $20 million for the prototype desalting plant.

Mr. PASSMAN. You might also provide the same figure for fiscal year 1972.

Dr. HANNAH. Yes, sir. At June 30, 1972, we estimate the unexpended balance to be $2,931,093,000. Again we expected to obligate the entire amount appropriated.

PARTICIPANT TRAINING DATA

Mr. PASSMAN. How many participants are programed for this total activity for fiscal year 1973, and how does this compare with the last several fiscal years and how many of these will be going to a third country?

Dr. HANNAH. Based on actual arrivals during fiscal year 1969 December 1971, approximately 6,000 participants will begin new programs during fiscal year 1973. Of these, approximately 2,500 will train in third countries. The following table compares the fiscal 1973 potential arrivals with actual programs begun during the earlier years:

Fiscal year:	*Participant arrivals*
1969	7,559
1970	7,339
1971	7,198
1972	[1] 6,930
1973	[1] 6,000

[1] Preliminary estimate.

Mr. PASSMAN. What is the average cost per participant projected for fiscal year 1973 and how does this compare to the last several years?

Dr. HANNAH. It is expected that the average cost per participant program during fiscal year 1973 will remain the same as for fiscal year 1972 which showed a slight increase over fiscal year 1971. The following table compares the average cost per program for training in the United States and third countries during the past several years:

	United States [1]	Third country
Fiscal year:		
1970	$4,794	$1,091
1971	5,554	1,254
1972	[2] 6,184	1,000
1973	6,184	1,000

[1] Includes training under noncontract programs only.
[2] Average based on 1st 3 quarters of fiscal year 1972.

Note.—Averages are based on dollar commitments in programs completed during each of the fiscal years.

ECONOMIC AID AND MILITARY EQUIPMENT

Mr. PASSMAN. Dr. Hannah, is it not true that most countries are determined to have some sort of military establishment and if we provide these countries with economic aid that will release some portion of their budget which can be used to purchase additional military equipment?

Dr. HANNAH. Of course all countries have as their first order of priority their own security. Defense establishments and the pride and prestige that go along with a proud military display are a powerful incentive for incumbent governments who want to stay in power. This is the first demand on resources and regardless of external assistance a country is going to have the best armed service it can afford—or better than it can afford. Few if any countries reduce their defense budgets below what they think is necessary in order to use the funds for economic or social growth. Therefore, I don't think U.S. economic assistance releases funds for the military. It provides additional resources for the development that would otherwise be postponed, and to a certrain extent it offers us an opportunity to stimulate thoughts about the distribution of internal resources. Economic aid can give the Minister of Finance or Planning added muscle in his competition with the Minister of Defense for those resources.

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

Dr. HANNAH. Not on the grounds of sophistication per se. Due to the civil strife and subsequent conflict in India and Pakistan in 1971, we imposed an embargo on the shipment of military equipment to these two countries. Small training programs, which make up on grant military assistance to these countries, were not suspended. New economic assistance to India and Pakistan was also suspended due to the hostilities.

Economic aid to Somalia was terminated under section 620(n) of the Foreign Assistance act, as amended, for permitting ships under Somalian registry to transport equipment to North Vietnam.

The U.S. suspended foreign military sales to Ecuador under section 3(b) of the Foreign Military Sales act, as amended, for seizing American fishing vessels. ——

DEVELOPING COUNTRIES DEBT CAPACITY

Mr. PASSMAN. Has there been any problems this past year concerning the debt servicing capacity of countries receiving U.S. assistance and if so, has the U.S. had to roll over or update any of these loans outstanding?

Dr. HANNAH. Growing debt obligations have become a very serious problem for some developing countries. A basic cause of this problem is the inadequate volume of loan resources at the concessionary low interest and amortization terms that the poor countries can afford. As a result, they have had to accept too large a number of loans with high interest rates and short maturities in order to finance their development needs. Particularly onerous are the costly private supplier credits to which the developing countries have had to resort to finance an excessive portion of their import requirements. High cost government-to-government loans from some countries have also contributed to debt servicing burdens of the developing countries. As a result, generally stagnant gross foreign assistance flows are yielding smaller and smaller net transfers of aid. Estimated service payments on external public debt amounted to about $5 billion in 1969, almost 60 percent of gross flows reaching developing countries from all public sources in that year.

Since January 1, 1970, the U.S. Government has participated in bilateral or multilateral debt relief arrangements with the following countries: Yugoslavia, India, Egypt and Chile. Negotiations are currently under way with Pakistan and India. In most cases where AID loans have been involved, the United States has sought to oblige harder creditors to assume a larger portion of the burden.

The U.S. Government extends debt relief only in exceptional cases, where its own interests are at stake, primarily in order to protect the financial interests of government creditor agencies against the risk of actual or potential default.

FISCAL YEAR 1972 SALARY WAIVERS

Mr. PASSMAN. Would you place in the record a list of the individuals receiving a per day allowance from AID 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 employee's title?

Dr. HANNAH. Yes.

(The list follows:)

FY 1972 SALARY WAIVERS

(Received in Office of Procurement, Contract Services Division during the period July 1, 1971 - May 5, 1972)

Name	Contract Number	Country	Amount	Period of Time	Contractor	Title
Mr. Spencer A. Covell	vn-88	Vietnam	$150.00 per day	11 weeks	Sanderson and Porter	Team leader - transmission and distribution feasibility study
Dr. Stephen Enke	csd-2611	World-Wide	$38,450.00 per annum	4 man-months	General Electric Company (TEMPO)	Population/ economic growth analysis and presentation
Mr. John P. Neubauer	nesa-555	India	$150.00 per day NTE $10,350.00	Contract Term - 09/01/71 - 01/31/72	Mr. John P. Neubauer	Electrical engineer
Dr. Heinz F. Eichenwald	vn-76	Vietnam	$43,000.00 per annum	Short-term tour in S. Vietnam	American Medical Association	Pediatrics
Mr. Robert R. Nathan	nesa-186(1)	Afghanistan	$45,000.00 per annum	Contract Term - 07/22/65 - 06/30/72	Robert R. Nathan Associates, Inc.	Assistance in implementing and appraising the multi-year plans for economic growth and social development.

(continued)

Name	Contract Number	Country	Amount	Period of Time	Contractor	Title
Mr. Howard C. Schoenike	nesa-570	Turkey	$200.00 per day	Contract Term - 01/01/72 - 05/15/72	Schoenike, Wolfe and Associates	Mining geologist
Mr. William Applebaum	csd-3153	World-Wide	$200.00 per day	Contract Term - 06/30/71 - 12/31/72	Harvard University	Business management consultant
Mr. Leonard Wilson	csd-3153	World-Wide	$200.00 per day	Contract Term - 06/30/71 - 12/31/72	Harvard University	Business management consultant
Dr. Mark Pearlman	csd-3320	World-Wide	$146.00 per day	61 days	Johns Hopkins University	Economist - health and economic development
Mr. Bruce G. Thompson	ead-206	Korea	$150.00 per day - NTE $4,800.00	Contract Term - 03/10/72 - 04/04/72	Mr. Bruce G. Thompson	Attorney - investments

U.S. SECURITIES HELD BY COUNTRIES IN THE FISCAL YEAR 1973 AID PROGRAM

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 1973, indicating the dollar value, date of purchase, and interest rate of the securities.

Dr. HANNAH. I am submitting two statements prepared by the Treasury Department on U.S. securities held by countries included in the fiscal 1973 assistance programs. The first is a table that sets forth the amounts of Treasury bills, marketable U.S. Government bonds and notes and nonmarketable U.S. Treasury bonds and notes held by countries listed. The first two columns show figures for total holdings of the countries rather than holdings of official institutions. The Treasury Department has advised us that it cannot release for publication figures on holding of marketable securities by official institutions of individual countries. For your information, in nearly every case virtually the entire amount reported for the country was held by official institutions.

The second item is a brief statement on maturities and interest rates, which explains that the Treasury Department has no separate information on maturities and interest rates on the marketable securities held by foreigners, and provides the information on the average maturities and interest rates of all marketable Tresury securities. The second part of this statement sets forth the details of the nonmarketable issues, on which Treasury does have full information.

(The material follows:)

US Government Securities Held
by Countries in Fiscal 1973
Assistance Programs, as of December 31, 1971

(In millions of dollars)

	US Treasury Bills	Marketable US Gov't Bonds and Notes	Nonmarketable US Treasury Bonds and Notes Issued to Official Institutions
LATIN AMERICA			
Argentina	29	*	-
Bolivia	*	1/	-
Brazil	8	-	-
Chile	*	-	-
Colombia	6	-	-
Costa Rica	-	1/	-
Dominican Republic	20	1/	-
Ecuador	5	1/	-
El Salvador	5	1/	-
Guatemala	2	1/	-
Guyana	2	1/	-
Haiti	-	1/	-
Honduras	-	1/	-
Jamaica	4	1/	-
Mexico	9	*	-
Nicaragua	-	1/	-
Panama	2	*	-
Paraguay	-	1/	-
Trinidad & Tobago	1	1/	-
Uruguay	-	-	-
Venezuela	*	*	-
Peru	-	-	-
NEAR EAST & SOUTH ASIA			
Afghanistan	2	2/	-
Bangladesh	n.a.	n.a.	-
Ceylon	-	2/	-
Cyprus	-	n.a.	-
Greece	17	*	-
India	15	-	-
Iran	-	2/	-
Israel	3	*	-
Jordan	*	2/	-
Lebanon	*	2/	-
Nepal	7	2/	-
Pakistan	7	2/	-
Saudi Arabia	*	2/	-
Southern Yemen	-	2/	-
Syria	-	2/	-
Turkey	*	-	-
Yemen	-	2/	-

US Government Securities Held
by Countries in Fiscal 1973
Assistance Programs, as of December 31, 1971

(In millions of dollars)

	US Treasury Bills	Marketable US Gov't Bonds and Notes	Nonmarketable US Treasury Bonds and Notes Issued to Official Institutions
EAST ASIA & VIETNAM			
Burma	-	2/	-
Cambodia	-	2/	-
China, Republic of	32	-	20
Indonesia	10	-	-
Korea	*	*	15
Laos	-	2/	-
Malaysia	4	2/	-
Philippines	*	-	-
Singapore	-	2/	-
Thailand	28	*	100
Vietnam	12	2/	-

US Government Securities Held
by Countries in Fiscal 1973
Assistance Programs, as of December 31, 1971

(In millions of dollars)

	US Treasury Bills	Marketable US Gov't Bonds and Notes	Nonmarketable US Treasury Bonds and Notes Issued to Official Institutions
AFRICA			
Botswana	-	1/	-
Burundi	3	1/	-
Cameroon	-	1/	-
Central African Republic	-	1/	-
Chad	-	1/	-
Congo-Brazzaville	-	1/	-
Dahomey	-	1/	-
Ethiopia	-	1/	-
Gabon	-	1/	-
Gambia	-	1/	-
Ghana	1	1/	-
Guinea	-	1/	-
Ivory Coast	-	1/	-
Kenya	1	1/	-
Lesotho	-	1/	-
Liberia	-	1/	-
Malagasy Republic	-	1/	-
Malawi	1	1/	-
Mali	-	1/	-
Mauritania	-	1/	-
Mauritius	*	1/	-
Morocco	-	-	-
Niger	-	1/	-
Nigeria	n.a.	1/	-
Rwanda	-	1/	-
Senegal	-	1/	-
Sierra Leone	*	1/	-
Somali Republic	-	1/	-
Sudan	-	1/	-
Swaziland	-	1/	-
Tanzania	1	1/	-
Togo	-	1/	-
Tunisia	-	1/	-
Uganda	1	1/	-
Upper Volta	-	1/	-
Zambia	n.a.	1/	-
Zaire	*	-	-

US Government Securities Held
by Countries in Fiscal 1973
Assistance Programs, as of December 31, 1971

(In millions of dollars)

	US Treasury Bills	Marketable US Gov't Bonds and Notes	Nonmarketable US Treasury Bonds and Notes Issued to Official Institutions
EUROPE			
Austria	145	*	-
Iceland	5	n.a.	-
Malta	n.a.	n.a.	-
Portugal	59	*	-
Spain	*	1	-
TERRITORIES			
LATIN AMERICA			
British Honduras	-	4/	-
West Indies	-	4/	-
FAR EAST			
Hong Kong	*	1	-
Seychelles	-	3/	-

1/ Not reported separately; included in total of $1 million reported for "Other Latin American Republics".
2/ Not reported separately; included in total of $9 million reported for "Other Asia".
3/ Not reported separately; included in total of $8 million reported for "Other Africa".
4/ Not reported separately; included in total of less than $500,000 reported for "Other Latin America".
* Less than $500,000
n.a. Not available

U.S. Government Securities Held by Foreigners

Separate information on purchase and maturity dates and on interest rates is not available on foreign holdings of marketable Treasury bills and U.S. Government bonds and notes. As of December 31, 1971, the average maturities and average interest rates on all marketable Treasury securities outstanding, including those held by foreigners, were as follows:

	Average Maturity	Average interest rate (percent)
Treasury bills	3.29 months	4.763
Treasury notes	39.54 "	6.367
Treasury bonds	113.49 "	3.855
Total marketable issues	40.32 "	5.290

The issue dates, maturity dates and interest rates on nonmarketable U.S. Government bonds and notes issued to the official institutions of countries in the foreign assistance programs as of December 31, 1971 were as follows:

Country	Date of Issue	Date Payable	Interest Rate (percent)	Amount Outstanding ($ millions)
Korea	7/1/68	1/2/73	6.00	10
	7/2/68	"	6.00	5
Total Korea				15
Taiwan	9/9/68	3/9/73	5.35	10
	10/9/68	4/9/73	5.50	5
	11/22/68	5/22/73	5.50	3
	12/24/68	6/25/73	6.00	2
Total Taiwan				20
Thailand	12/31/68	7/2/73	6.00	100

COUNTRIES RECEIVING COMMUNIST AND U.S. ASSISTANCE

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. The United States is providing economic or military assistance to the following countries which also received economic assistance from Communist countries in 1971:

Latin America	Asia	Africa
Bolivia	Afghanistan	Central African Republic
Chile	Ceylon	Ethiopia
Ecuador	Pakistan	Mauritania
Peru	Yemen, Democratic Republic of	Nigeria
		Somalia
		Sudan
		Tanzania

ISRAEL'S DESALINIZATION PLANT

Mr. PASSMAN. I notice the $20 million for the prototype desalting plant is still being carried on the AID books in an unobligated status. Would you tell the committee what is being done on this project?

Dr. HANNAH. As you recall, when the funds were appropriated the technique of desalting was not very advanced. I informed the Congress of the Presidential determination not to spend the money until techniques were improved so that the facility envisaged would be economically feasible. The funds remain available for this project.

The Israelis have been consulting with Interior's Office of Saline Water pilot project—which has been operating since 1971—in refining the design of the plant for Israel.

SUBSIDY ELEMENT ON DEVELOPMENT LOANS

Mr. PASSMAN. Do you still estimate that the subsidy element on development loans is still around 46 percent, as it was stated in past years?

Dr. HANNAH. The subsidy element of AID loans reflects the fact that the rate of interest charged to the developing country is less than the cost of capital to the U.S. Government. While the terms of AID loans have not changed since 1968, the cost of long-term borrowing by the U.S. Government fluctuates and the grant element of AID loans changes along with these fluctuations. Yields on long-term U.S. Government bonds have fallen from about 6.5 percent to around 5.7 percent since the 46-percent subsidy element was calculated. Thus the grant element in AID loans is now a little lower than 46 percent.

RESEARCH PROJECTS

Mr. PASSMAN. Would you provide for the record a list of the projects funded last year for research under section 241 of the Foreign Assistance Act of 1961, as amended?

Dr. HANNAH. I submit for the record this list of projects funded last year.

(The list follows:)

May 5, 1972

Technical Assistance Bureau

Research Projects Funded in FY 1971

	Project No.	Project Title	Obligation
Agriculture and Fisheries			
1.	931-17-130-029	Improvements of Grain (Pulse) Production in Near East, South Asia and Far Regions	$ 230,650
2.	931-17-130-452	Inheritance and Improvement of Protein Quality and Content in Sorghum Vulgare	239,800
3.	931-17-130-471	Improvement of the Nutritional Quality of Wheat through Increased Protein Content and Improved Amino-Acid Balance	243,057
4.	931-17-130-443	Research on Farm and Equipment Power Requirements for Production of Rice and Associated Food Crops in the Far East and South Asia	188,455
5.	931-17-130-463	Control of Weeds in the LDCs	362,973
6.	931-17-190-473	Control of Vertebrate Pests	558,000
7.	931-17-190-477	Rural Development Analysis - Analysis Agricultural Sector Planning Models	69,760
8.	931-17-120-489	Water Management and Research	527,106
9.	931-17-120-455	Water Management and Research	417,409
10.	931-17-130-475	Research on Hemoprotozoal Disease of Livestock	268,667
11.	931-17-190-494	Tailoring of Fertilizers for Rice	135,000

	Project No.	Project Title	Obligation
Agriculture and Fisheries - Cont'd.			
12.	931-17-120-505	Soil Fertility Requirements to Attain Efficient Productivity in the Humid Tropics	$ 197,357
13.	931-17-140-506	Capital Formation and Technological Innovation at the Farm Level in LDCs	232,959
14.	931-17-130-514	Survey and Analysis of the Problems of Cattle Feeding System and Nutrition in the Wet/Dry Tropics of L.A.	150,000
15.	931-17-130-524	Inheritance and Improvement of Protein Quality and Content in Maize	188,403
16.	931-17-190-543	Employment Generation in West and Central African Agriculture	50,000
17.	931-17-140-523	Impact of New Agricultural Technology on Rural Employment-Income	119,000
18.	931-17-130-030	Sterility Control of Tsetse Fly	13,928
19.	931-17-140-536	Agriculture Sector Analysis and Adaptation Model	262,500
20.	931-17-190-533	Agriculture Diversification and Trade	62,487

Project No.	Project Title	Obligation
Health		
1. 931-17-511-033	Malaria Eradication Research (in Support of Worldwide Program)	$ 610,000
2. 931-17-511-453	Malaria Immunity and Vaccination	363,000
3. 931-17-511-485	Serologic Diagnosis of Malaria	110,948
4. 931-17-511-474	Central America Malaria Research Station	425,650
5. 931-17-590-455	Inter-American Investigation of Mortality in Infancy and Childhood	110,158
6. 931-17-511-503	Thailand Malaria Operational Research Unit	133,437
7. 931-17-560-508	Measurement of Nutrient Loss from the Intestinal Tract Due to Malabsorption	4,207
8. 931-17-510-513	Investigation of Schistosomiasis	7,900
9. 931-17-521-454	Water Pump for LDCs	30,000
Nutrition and Child Feeding		
1. 931-17-560-459	Clinical Evaluation of New Protein Sources for the Prevention of Malnutrition	76,390
2. 931-17-560-481	Improving the Nutritive Value of Cereal Based Foods	120,673
3. 931-17-560-492	Nutritional Improvement of Rice by Fortification with Synthetic Amino-Acids-Vitamins	173,393

Project No.	Project Title	Obligation
Nutrition and Child Feeding - Cont'd.		
4. 931-17-560-519	Relation of Dietary Caloric Intake to Protein Utilization in Man	$ 74,160
5. 931-17-560-522	Coconut Protein Products for Use in Foods	60,689
6. 931-17-560-482	Extrusion Process High Protein Mixture	30,000
7. 931-17-560-529	Clinical and Sub-clinical Malnutrition - Their Influence on the Capacity to Do Work	70,304
8. 931-17-560-530	Influence of Maternal Diet on the Offspring	102,375
PPC Socio/Political Economic Studies		
1. 931-17-995-476	Comparative Studies of Resource Allocation and Development Policy	313,560
2. 931-17-995-426	Import Substitution and Economic Development	27,258
3. 931-17-995-511	Employment and Unemployment in the LDCs	156,000
4. 931-17-995-520	Exchange Control, Liberalization and Development	261,000
5. 931-17-995-534	Distribution of Gains, Wealth, and Income from Development	131,049
6. 931-17-995-516	Participation Patterns in Modernizing Societies	153,401

Project No.	Project Title	Obligation
Science and Technology		
1. 931-17-995-531	The Design and Construction of Locally-Planned Structures to Better Withstand Earthquakes and Storms	$ 15,000
2. 931-17-995-535	Economic Feasibility of Genetic Control of Aedes Aegypti Mosquitoes	152,000
Education and Human Resources		
1. 931-17-690-542	Studies of Low Cost Instructional Technology	239,563
Population		
1. 931-17-580-493	Research for Development of Once-a-Month Contraceptive Pill	98,875
2. 931-17-580-498	Reversible Sterilization	134,780
3. 931-17-580-510	Utilization of Family Planning Services	101,124
4. 931-17-570-528	Inter Migration and Urban Population Pressures in Latin America	222,843
5. 931-17-570-540	Research on Prostaglandins in Relation to Human Reproduction	821,025
6. 931-17-570-527	Development of IUD and Controlled Release Contraceptive	495,000
7. 931-17-570-532	Studies on the Synthesis of Prostaglandins	226,725
8. 931-17-580-537	International Fertility Research	3,106,000
9. 931-17-570-538	Surgical and Engineering Research on Means of Fertility Control	830,300
10. 931-17-580-539	Cross-Cultural Research in Fertility Behavior	$ 842,250
11. 931-17-570-541	A Study of Side Effects and Mechanism of Action of Prostaglandins	292,593

Mr. PASSMAN. Could you tell the committee how much of the fiscal year 1973 request will be allocated for research of all types?

Dr. HANNAH. An estimated $31.4 million will be allocated for this purpose, to be distributed as follows:

	Amount
Centrally funded:	
Bureau for technical assistance (nonpopulation research)	$11,000,000
Bureau for population and humanitarian assistance	8,000,000
Regionally funded:	
Bureau for Latin America	1,200,000
Bureau for Asia	9,712,000
Bureau for Africa	1,505,000
Total	31,417,000

FOREIGN DISASTER RELIEF

Mr. PASSMAN. How much of AID funds last year were used for disaster relief and how much would the total U.S. expenditures on disaster relief amount to, for the last fiscal year?

Also, please identify the areas where this relief assistance was provided.

Dr. HANNAH. Answering your first question, the following figures generally reflect funds expended and actions taken in fiscal year 1971. In a few instances fiscal year 1972 expenditures are included for disasters which began in fiscal year 1971, but on which actions continued into the next fiscal year—that is, for East Pakistan and India through December 3, 1971.

Contingency funds	$15,882,000
Other AID funds	36,866,000
Other U.S. agencies	16,400,000
Public Law 480 food	119,836,000
Total	188,984,000
U.S. voluntary agencies	16,684,000
Total	205,668,000

In answer to your second question, there is attached a fiscal year 1971 table indicating countries and disasters for which this aid was provided.

(The table follows:)

JULY 1, 1970 TO JUNE 30, 1971 - REPORTED FOREIGN DISASTER STATISTICS AND EMERGENCY RELIEF EXPENDITURES - 8/1

(Note: Includes FY 1972 funds on those disasters beginning in FY 1971 and continuing into FY 1972) - 1/7

COUNTRY AND DISASTER	NUMBER KILLED	TOTAL REPORTED VICTIMS	FUNDS EXPENDED OR VALUE OF ASSISTANCE PROVIDED IN THOUSANDS OF DOLLARS ($1 million will appear as 1,000)									
			CONTINGENCY FUNDS	OTHER AID FUNDS	VALUE OF ASSISTANCE OTHER US AGENCIES	P. L. 480 FOOD FOR PEACE GOVTS. INT.ORG.	P. L. 480 FOOD FOR PEACE VOLAGS	DOD	VOLAGS, OTHER U. S. ASSISTANCE	TOTAL U.S. ASSISTANCE	REPORTED ASSISTANCE OTHER NATIONS	REPORTED ASSISTANCE HOST COUNTRY
			$	$	$	$	$		$	$	$	$
AFRICA												
Dahomey - Floods	-	*	4				100			104	16	16
Zambia - Mine Dis.	89	589	1							1	*	*
Drought Emergencies												
Cameroon	-	400,000				487				487	783	*
Gambia	-	150,000				174				174	-	*
Ghana	-	12,000				116				116	-	*
Kenya	-	150,000				349			62	411	276	700
Mali	-	52,000*				3,473				3,473	-	*
Mauritania	-	505,000				1,717				1,717	-	218
Morocco	-	137,000					78			78	-	*
Niger	-	*				282				282	-	*
Senegal	-	5,000				2,367				2,367	-	*
Togo	-	150,000				564				564	-	*
Upper Volta	-	*				3,410				3,410	-	*
Cholera Epidemics												
Chad	2,312	7,476	56**		40			X		96	558	*
Ethiopia	500	4,000	15							15	9	203
Ivory Coast	120	1,500	9							9	-	*
AFRICA - TOTAL	3,021	1,574,565	85		40	12,939	178		62	13,304	1,642	956
WORLDWIDE CHOLERA ***	4,692*	44,266*	436						49	485	1,102	*
ASIA - NESA												
Cyprus - Cholera			1							1	1	*
E.Pakistan - Floods	*	10,000,000		21		7,150			62	7,233	1,086	12,135
E.Pakistan-Cyclone	300,000	3,648,000	2,658	497	400	12,747		X	2,032	18,334	30,381	51,200
E.Pakistan-C/Strike	200,000	10,200,000	1,000	16,082**	160	16,168		Y	722	34,132	25,236	*
India -EP Refugees	5,560*	10,000,000	5,000	15,250**	15,500	16,524	8,599	Y	11,435	102,310	191,240	335,000
India - Floods	627	10,000,000	78			-	1,122		391	1,235	1	260

* Incomplete or not reported ** Both Fiscal 71 and 72 funds involved.

*** Worldwide Cholera statistics do not include those noted separately under individual countries on cholera, nor the 5,560 E.Pakistan refugees who died of cholera in India.

JULY 1, 1970 TO JUNE 30, 1971 - REPORTED FOREIGN DISASTER STATISTICS AND EMERGENCY RELIEF EXPENDITURES
(Note: Includes FY 1972 funds on those disasters beginning in FY 1971 and continuing into FY 1972)

COUNTRY AND DISASTER	NUMBER KILLED	TOTAL REPORTED VICTIMS	FUNDS EXPENDED OR VALUE OF ASSISTANCE PROVIDED IN THOUSANDS OF DOLLARS ($1 million will appear as 1,000)									
			CONTINGENCY FUNDS	OTHER AID FUNDS	VALUE OF ASSISTANCE OTHER US AGENCIES	P. L. 480 FOOD FOR PEACE GOVTS. INT.ORG.	P. L. 480 FOOD FOR PEACE VOLAGS	DOD	VOLAGS, OTHER U. S. ASSISTANCE	TOTAL U.S. ASSISTANCE	REPORTED ASSISTANCE OTHER NATIONS	REPORTED ASSISTANCE HOST COUNTRY
ASIA - NESA (Cont'd)			$	$	$	$	$		$	$	$	$
Iraq - Drought	-	500,000				2,408				2,408	413	50,000
Jordan-Civil Strife	3,500*	1,000,000	4,212	5,000		1,015	191	X	1,398	11,816	7,352	1,820*
Lebanon-Border Clashes	30	50,030	12				7		188	207	41	10,000*
Nepal - Floods	350	20,350	4						5	9	116	*
Turkey - Earthquake	878	60,000	177				8		40	225	689	33,853
Yemen AR - Drought	-	2,000,000	19			1,058	2,182		82	3,341	4,192	40*
ASIA - NESA TOTAL	510,945	47,478,380	13,157	36,850	16,060	87,072	12,109		16,003	181,251	260,753	494,388
ASIA - EAST												
Malaysia - Floods	61	243,061	260				4	X	2	266	605	7,500*
Philippines												
Floods/Typhoons (2)	137	76,137	10			63	118	X	119	310		
Typhoons Joan/Kate	1,551	1,215,551	1,540		100	2,184	155	X	115	4,094	323	
Typhoon Patsy	786	430,786	390		200		161	X	187	587		11,050*
ASIA - EAST TOTAL	2,535	1,967,535	1,849		300	2,247	438		423	5,257	928	18,550
EUROPE												
Italy - Floods	37	1,300,000	17					X	-	17	5	120,000
LATIN AMERICA												
Barbados - Floods	3	203	5							5	20	79
Brazil - Drought	*	10,000,000				3,459	14		44	3,517	59	56,500
Brazil - Floods	172	104,543	1				13		22	36	-	500*
Brazil - Floods	109	11,109	5				5		*	10	5	600*
Chile - Snow/Rain Storm	-	90,000	93				10	X	5	108	2,010	*
Colombia - Earthquake	-	3,000	2	3					*	5	-	500
Colombia - Floods	(307	(5,000,000	36				262	X	*	298	(47	(41,500*
Colombia - Floods	(	(	26			205	250	X	*	481	(	(

JULY 1, 1970 TO JUNE 30, 1971 - REPORTED FOREIGN DISASTER STATISTICS AND EMERGENCY RELIEF EXPENDITURES
(Note: Includes FY 1972 funds on those disasters beginning in FY 1971 and continuing into FY 1972)

COUNTRY AND DISASTER	NUMBER KILLED	TOTAL REPORTED VICTIMS	FUNDS EXPENDED OR VALUE OF ASSISTANCE PROVIDED IN THOUSANDS OF DOLLARS ($1 million will appear as 1,000)									
			CONTINGENCY FUNDS	OTHER AID FUNDS	VALUE OF ASSISTANCE OTHER US AGENCIES	P. L. 480 FOOD FOR PEACE GOVTS. INT.ORG.	P. L. 480 FOOD FOR PEACE VOLAGS	DOD	VOLAGS, OTHER U. S. ASSISTANCE	TOTAL U.S. ASSISTANCE	REPORTED ASSISTANCE OTHER NATIONS	REPORTED ASSISTANCE HOST COUNTRY
LATIN AMERICA (Cont'd)			$	$	$	$	$		$	$	$	$
Costa Rica - Floods	1	5,201	62	8			4	X	5	79	5	913
Ecuador - Floods	-	10,100					2			2	-	2*
Ecuador/Peru Border Earthquake -Ecuador	29	60,029	95				34	X	21	150	42	235*
Peru	29	15,029							8	8	-	*
Honduras -Poisoned Food	37	160	1					X		1	-	*
Martinique - Storm	45	5,045	6						18	24	-	*
Nicaragua - Volcano	-	3,000		5			1	X	24	30	18	56
Panama - Crop Failures	-	40,348					32			32	-	*
Paraguay - Floods	-	27,000	6				28	X		34	-	*
Peru - Floods	250	330,250				534				534	-	50*
LATIN AMERICA TOTAL	982	15,705,014	338	16		4,198	655		147	5,354	2,206	110,943
GRAND TOTAL - FY 71	522,212	68,069,760	15,882	36,868	16,400	106,456	13,380		16,684	205,668	266,636	744,837

FISCAL YEAR 1971 DEOBLIGATIONS

Mr. PASSMAN. How much was deobligated from the various AID accounts in fiscal year 1971 and was all this also reobligated to other projects?

Dr. HANNAH. $158,332,120 of which $150,356,499 has been reallotted to date. The following list gives a line item breakout by appropriation of these actions.

Appropriation	Net deobligations	Reallotted
Technical assistance	$11,268,053	$9,799,250
Alliance technical assistance	3,860,660	3,499,400
American schools and hospital abroad	4,013	
Administrative expenses, AID	1,192,795	
Administrative and other expenses, State	3,406	
International organizations	117,835	
Contingency fund, general	3,607,702	1,000,000
Contingency fund, Southeast Asia	21,184	
Supporting assistance	30,454,254	28,244,000
Development loans	42,357,884	42,357,884
Alliance development loans	65,455,965	65,455,965
Inter-American social and economic cooperation	(11,631)	
Total	158,332,120	150,356,499

FISCAL YEAR 1972 TRANSFERS

Mr. PASSMAN. How much was transferred out of AID to other organizations in fiscal year 1972?

Dr. HANNAH. As of April 30, $6,850,000 consisting of $5,000,000 from the refugee relief, East Pakistan appropriation to the refugees and migrants, Department of State account to assist East Pakistan refugees, and $1,850,000 from the contingency fund appropriation to the refugees and migrants, Department of State account for selected emigrees from Eastern Europe.

Mr. PASSMAN. What transfers took place between AID accounts in fiscal year 1972?

Dr. HANNAH. As of April 30, $3,600,000 from supporting assistance to administrative expenses, AID for expended Vietnam costs. An additional $9,550,000 is planned to be transferred in fiscal year 1972 from the development loan account to the following accounts for pay raise costs.

Technical assistance	$3,948,000
Alliance technical assistance	649,000
Administrative expenses, AID	3,500,000
Administrative and other expenses, State	216,000
Supporting assistance	1,237,000

AID TO CHILE

Mr. PASSMAN. I believe we should discuss briefly 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. I believe the most spectacular example is in Chile where that country has seized various U.S. companies' holdings. Could you tell us what the present situation is with regard to Chile?

Dr. HANNAH. As part of its policy of expanding the public sector of the economy, the Chilean Government has taken over all or a part of the interests of a number of privately owned enterprises, including U.S. companies. In several of these cases, such as with Du Pont, RCA, Bethlehem Steel, the First National City Bank, and the Bank of America, agreements have been sought and arrived at with the U.S. companies affected. Other cases involving U.S. companies are still pending.

The major cases still pending are with the Anaconda, Kennecott, and Cerro copper companies, and the International Telephone & Telegraph Company.

The equity interests of the Anaconda, Kennecott, and Cerro companies in five major copper mines were expropriated under a constitutional amendment which took effect on July 16, 1971. On October 11 the Controller General of Chile announced his finding that no compensation would be paid to the companies except for modest amounts in the cases of two of the smaller mines. The copper companies are currently appealing this finding to a special tribunal created for that purpose. On October 1, 1971, an intervenor selected by the Chilean Government took over management control of the Chile Telephone Co., in which the International Telephone & Telegraph Co. has a 70-percent interest. Negotiations had begun before that date for the purchase by the Chilean Government of ITT's interest in Chiltelco. We understand that no meetings have taken place, however, since late March. On May 1 President Allende announced that he would propose legislation to the Congress on May 5 to expropriate ITT. He did not give details on the scope or contents of the legislation.

Mr. PASSMAN. Are we still providing assistance to Chile at the present time?

Dr. HANNAH. We are providing a limited amount of assistance for our people-to-people activities in Chile—training, small-scale community development projects, and Public Law 480 food shipments. None of these activities is new. They have been underway for several years. No AID loans to Chile have been signed since April 1970, and no new loans are planned.

Mr. PASSMAN. Are we disbursing any past obligations to Chile at the present time?

Dr. HANNAH. With respect to the AID loan program, while the undisbursed balance as of February 29 was $17.8 million disbursements currently are taking place only for certain service contracts which were originated in previous years. The amount to be disbursed under these contracts is about $450,000.

Under the grant program expenditures of up to $134,000 may take place for activities which were funded in previous years and which have not yet been completed. Additional expenditures of up to $100,000 may be made for certain terminated activities, depending on the outcome of the final accounting for these activities.

Mr. PASSMAN. How much funds are programed for Chile in fiscal year 1973 including all spigots?

Dr. HANNAH. $850,000 of AID technical assistance funds are programed for Chile in fiscal year 1973 to finance staff costs, which are steadily being reduced, and people-to-people activities. No new AID loan funds are programed for fiscal year 1973.

Another people-to-people activity, the Food for Peace program under title II of Public Law 480, is projected at $4.9 million in fiscal year 1973.

The Peace Corps has not finalized its programed level for Chile in fiscal year 1973, but the level is expected to be in the neighborhood of $300,000.

With respect to military assistance, $1,114,000 in MAP grants are programed for Chile in fiscal year 1973. Under the foreign military sales program $5,000,000 of credits are projected for fiscal year 1973.

Mr. PASSMAN. How much funds are in the pipeline, undisbursed, for Chile including all sources?

Dr. HANNAH. As mentioned above, the undisbursed balance under AID loans to Chile as of February 29 was $17.8 million. Terminal disbursement dates and other terminal dates, however, currently are expired for $15.1 million of this amount. Thus, the active pipeline at the present time is about $2.7 million. As I mentioned previously, the disbursements currently taking place under this pipeline are for certain service contracts, and the amount to be disbursed for these contracts is about $450,000.

Under the AID grant program the unexpended balance as of March 31 was $640,000. This consisted of unexpended obligations for staff costs and continuing people-to-people activities, for activities funded in previous years which are not yet completed, and for terminated activities where the final accounting must still be completed.

All food shipments to be made under the fiscal year 1972 Public Law 480, title II program have been called forward.

Mr. PASSMAN. At the present time, how much does Chile owe the United States in previous loans?

Dr. HANNAH. As of December 31, 1971, the principal outstanding on U.S. Government loans to Chile amounted to $888 million. The breakdown by agency was as follows:

	Millions
AID	496.8
Export-Import Bank	333.2
Department of Agriculture	45.2
Department of Defense	12.6
Total	$877.8

The figures are not believed to have changed significantly since that time.

Mr. PASSMAN. Is there a possibility these loan payments will not be honored by the Chilean Government?

Dr. HANNAH. The memorandum of understanding providing for the the rescheduling of Chile's external debt for 1972, which was agreed to by Chile and representatives of the major creditor countries at the Paris Club meeting of April 19, includes a declaration that it is the decision of the Chilean Government to recognize and to repay all of its external public debt, whether owed to governments or to private corporations. This declaration is, of course, applicable to debts owed to U.S. Government agencies.

Mr. PASSMAN. Are the international financial institutions still making loans to Chile at the present time?

Dr. HANNAH. The most recent loans by international financial institutions to Chile were approved by the Inter-American Development

Bank in January 1971, to expand two Chilean universities. Since then, no new loans to Chile have been submitted for approval by the executive boards of either the IDB or the IBRD.

NATIONALIZATION OF U.S. COMPANIES ABROAD

Mr. PASSMAN. The President stated that there would be a tougher approach when countries seized U.S. properties. Could you tell us what this tougher approach will be and if it has been implemented within the last several months?

Dr. HANNAH. In January of this year, the President issued a new policy statement on the position of the U.S. Government in future situations involving expropriatory acts by foreign governments against U.S. business interests. The President stated that when a foreign government expropriates a significant U.S. business interest without making reasonable provision for compensation to U.S. citizens we will presume that the United States will not extend new bilateral economic benefits to the expropriating country, unless and until it is determined that the country is taking reasonable steps to provide adequate compensation or that there are major factors affecting U.S. interests which require continuance of all or part of these benefits. In addition, in the face of this kind of expropriatory act, we will presume that the U.S. Government will withhold its support from loans under consideration by multilateral development banks intended for the benefit of the expropriating government. The President also directed the establishment of a special interagency group under the Council on International Economic Policy to review each potential expropriation case and to recommend courses of action for the U.S. Government. The Department of State has set up a special office to follow expropriation cases in support of the Council on International Economic Policy. Since the adoption of this new policy by the President, there have been no new significant cases of expropriations of U.S. business interests in violation of international law.

HICKENLOOPER AMENDMENT

Mr. PASSMAN. According to the Hickenlooper amendment contained in the Foreign Assistance Act, if any property is seized from U.S. corporations and not properly compensated for in a reasonable amount of time, the U.S. Government is required to suspend assistance. How many times has the Hickenlooper amendment been applied?

Dr. HANNAH. The Hickenlooper amendment, FAA section 620(e), has been formally applied once. That instance was in Ceylon after its uncompensated expropriation of U.S. oil companies properties in 1963. After a change of government in Ceylon and a settlement of the oil companies expropriation issues, the Hickenlooper suspension of assistance to Ceylon was lifted.

Mr. PASSMAN. If the Hickenlooper amendment has been used only once in the past, then how are we going to implement the President's tougher policy toward expropriation?

Dr. HANNAH. As I have stated, the Hickenlooper amendment was used in one case in the past. In that instance, however, its applica-

tion did not result in that government taking prompt steps to settle the expropriation issues in accordance with international law, even after that statute had been applied. To terminate assistance under the President's new policy, however, the President needs no new legislation. He has inherent authority to terminate assistance under these circumstances.

REFORMS IN AID

Mr. PASSMAN. On page A1, you indicate that on January 24, 1972, the Administrator announced a series of major reforms. Would you please explain what these reforms are?

Dr. HANNAH. I would be glad to, Mr. Chairman. AID has instituted a number of reforms designed to increase the efficiency and effectiveness of its operations and strengthen the ability of the United States to contribute to the development process. These include: (1) emphasis upon the humanitarian and economic aspects of U.S. development assistance; (2) an adjustment of traditional techniques and policies to change development needs and resources in the world's poorer countries; (3) more effective coordination of U.S. development assistance within multilateral and consortia channels; (4) further emphasis upon the participation of private organizations in assistance; (5) focusing U.S. development resources on a sector basis; and (6) reduction in the size and complexity of the AID structure.

Mr. PASSMAN. I assume one of these reforms is the fact that you have reorganized AID. Could you explain the nature of this reorganization briefly and indicate how it has made your operation more effective?

Dr. HANNAH. Yes, Our new organizational plan is in keeping with President Nixon's call for a more efficient and modernized U.S. foreign assistance program, and also reflects many of the suggestions for program improvements previously expressed by the Congress, including this committee. Changes in the AID structure include: (1) a new Bureau for Population and Humanitarian Assistance has been established, and incorporates all elements of the Agency's programs and research in population and family planning, support for the 82 U.S. voluntary agencies engaged in overseas assistance, and a broadened disaster relief capability; (2) The Bureau for Technical Assistance has been strengthened to provide greater Agency leadership in technical assistance policy and program development and research focused on basic human problems; (3) All program support and administrative service functions, including personnel, accounting, contracting, procurement, training, data systems and management analysis, have been consolidated into a new Bureau for Program and Management Services; (4) the administration of economic supporting assistance, sometimes called security assistance, has been clearly separated, within AID, from that of economic and humanitarian assistance; and (5) an Administrator's Advisory Council, composed of senior officials, has been formed to assist in the redirection of the Agency's program and to strengthen its central policy direction. These and other steps, Mr. Chairman, have been designed to create a more efficient and effective organization.

Mr. PASSMAN. On page A3, you indicate as a result of the reorganization, the direct hire staff of AID, which has already been reduced

by approximately 30 percent since July 1968, will be reduced another 10 percent overseas by the end of fiscal year 1973. Do you still feel with this large reduction in personnel you will be able to properly monitor the U.S. assistance program overseas and insure that the funds will be properly used?

Dr. HANNAH. Yes. We intend to concentrate on monitoring programs with our own staff, while we rely more on host countries and private institutions to plan and implement these programs.

FORMER ECONOMICALLY ASSISTED COUNTRIES

Mr. PASSMAN. On page B4 you make the following statement:

A number of former aid recipients—Taiwan, Argentina, Mexico, Iran, Greece—no longer need assistance. Korea and Turkey are expected to join this group in a few years.

I assume that you are talking about only economic assistance because in some of these instances the countries are still receiving military assistance grant funds. Is that not correct?

Dr. HANNAH. Yes, that is so. I was referring only to economic assistance.

TECHNICAL ASSISTANCE

Mr. PASSMAN. Do most of the technicians and participants trained under the technical assistance program in fact return to their country to aid in their economic development?

Dr. HANNAH. Yes.

MONITORING U.S. FUNDS

Mr. PASSMAN. On page B–11, you make the statement that increasingly, implementation of projects will be primarily through other organizations with AID's role limited to monitoring these activities. What type of monitoring do you have set up to insure that U.S. funds are used in an efficient manner?

Dr. HANNAH. The monitoring responsibilities will be implemented by the present AID organization which maintains personnel in AID missions in practically all countries where AID activities are being conducted. In addition, substantial support will be provided by AID personnel stationed in Washington. I am confident that this will provide us with an effective mechanism to monitor these activities.

DEVELOPMENT LOANS

Mr. PASSMAN. Would you please provide for the record a table showing how much of the development lending program of $860.6 million in fiscal year 1973 will be for project loans, program loans, and sector loans.

Dr. HANNAH. Yes, sir.

(The information follows:)

Development lending program for fiscal year 1973:

Project loans	$192.1
Program loans	348.0
Sector loans	320.5
Total	860.6

Mr. PASSMAN. What are the present terms of the development loans and how do the U.S. terms on development lending compare to other countries?

Dr. HANNAH. The present minimum terms for AID development loans are 2 percent interest during an initial 10-year grace period, and 3 percent interest during the subsequent 30-year repayment period. These minimum terms have been applied to approximately 90 percent of the more than 100 development loans authorized and signed during the past 3 fiscal years. For the remaining 10 percent of loans signed, slightly harder terms have been charged, including higher interest charges of up to 5 percent and shorter repayment periods—25 to 30 years to maturity, with 5-year grace periods.

While AID bilateral loan terms to the country may be at minimum terms, in certain instances AID loans are made on a "two-step" basis—minimum terms to the country but harder terms to the subborrower or the project. Such "two-step" loan terms are utilized primarily in loans with intermediary credit institutions or when AID loans are made to assist in the financing of a revenue-generating project (for example, a fertilizer plant).

Below are the current average loan terms for major free world lenders. Note, however, that these averages do not indicate the proportion of the country's assistance which is made in grants as contrasted with loans.

Lending country	Loan terms, 1970		
	Average maturity (years)	Average interest rate (percent)	Average grace period (years)
Total Development Assistance Committee [1]	30.2	2.8	7.4
United States	37.4	2.6	8.7
Canada	48.5	0.2	9.8
France	16.2	3.9	2.3
West Germany	27.6	2.9	8.4
Italy	13.1	4.9	5.2
Japan	21.4	3.7	6.7
United Kingdom	28.6	1.7	6.2

[1] Includes all 16 member countries of the Development Assistance Committee, Organization for Economic Cooperation and Development.

Source: OECD/DAC.

SOUTH ASIA RELIEF

Mr. PASSMAN. Of the $200 million appropriated by Congress last year for South Asia relief, how much of that sum has actually been obligated at the present time?

Dr. HANNAH. Approximately $70 million as follows: $20 million for refugee relief in India and $7.7 million for humanitarian relief in East Pakistan prior to the war; and since the war $35.5 million to the U.N. for relief operations in Bangladesh and $7.67 million to voluntary agencies working in Bangladesh.

Mr. PASSMAN. What has been the total U.S. contribution to South Asia relief since the disruption in Pakistan?

Dr. HANNAH. I will provide a table for the record.

(The information follows:)

USG Commitments for Relief in East Pakistan (Mar. 25, 1971–Dec. 31, 1971)

U.S. owned rupee grants (Rs. 105,403,000)	$22, 143, 450
Dollar grants	12, 825, 000
Dollar funded goods/services	3, 384, 000
Public Law 480, title I	62, 700, 000
Public Law 480, title II	45, 745, 000
Total	146, 797, 450

USG Commitments for Relief of East Pakistan Refugees in India (Mar. 25, 1971–Dec. 31, 1971)

Cash assistance	$35, 750, 000
Public Law 480 title II	55, 125, 000
Total	90, 875, 000

USG Commitments for Bangladesh Relief (Jan. 1, 1972-present)

Cash assistance	$43, 388, 000
Public Law 480 title II	72, 600, 000
Total	115, 988, 000
Grand total	353, 660, 450

ECONOMIC ASSISTANCE TO BANGLADESH

Mr. PASSMAN. Now that the United States has recognized Bangladesh as an independent nation, what plans do we presently have to provide this new country with economic assistance under the regular AID program?

Dr. HANNAH. We have no plan at present to provide regular economic assistance to Bangladesh. We expect during fiscal year 1973 to be concentrating entirely on relief and rehabilitation assistance using funds provided through the special appropriation for South Asia relief.

HOUSING GUARANTEE PROGRAM

Mr. PASSMAN. AID still administers the housing guarantee program, is that not correct?

Dr. HANNAH. Yes. AID still administers the housing guaranty program.

Mr. PASSMAN. What is the projected activity for this program in fiscal year 1973?

Dr. HANNAH. We calculate approximately $150 million in housing guaranties in fiscal year 1973. The nature of the program, however, and its ready adaptability to unusual or emergency local conditions can cause this estimate to be increased.

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

Dr. HANNAH. The funds for the housing guaranty program are provided by U.S. lenders at essentially the same interest rates and terms that these lenders would charge for mortgages in the United States.

The rate may not exceed the current FHA rate by more than one-half percent to 1 percent. This formula is established in the legislation. For several years the principal lender has been the member institutions of the Federal Home Loan Bank system which now has congressional authority to collaborate with us in these programs. AID charges a fee to the borrower for its guaranty and the proceeds of the fee income cover the operating expenses of the program.

Mr. PASSMAN. Why wasn't this activity also transferred to the Overseas Private Investment Corporation (OPIC)?

Dr. HANNAH. The question of whether the housing guaranty program should remain with AID or become part of OPIC was given the most careful consideration, and it was concluded that housing guaranties should stay with AID because:

(1) OPIC is principally concerned with the activities of U.S. business abroad. The housing guaranty program is concerned with the lending of U.S. money abroad principally to assist in the creation and support of local savings and housing finance institutions in the development of viable private homebuilding industries in the borrowing countries.

(2) The methodology for the housing guaranty program is much more analogous to AID's development lending objectives than it is to OPIC insurance and guaranty procedures. To a significant degree the housing guaranty program is, therefore, incompatible with OPIC procedures.

(3) The housing guaranty program concerns itself with national planning and development of national institutions with significant host country participation which, again, is more compatible with other AID development objectives than with OPIC activities.

(4) The top management of both AID and OPIC felt strongly that housing guaranties should remain with AID. Thus, while the name of the housing guaranty program implies that it might be one of the activities administered by OPIC, careful consideration has led to the opposite conclusion.

Mr. PASSMAN. Again this year, you indicate that the program operates without cost to the U.S. taxpayer. Is it not true that the taxpayer provided the original funds and the fees charged by the housing guaranty program do not now revert to the general fund of the Treasury?

Dr. HANNAH. In the early years of the housing guaranty program some administrative expenses were paid from appropriated funds. Fee income would not in the early years have been sufficient in any event. Our policy and practice in recent years has been and is to pay all costs of administering the program from fee income. Salaries, travel, contracts, and so forth, are all included and therefore it is accurate to say that the program operates without cost to the U.S. taxpayer. The surplus of income above expenses is held as a reserve against future needs of the program if required.

Mr. PASSMAN. Last week when we were having hearings with the supporting assistance program, we were informed that a $50 million-housing guaranty was made to Israel. Is that correct?

Dr. HANNAH. Yes, a $50 million-housing guaranty was made to Israel early this year.

PUBLIC LAW 480 PROGRAM

Mr. PASSMAN. What is the total program for the Public Law 480 item in fiscal year 1973?

Dr. HANNAH. The total Public Law 480 budget for fiscal year 1973 is proposed at $1.17 billion, CCC value, of which $1.02 billion represents commodity costs and $150 million represents ocean transportation costs.

Mr. PASSMAN. Would you please break this down into title I sales and title II donations?

Dr. HANNAH. The title I sales program in fiscal year 1973 is proposed at $842.9 million CCC costs of which $782.9 million is commodity value and $60 million is ocean freight differential.

The title II donation program for fiscal year 1973 is proposed at $325 million of which $235 million is commodity value and $90 million is ocean transportation costs. This is exclusive of special emergency programs such as assistance to Bangladesh.

Mr. PASSMAN. Could you please tell us what the terms of the title I Public Law 480 sales are?

Dr. HANNAH. Under dollar credit programs we can offer up to 20 years repayment, including 2-year grace period. Under convertible local currency credit programs we can offer up to 40 years repayment, including 10 years grace. Under either type of credit a minimum interest rate of 2 percent during the grace period and 3 percent during the repayment period is required. In most programs an initial payment of 5 percent down in dollars is also required.

Mr. PASSMAN. Since the inception of the program, how much has been provided in agricultural commodities through the Public Law 480 program?

Dr. HANNAH. Since the inception of the program in fiscal year 1955 through the current fiscal year—fiscal year 1972—the total value of commodities provided under the Public Law 480 program has reached $30.4 billion—CCC cost. This represents about $28.1 billion in commodity value and $2.3 billion in ocean transportation costs paid with Public Law 480 funds. In terms of export market prices, the cumulative commodity value of Public Law 480 exports through fiscal year 1972 is about $21 billion.

AFRICAN DEVELOPMENT BANK

Mr. PASSMAN. On page B17 under the table for international organizations you list the African Development Bank. Could you please tell us what the total amount of U.S. funds have been provided to this bank over the years and are we considering contributing to their ordinary capital at this time?

Dr. HANNAH. We have provided technical assistance totaling $600,000 to the AFDB. No active consideration is being given at this time to contributing to their ordinary capital.

INTERNATIONAL ORGANIZATIONS

Mr. PASSMAN. On page B17 you state that providing assistance through international channels is especially advantageous in certain sensitive fields. Would you please give us some indication what assistance is better provided through these institutions that are considered to be sensitive?

Dr. HANNAH. In general, whenever the negotiation of assistance involves the discussion of an LDC's internal policies, recommendations as to what those policies should be are less likely to be resented if they come from an impartial international organization than if they come from another government.

Mr. PASSMAN. On page B20 you state that the major bilateral and multilateral development aid programs are coordinated internationally through consortia and consultative groups for individual developing countries. Do all donor countries participate in these consortia and consultative groups? Also, would you briefly explain how these consortia and consultative groups operate?

Dr. HANNAH. All donor countries do not automatically participate in every aid group, but one of the conditions for establishing such a group normally is that a sufficient number of donor countries, as well as international institutions, agree to join. Groups normally meet once or twice a year to review the country's development performance, examine its overall aid requirements and the projects which are ready for financing, and to discuss the country's policies and problems. In consortia, each donor is expected to indicate how much aid it is prepared to give during the coming year, whereas in consultative groups this is not expected. There are only four consortia and the rest (14) are consultative groups.

EUROPEAN DEVELOPMENT FUND

Mr. PASSMAN. In the table you have an entry called the European Development Funds. Would you please explain this item?

Dr. HANNAH. The European Development Fund was created by the European Economic Community in 1958 and is the principal source of aid financing for the EEC. Under the Yaounde Convention of the same year the following states, countries, and territories are associated with the EEC and are recipients of European Development Fund assistance:

(a) Associated states: Burundi, Cameroons, Central African Republic, Congo (Brazzaville), Zaire Republic, Ivory Coast, Dahomey, Gabon, Upper Volta, Madagascar, Mali, Mauritania, Niger, Rwanda, Senegal, Somalia, Chad, and Togo.

(b) Associated countries and territories: French overseas departments, Netherlands Antilles, Comoro Islands, French Somaliland, New Caledonia, Polynesia, St. Pierre and Miquelon, Surinam, Guadeloupe, Guiana, Martinique, and Reunion.

INDUS BASIN

Mr. PASSMAN. You indicate that you are requesting $25 million for Indus Basin grants while the authorization last year provided only $15 million for fiscal year 1973, and I note that you are not requesting additional authorization this year. Would you please explain how you are able to request an appropriation that exceeds your authorization?

Dr. HANNAH. The authorization for the extra $10 million is in the regular international organizations grants section of the FAA (sec. 302(a)). The regular IO authorization for fiscal year 1973 is $138 million. Under that authorization, we are requesting $124.8 million

for U.N. and related programs and $10 million for Indus grants or a total of $134.8 million. We made this adjustment for Indus since the specific Indus grant authority of 302(b)(2) authorizes that appropriation "in addition to any other funds available for such purposes." Section 301(a) within chapter 3 expressly authorizes the President to make voluntary contributions on a grant basis to the Indus Development Fund administered by the World Bank. Thus our appropriation request for fiscal year 1973 is $15 million of Indus grants to be appropriated under the separate Indus grants authorization (sec. 302(b)(2)) and $10 million of Indus grants to be appropriated under the regular IO authorization (sec. 302(a)).

This problem arose because the President's fiscal year 1973 budget was submitted to Congress before the foreign assistance authorization and appropriation bills were finally passed. The 2-year authorizations voted for most of our programs were in some accounts lower than the budget request. To avoid the need for supplemental authorizations in various accounts, we adjusted our original budget request for some accounts, with the approval of the Office of Management and Budget. However, there has ben no change in the total amount of $2,256,593,000 in new obligational authority originally requested by the President.

U.S. FOREIGN AID TOTALS

Mr. PASSMAN. Is it not true that the United States has provided more foreign assistance than probably all the other countries put together in DAC?

Dr. HANNAH. In absolute amounts the United States has provided more assistance than all other DAC member countries combined. During the 10-year period 1960–70 the United States contributed $35,609 million in official development assistance (ODA) compared to all other DAC members' ODA flows of $29,621 million. However, since 1963, U.S. flows of ODA in relation to gross national product have shown a continuing decline from 0.59 percent in 1963 to 0.31 percent in 1970. Preliminary 1971 estimates indicate that the U.S. flows will drop to 0.30 percent of GNP. In comparison the average percent of ODA flows in relation to GNP of the top five DAC members excluding the United States was 0.40 in 1970 (Canada, Japan, France, Germany, and the United Kingdom). The overall 1970 DAC average including the United States was 0.34 percent. The following table illustrates the declining trend in United States ODA as a percent of GNP and as a percent of total ODA flows from all DAC donors over a 5-year period:

	1966	1967	1968	1969	1970
Amounts (thousands)	$3,349	$3,472	$3,242	$3,092	$3,050
Percent of GNP	.44	.43	.37	.33	.31
U.S. percent of total ODA	56	53	51	47	45

LOAN RECEIPTS TO U.S. TREASURY

Mr. PASSMAN. On page B26 you state that only $255 million out of total expenditures of $1,909 million in fiscal year 1971 was spent for foreign goods and services. You go on further to say that this expendi-

ture for foreign goods and services was more than offset by $306 million of net receipts of principal and interest on prior loans paid to the United States by other countries. This would indicate that the net effect would be a favorable balance-of-payments situation. However, is it not also true that all these net receipts and principal payments received by the United States are usually cranked back into the program and never find their way into the general fund of the Treasury?

Dr. HANNAH. Interest and amortization receipts from prior U.S. foreign assistance loans are credits for the U.S. balance of payments irrespective of which agency receives them. As authorized by Congress, AID received $166 million of the $306 million of these reflows. The balance went to the U.S. Treasury.

POPULATION PROGRAM

Mr. PASSMAN. Last year as you well know, the Congress provided a separate line item for the population program whereas the authorizing legislation was written in the manner that the funds would have to be taken from other foreign assistance funds provided for part 1 activities. Are you requesting a separate line item appropriation for fiscal year 1973 for population programs?

Dr. HANNAH. Yes, we are requesting a separate line item appropriation of $125 million, the amount authorized in last year's legislation.

Mr. PASSMAN. On page G2 you indicate that $27,289,000 remains undistributed for the population program in fiscal year 1972. Does this mean that you will be unable to obligate the full $125 million provided last year?

Dr. HANNAH. No. At the time the fiscal year 1973 congressional presentation was prepared, we already had reasonably firm population program project plans totaling $97,711,000. With regard to the balance of $27,289,000, currently we are processing a number of additional projects and we expect that a number of these could make important contributions to the population program. While it is difficult to assess now the exact final figure, undoubtedly we will come pretty close.

Mr. PASSMAN. Why does the authorization committee continue to strap you with such a high amount earmarked for population if you're unable to spend the full amount?

Dr. HANNAH. Many Members of Congress have a deep interest that the United States through the Agency for International Development do all that it can to advance a rapid solution to the world population crisis. Therefore, they have earmarked increasing sums within the general foreign assistance program for this purpose. With this support and directive from Congress, the Agency has moved with maximal speed during the last 5 years to develop a large and increasingly effective program of assistance for population and family planning programs throughout the developing world, and has indeed been able to use effectively almost the full amounts earmarked for this purpose since fiscal year 1968.

Mr. PASSMAN. $125 million is authorized for fiscal year 1973 for population and again you are required to use the entire amount. Will you be able to obligate the full $125 million in fiscal year 1973?

Dr. HANNAH. Yes, we expect to be able to use the full $125 million authorized for population and family planning program assistance.

ALLOCATION TO U.S. ARMY

Mr. PASSMAN. You indicate that $3,700,000 was provided to the U.S. Army Corps of Engineers. Would you please state what this allocation was for?

Dr. HANNAH. Yes, sir. The project was the construction of port facilities at Chiasmaio, Somalia. AID initiated the project with grant funds in 1962, engaging the Corps of Engineers to supervise construction, which was performed by the Paul Smith Co. under contract to the corps. The company filed a number of claims with the corps alleging increased costs due to changes in construction required and changed conditions. The result of an award of the Board of Contract Appeals of the Corps and negotiations between the corps and company was a settlement of $3.7 million. Our general counsel determined that AID was liable and that use of contingency funds was appropriate.

NARCOTICS CONTROL

Mr. PASSMAN. Would you indicate what was provided for the narcotics program in fiscal year 1972?

Dr. HANNAH. Section 481 of the Foreign Assitance Act authorizes the use of any funds made available under the act for the purpose of providing narcotics assistance. In fiscal year 1972 we anticipate $20,825,000 of development loan funds will be utilized for this purpose.

Mr. PASSMAN. You indicate on the cover sheet just before page P1 that the fiscal year 1973 amount includes $20,300,000 listed as undistributed for the narcotics program. Would you please explain what this item is?

Dr. HANNAH. The international narcotics control program is in the early stages of development. More than 50 countries have been identified as those with whom cooperative efforts could result in a significant decrease in the world's illicit drug problems. Discussions are already underway or will be undertaken in the near future with these governments. As these discussions proceed, additional programs requiring U.S. assistance will be developed and become ready for implementation. In view of the importance of the program, it is esesntial for the United States to be in a positoin to provide assistance quickly as opportunities to control drug production, trafficking, and use become apparent. The amount of $20,300,000 has been requested to meet these anticipated requirements in fiscal year 1973.

Mr. PASSMAN. Would you provide for the record a table showing the breakdown of the fiscal year 1973 budget request for the narcotics program by country and program?

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

(The table follows:)

INTERNATIONAL NARCOTICS CONTROL PROGRAM

FISCAL YEAR 1973 PROGRAM

[In thousands of dollars]

	Total	Direct hire	Other agency	Commodities	Participant training	Other
Laos:						
Public safety	121.6	90		18.6	7	6
BNDD support	17.0			10.0		7
Customs assistance	314.4		226	53.4		35
Public health	135.0	60		75.0		
Technical support	135.0	35				100
Total	723.0					
Thailand:						
Public safety	75.0				75	
Customs assistance	325.0		225	50.0	50	
Upland development	570.0		200	220.0	150	
Total	970.0					
Vietnam:						
Public safety	450.0	450				
Customs assistance	50.0		50			
Total	500.0					
Turkey:						
Development of poppy region	10,000.0					10,000
Foreign exchange offset	5,000.0					5,000
Total	15,000.0					

Mr. PASSMAN. Does this item need authorization in fiscal year 1973?

Dr. HANNAH. The administration believes the authorization and appropriation of $42,500,000 specifically for the international narcotics control program is essential to clearly demonstrate the concern of the administration, the Congress, and the American people with this serious problem and our determination to overcome it.

Mr. PASSMAN. Would you briefly explain to the committee just how this international narcotics control program will be instituted?

Dr. HANNAH. More than 50 country teams around the world have prepared narcotics control action plans. Upon their approval by an interagency committee in Washington, the country teams are instructed to begin discussions with the foreign governments to seek their cooperation on narcotics control. Any programs which emerge from these discussions which require U.S. financial or technical assistance are submitted to Washington for review and approval.

Operational responsibility will be assigned to the U.S. Government agency best qualified to provide the particular type of assistance required. In many cases this will be AID. In others it may be the Bureau of Narcotics and Dangerous Drugs, or some other U.S. agency or department.

Mr. PASSMAN. What department will be in charge of coordinating the entire international narcotics control program?

Dr. HANNAH. The President has named a Cabinet Committee to coordinate the international narcotics control program. He further designated Secretary Rogers as Chairman of the Cabinet Committee.

EXPERIENCE IN NARCOTICS CONTROL

Mr. PASSMAN. It would seem to me that AID has not had sufficient experience in narcotics control. If that is the case, why are you getting involved in the program?

Dr. HANNAH. U.S. assistance to foreign governments under the international narcotics control program will fall within three major categories—enforcement, agriculture, and health. AID has had considerable experience and expertise in providing assistance abroad in all of these areas.

Mr. PASSMAN. Have we received a favorable response to this program by all the countries involved in narcotics?

Dr. HANNAH. Generally speaking responses have been favorable. However, the degree to which a country is willing to take direct action varies from country to country depending upon a host of factors including the internal political situation, the amount of drug abuse within the country, and the capability of the government involved.

The increasing concern of governments around the world is evidenced by the recent approval of amendments to strengthen the controls of narcotics production under the 1961 Single Convention.

COUNTRIES PRODUCING OPIUM

Mr. PASSMAN. What countries are involved in the production of opium both legally and illegally?

Dr. HANNAH. Opium is currently produced in India, Turkey, the U.S.S.R., Iran, Pakistan, Japan, Yugoslavia, Burma, China, Laos, Thailand, Afghanistan, Mexico, and reportedly Nepal. All production in Burma, Laos, Thailand, Afghanistan, and Mexico is illegal, as would be the case of any production in Nepal.

Mr. PASSMAN. It would seem to me that you would need an international organization such as the U.N. to deal with all of these countries involved. Could you tell us what is being done along this line?

Dr. HANNAH. The United States is placing particular emphasis on international action through the United States. Largely through U.S. efforts a conference was held in March 1972 which approved amendments to the 1961 Single Convention which will improve controls over narcotics production and provide greater authority to the International Narcotics Control Board. Also, largely through U.S. efforts, the Secretary General established a Special Fund for Drug Abuse Control on April 1, 1972.

Mr. PASSMAN. Could you tell us briefly what is being done to dry up the opium production in the Golden Triangle in Burma, Thailand, and Laos?

Dr. HANNAH. The opium producing areas of the Golden Triangle are largely outside the control of the governments. However, both Laos and Thailand have launched active programs to control illicit narcotics. In Laos, the first legislation to make the production and trafficking in opium illegal has been passed. A special narcotics enforcement unit has begun operations and planning is underway to institute an addict rehabilitation program. The United States is providing assistance in both these efforts.

In Thailand a special enforcement unit has begun operations in the northern part of the country in an effort to interdict the flow of drugs from the Golden Triangle area. This effort is coupled with stepped up enforcement efforts throughout the country. U.S. assistance is being provided in both these efforts. The Thai Government has also reached agreement with the United Nations to carry out a comprehensive pilot program including crop substitution, rehabilitation, education and enforcement. The United States also plans some limited assistance in the agricultural sector which is being closely coordinated with the U.N. efforts. In addition, the Thai Government has other programs underway in the hill areas which include crop substitution as a major goal.

Production in Burma is concentrated in the Shan and Kachin States and the Government is not in a position to effectively interfere with this production since whatever presence it has in this area is limited to a few major towns. This area is dominated by a number of armed minorities and insurgent groups who use opium production as a source of financial support. Until recently the Government has even been reluctant to discuss the problem. However, a shift of attitude seems to be occurring as a result of the emphasis being placed on the matter of narcotics control by the U.N., Asian regional organizations and the United States. It is too early to determine the result of this change. The United States has made known not only its interest but also its willingness to provide narcotics control assistance if Burma should request it.

BUREAU FOR NARCOTICS AND DANGEROUS DRUGS

Mr. PASSMAN. What role will the Bureau for Narcotics and Dangerous Drugs play in this international narcotics control program?

Dr. HANNAH. The Bureau of Narcotics and Dangerous Drugs (BNDD) has a major role in the overall U.S. International Narcotics Control Program. BNDD by the end of fiscal year 1972 will have 113 agents assigned abroad working with their counterparts. BNDD personnel place special emphasis on assisting local governments attack the infrastructure of major conspirators who operate out of important cities and communication centers and on upgrading local enforcement agencies to carry out this type of operation.

Mr. PASSMAN. On page P4 you indicate that the Bureau of Narcotics and Dangerous Drugs, the Bureau of Customs and AID Office of Public Safety will increase their training efforts during fiscal year 1973. It seems that AID is getting involved in an area where it has no expertise at all. Would you please comment?

Dr. HANNAH. The AID Office of Public Safety training will concentrate on the organizational managerial aspects of enforcement agencies as opposed to the operational training programs which will be conducted by the Bureau of Narcotics and Dangerous Drugs and Customs. These three agencies are working closely to assure the various training programs are coordinated to prevent any duplication of efforts.

PROBLEM AREAS

Mr. PASSMAN. Would you please tell us what areas of the world pose the most problems as far as narcotics are concerned?

Dr. HANNAH. Opium from Turkey, Mexico, Burma, Laos, and Thailand is known to be a source of heroin for the U.S. market.

Coca bush production in Bolivia and Peru is the known source of cocaine entering the United States. Also of major concern to the United States is the processing of hard drugs which occurs in France, Mexico, Burma, Laos, Thailand, Hong Kong, Chile, and Ecuador. Modern transportation makes almost any country a potential for the transit of drugs throughout the world. Of particular concern, however, are France, Hong Kong, Burma, Laos, Thailand, Argentina, Chile, Ecuador, Mexico, Netherlands Antilles, Paraguay, Panama, and Canada.

Mr. PASSMAN. Would you please also indicate what steps these countries have taken in order to curb the illicit market in drugs?

Dr. HANNAH. Mr. Chairman, I have outlined earlier some of the measures being taken by Laos and Thailand and the situation in Burma. Turkey, as we know, has banned all further opium production following this year's harvest. Canada, of course, is a victim nation the same as the United States and the cooperation between our two Government's is excellent.

With respect to Mexico, the officials of that Government are keenly aware of the narcotics problem and are expending considerable human resources in a broad-scale program of cooperation. The Mexican Government is using light planes and helicopters to spot growing areas of opium poppies and marihuana and, when spotted, Army ground troops are dispatched to destroy the fields and apprehend illegal growers. As many as 12,000 may be employed in this manner at any given time. During the year of October 1970–71 opium poppy fields with a combined area of 28,534,200 square meters and marihuana fields totaling 18,006,809 square meters were destroyed. During the same period over 5,000 persons were detained for narcotic law violations.

Cocoa bush production flourishes in both Bolivia and Peru where it is a legal crop for both domestic use and export. Attempts to introduce alternative crops in both countries have met with little success in view of the crop's relatively high value. Efforts to eliminate or reduce bush production for local consumption or the illicit traffic could cause serious social disruption in view of the centuries' old tradition of cocoa leaf chewing by the Andean Indians.

Bureau of Narcotics and Dangerous Drug personnel are stationed in both countries and are receiving cooperation from local enforcement officials. The Bolivian Narcotics Bureau within the National Police has been reorganized recently and has been expanded slightly to better fulfill its responsibilities. Both countries have indicated their willingness to cooperate further with the United States and discussions are currently underway to determine what additional steps may be taken.

Processing facilities of both heroin and cocaine are extremely difficult to locate since the relatively simple process and the small area required for such operations permit easy concealment.

Both the Governments of France and Hong Kong are providing excellent cooperation with respect to heroin. Since 1969 French manpower devoted exclusively to narcotics enforcement has been increased by over 400 percent. French efforts are beginning to result in very sizable seizures.

During the 6 months preceding March 31, 1972, French officials seized 741 kilograms of heroin, 146 kilos of morphine base, 14 kilos of cocaine, and two heroin processing laboratories.

Similarly, the Government of Hong Kong has been most active in narcotics control. During 1971, 15,341 persons were arrested and prosecuted for drug offenses. During the same period Hong Kong authorities seized 659 pounds of morphine, 120 pounds of heroin, 12,191 pounds of opium, and 113 pounds of marihuana. The authorities estimate the value of these seizures at Hong Kong $60 million. In February 1972 one single case resulted in the seizure of 1,800 pounds of raw opium and 55 pounds of morphine.

Both Chile and Ecuador are known to be processing sites of cocaine as well as important transit points in the movement of drugs into the United States. Both countries have indicated a willingness to cooperate with the United States BNDD personnel are stationed in Ecuador and a BNDD sponsored enforcement training program was recently conducted in Chile. Bilateral discussions are underway which are anticipated will result in additional cooperative efforts.

With respect to the remaining countries I mentioned above, these are basically involved in the transshipment of narcotics en route to the United States. The BNDD has established a regional office in Argentina which is working with local enforcement agencies. The Government of Argentina has agreed to the establishment of a United States/Argentine Commission on Narcotics to better coordinate the two Governments' effort in this field. A further measure of the cooperation we are receiving is the recently negotiated revised extradition treaty between our two countries which specifically lists narcotic law violations as grounds for extradition. Additional cooperative efforts are under discussion with Argentina.

The Netherlands Antilles has only recently become involved in the worldwide drug problem and we have indications that Government is anxious to cooperate with us to prevent the flow of drugs through that country. As a first step, enforcement officials of the two countries will meet in the near future to determine what measures should be undertaken.

Paraguay has also indicated its willingness to cooperate on ways to control narcotic drugs in addition to measures it has taken unilaterally. The first criminal drug legislation in Paraguay is now before the appropriate committee of the Chamber of Deputies. Enactment is expected by the summer of 1972. The Ministry of Interior has tentatively selected an Assistant Secretary-level official to head a new specialized narcotics investigation unit within that Ministry. Paraguay has welcomed the establishment of a two-man BNDD office in Asuncion and that government has attempted to cooperate in the extradition of an international narcotics trafficker. The Paraguayan Solicitor General has filed an appeal to reverse a lower court rejection of extradition.

Panama, long a transshipment point for all types of contraband moving both north and south, has been increasingly used in recent years for the transit of drugs A special narcotics control unit has

been established in the National Guard. BNDD, AID's Office of Public Safety and the Bureau of Customs have provided assistance in narcotics enforcement to the National Guard and Panamanian customs officials.

In 1971 BNDD and the government of Panama agreed upon a program of cooperation in narcotics control. These efforts were interrupted in March in the wake of allegations that BNDD personnel had implicated high officials in the Panamanian Government in the international narcotics traffic. BNDD categorically denied such action and the government of Panama has agreed to accept replacements for the three BNDD agents it had earlier expelled.

REQUEST FOR TURKEY

Mr. PASSMAN. Would you please indicate what the $15 million requested for fiscal year 1973 for Turkey will be used for?

Dr. HANNAH. Of the $15 million programed for Turkey in fiscal year 1973, $10 million will be used to finance development programs in the seven-province, poppy-growing region designed to produce new sources of income for the poppy farmers and the region in which he lives. $5 million will be used to offset foreign exchange losses incurred by the government as a result of its decision to ban opium production.

Mr. PASSMAN. Could you please tell us what the reaction was to the announcement by Turkey that all opium production would be terminated as of the end of fiscal year 1972?

Dr. HANNAH. The Turkish Government's decision was the subject of much criticism and argument within Turkey. Turkish poppy farmers were particularly concerned that their major source of cash income was being denied to them.

Mr. PASSMAN. How much has the United States agreed to provide to Turkey in grant assistance to help curb the opium production?

Dr. HANNAH. Subsequent to the Turkish Government's decision to ban opium production the U.S. Government has agreed to provide Turkey $35.7 million. Of this amount $15 million will be provided over a 3–4 year period to offset foreign exchange losses incurred by the government; $20 million will be used to help finance a regional development program planned by the government to provide alternative sources of income for the region and the poppy farmers. $400,000 has been made available to help finance the cost of American agricultural personnel who will assist the Turkish regional development organization design and implement the development programs. The remaining $300,000 has been provided to help finance the costs of a strict control system for the final opium crop.

OPIUM IN BURMA

Mr. PASSMAN. You indicate that Burma is the largest producer of opium in Asia. Has the government of Burma entered into any discussion as to what it will do to help curb this production?

Dr. HANNAH. We have been discussing the drug problem with the government of Burma and plan to continue these discussions. One of the problems faced by Burma, however, is that opium production in Burma is controlled in large measure by insurgents which use the proceeds to finance their activities. No early solution can be expected to this problem.

NARCOTIC PROBLEM IN SOUTH VIETNAM

Mr. PASSMAN. What is the present narcotic problem in South Vietnam concerning U.S. troops there?

Dr. HANNAH. Several factors have combined to significantly lower the demand for heroin by the U.S. Army personnel in Vietnam. In June 1971 the Army launched its massive urinalysis testing program. This action plus an intensive education and counseling program, increasingly effective enforcement efforts and random, unannounced urinalysis checks have dropped the U.S. Army drug use rate from a high of 4 percent of those leaving Vietnam in August 1971 to a low 1.3 percent in March 1972. Efforts are continuing to lower this rate further.

REQUIREMENT THAT THERE BE A BILATERAL AGREEMENT AS A CONDITION OF ASSISTANCE

Mr. PASSMAN. Is there a legislative requirement that a bilateral agreement be entered into as a condition of furnishing assistance?

Dr. HANNAH. There is no general legislative requirement that the United States enter into a bilateral agreement as a condition for furnishing assistance. Such a requirement for a diplomatic level bilateral agreement was considered to be necessary under the Mutual Security Act and, in most cases, AID has continued the previous practice of negotiating overall bilateral agreements under which specific AID programs may be initiated. There is no statutory requirement for such an agreement, however. The only exception to this rule is the requirement of FAA section 237(a) that investment insurance and guaranties issued by OPIC be made in connection with projects in countries with the Government of which the President of the United States has agreed to institute a program for insurance or guaranties. It is, of course, necessary to insure that our assistance is both wanted and used properly. For this there must be an agreement between AID and the recipient government outlining the conditions under which any specific assistance project is undertaken. These usually take the form of project agreements or loan agreements.

Mr. PASSMAN. Is there a requirement that the United States shall furnish assistance only to countries that request the aid specifically?

Dr. HANNAH. There is no express legislative requirement that U.S. assistance be furnished only to countries specifically requesting aid. It is our practice, however, and the practicalities of the program require, that assistance be furnished only where a country indicates its desire for assistance and its willingness to undertake the measures necessary for its effectiveness. This generally requires a request by the potential recipient and agreement by AID to provide the assistance as well as a mutual concurrence on the conditions under which assistance is to be carried out.

TRANSPORTATION COSTS

Mr. PASSMAN. According to followup review of the cost of transporting food donated for distribution abroad, the General Accounting Office found several matters which deserve our attention. They found that the United States continues to pay considerable amounts of ocean

freight costs under nonprofit agency food donation programs for recipient countries which appear to be financially able to bear all or part of such cost. Also, they found no evidence that the Agency for International Development has developed criteria to evaluate the financial capability of recipient countries to bear part or all of such costs, and no documentation is available to show that periodic efforts have been made to have recipient countries bear some or all of the shipping costs. Would you please comment on the situation?

Dr. HANNAH. We share your concern and have made a number of moves to reduce transportation charges to the Public Law 480 title II donation program. One means by which this has been accomplished is by requiring major recipients of commodities under bilateral government-to-government programs to share ocean transportation costs. The criteria for this requirement is that all countries with a per capita GNP above $200 per year and with regular government-to-government programs exceeding $1 million annually to pay 50 percent of the freight costs. Disaster relief and emergency programs are exempted. Other exceptions to this policy will only be considered on strongly justifiable bases. To date we have applied this policy to Tunisia, Morocco, Brazil, Peru, and Korea. In addition to this we are requiring recipient governments to finance across the board 10 percent of freight costs financed by the United States to cover foreign port charges. The policies for the 50 percent freight payment and the 10 percent port charge payment are under continuing review and analysis.

We have also effected dollar savings in freight costs by paying carriers, where possible, in U.S.-owned currency. For example, by using India-flag vessels to carry title II shipments to India and paying the cost in U.S.-owned Indian rupees the dollar savings has been substantial, amounting to more than $10 million annually.

We have explored with the Advisory Committee on Voluntary Agencies the possibility of asking them to require host countries to share ocean transportation costs. Their unanimous reaction was strongly negative. In the first place, they believed they were not in a position to negotiate on such matters, and that for the U.S. Government to do so would compromise their independent status. They were also of the view that such a requirement in many cases would jeopardize the continued operation of these people-to-people programs. They point out that host governments already incur substantial costs in connection with the maternal and child feeding, food-for-work and community development projects sponsored by the voluntary agencies with title II commodities, and that it would be counterproductive to ask countries to share in freight costs. We agree.

We believe there are other means, in light of U.S. policy objectives, of effecting program economies. We prefer to economize by phasing down and terminating country programs in countries as rapidly as they attain economic viability. For example, in recent years the title II programs have been phased out in Italy, Spain, Greece, Portugal, Taiwan, Hong Kong, Poland, Ryukus Islands and Yugoslavia. In several other countries substantial phased down schedules have been initiated.

The share of title II resources channeled through the multilateral world food program (WFP) has been increasing and now amounts to over $50 million per year or near one-fifth of the total proportional share of the ocean freight costs. There is no possibility of freight savings on our contribution to the program, inasmuch as the United States is committed to providing these commodities on a c.i.f. basis. Program economies are also being effected by other means. Criteria for reviewing title II program submissions have been tightened and we encourage the substitution of low priced commodites for higher priced commodities where this can be done without adversely affecting program objectives. We shall continue to be alert and responsive to all opportunities for reducing the dollar cost and improving the efficiency of Public Law 480 title II operations.

EVALUATION OF TECHNICAL ASSISTANCE PROJECTS AND CONTRACTOR PERFORMANCE

Mr. PASSMAN. In a General Accounting Office report entitled "Criteria Needed for Measuring Technical Assistance Results and Contractor Performance" dated October 20, 1971, there were several criticisms leveled at the contract procedures for technical assistance under the AID program. One of the criticisms was that neither AID's project planning documents nor the contracts themselves provided specific targets, goals, or objectives. AID therefore could not evaluate progress and contractor performance objectively. They went on to further state that several problems have hindered the effectiveness of AID's efforts. There were delays in recruiting and placing contract employees in country, and some employees appeared to lack desired qualifications. Would you please comment on this situation?

Dr. HANNAH. Mr. Congressman, thank you for the opportunity to clarify the record on the matter. The GAO report was based on a review of 10 technical assistance projects in three African countries at a time prior to the installation of major improvements in AID's planning, programing, and evaluation systems. In response to the recommendation contained in the GAO report, AID arranged an independent evaluation of all relevant AID practices to determine if AID's improved systems were having the desired effect. This evaluation which included on the spot examination in three African countries has been completed and its findings, I am happy to say, are that the problems of technical assistance project management noted by the GAO report are either no longer prevalent or are receiving remedial action. The scope of work, targets, goals, and objectives of the all new planning and programing documents, including contracts, are being written with greater precision and comprehensiveness and contain all the elements necessary to permit objective evaluation of project progress and contractor performance. Thus, too, the evaluation process with its timely identification of problems tends to minimize and even forestall shortcomings in contractor performance as noted in the GAO report. Older projects are being reviewed, and adjusted according to the new improved system and their documentation rectified in a thorough, systematic, and expeditious manner.

EXCESS PROPERTY REVOLVING FUND

Mr. PASSMAN. In another General Accounting Office report dated August 31, 1971, entitled "Review of Accounting System and Operation for Excess Property Revolving Fund" several shortcomings were found in AID's excess property revolving fund. To summarize their findings they stated that (1) unreliable reporting of rehabilitation costs were made, (2) delayed reporting of income was made, (3) need for resolution of unbilled costs, (4) expenditures in excess of apportioned funds were made, and (5) there were several other control weaknesses. Would you please comment on what has been done to correct these situations?

Dr. HANNAH. The shortcomings noted in the General Accounting Office report have been corrected. The excess property accounting system has been revised to accumulate and report actual rehabilitation costs. Operating procedures have been changed to ensure the recording of costs as they are incurred, and to record income from the sale of equipment at the time the income is earned. The question of unbilled transportation costs has been resolved with Department of Defense officials, and the billings and payments have now been recorded. The problem of expenditures exceeding the apportioned funds was, I understand, a technical question involving applying costs to equipment inventories on an accrued expenditure basis versus on an obligation basis. This technical question has now been settled, and our system has been changed to record transactions against the apportionment on an obligation basis. Regarding the other weaknesses, the report commented on certain delays in recording cash and inventory transactions. Action has been taken to ensure that all transactions are promptly recorded and delays in transmitting documents have been eliminated.

WITHDRAWAL OF TECHNICAL AID PERSONNEL

Mr. PASSMAN. How long has the U.S. bilateral technical assistance program been in effect?

Dr. HANNAH. U.S. bilateral technical assistance began in Latin America in 1941.

Mr. PASSMAN. Have we ever had a country ask us to withdraw our technical aid people and to suspend our technical assistance program?

Dr. HANNAH. No. We have never been asked to withdraw technical aid personnel except, of course, in connection with the general withdrawal of all U.S. Government personnel when diplomatic relations were broken.

Mr. PASSMAN. Mr. Roybal?

Mr. ROYBAL. I will submit for the record any questions I have.

FISCAL YEAR 1973 PROGRAM REQUEST FOR CHILE

Mr. PASSMAN. Mr. Shriver?

Mr. SHRIVER. Thank you, Mr. Chairman. I would like your answer to the question why you are still asking for money for Chile?

Dr. HANNAH. President Nixon has said that we have not given up on the Chilean people and we are prepared to have the kind of relationship with the Chilean Government that it is prepared to have with

us. As a demonstration of this we are proposing a limited amount of funding for our people-to-people activities in Chile—training, small-scale community development projects, and Public Law 480 food shipments. None of these activities is new. They have been underway for several years.

Mr. SHRIVER. Could we not just quit?

Dr. HANNAH. If we did we would lose the valuable identification with the Chilean people that we maintain through these projects.

Mr. ROYBAL. We have to pay our bills.

Mr. SHRIVER. We have bills to pay?

Dr. HANNAH. This was the decision that was made at the time that it was the right thing to do. Once it was made, we are carrying it through.

DEVELOPMENT ACTIVITIES OF THE U.S. VOLUNTARY AND NONPROFIT ORGANIZATIONS

Mr. SHRIVER. On page 3 of your statement you say the U.S. voluntary and nonprofit organizations have expanded their capabilities and activities beyond traditional humanitarian relief to include many traditional humanitarian relief to include many aspects of the development process. Tell us more about this, and give us your estimate of the total amount in dollars of these activities.

You might explain further your plans to coordinate these private activites with your own program.

Dr. HANNAH. Since their emergency relief role just after World War II many U.S. voluntary and nonprofit organizations have become more concerned with developmental programs. They have apparently found that although short-term emergency relief is essential, long-term development assistance is important to effect lasting changes and growth.

For example: Four U.S. voluntary, nonprofit organizations—Catholic Relief Services, Church World Service, CARE (Cooperative for American Relief Everywhere, Inc.), and Lutheran World Relief; while continuing their relief programs, they are placing primary emphasis on development programs and directing their resources accordingly.

The U.S. voluntary and nonprofit agencies have not kept records which distinguish between their humanitarian and development programs. For this reason it is not possible to qualify their inputs just in development-type programs. Last year, however the private voluntary organizations donated about $500 million of their nongovernment income to overseas activities. They estimate that a large share of this has gone into development programs.

With regard to the coordination of these private activities with AID programs, a new Bureau for Population and Humanitarian Assistance has just been established in AID. This Bureau has been charged with the responsibility of seeking greater involvement and cooperation with the U.S. private and volnutary agencies in AID programs.

We intend to acquire information concerning the capacity and the interest of private voluntary organizations in development work overseas. This we will make available to our missions overseas, and to the developing countries. Simultaneously, we will systematically inform the private agencies of AID supported LDC programs, directions, and

priorities so that they have an opportunity to understand both the directions of the Government programs, and the reasons for the directions. This information and understanding will help the private voluntary organizations in carrying on cooperative endeavors, where desirable, with AID. Our function in this respect will be essentially that of a clearinghouse—matching needs to resources which exist in the community of private and voluntary organizations.

STATUS OF AID-SUPPORTED MALARIA AND SMALLPOX PROGRAMS

Mr. SHRIVER. On page 5 you mention the successful malaria and smallpox control programs. Tell us more about that, and include how much was spent on those programs by your agency. Are these programs continuing or have they been taken over by the recipients?

Dr. HANNAH. AID assistance to LDC malaria programs started in the early 1950's. Grants or loans were made for purchase of commodities, training of national staff, and provision of technical advisers. From the early 1950's to early 1970's, AID provided direct bilaterial assistance to malaria programs in 36 different countries for a total expenditure of approximately $200 million in grants and $100 million in loans. These programs generally have been successful in reducing malaria from the No. 1 public health problem to a relatively minor problem. Some have succeeded in eradicating malaria, some have made remarkable progress and are continuing to do so and others have run into serious problems which resulted in a resurgence of malaria. The reasons for resurgence of malaria vary from country to country, but usually combine technical reasons with financial, operational, cultural, administrative or political problems. Protection from malaria has been provided for approximately 1 billion population.

Under the AID policy of multilateralization, WHO is assuming the responsibility for providing technical advisory services to all of the malaria programs. AID continues to provide support in terms of research, commodities, local currency, and evaluation.

The number of country programs with U.S. advisers has been reduced to eight from the peak number of 24 and the number of U.S. technical advisers has been reduced from about 60 to about 16. These eight countries are also receiving commodity assistance—four on grants and four on loans. An additional four countries are using commodity loan funds to purchase DDT for use in their malaria programs. These programs have been and continue to be managed and operated by country nationals. The proportion of external assistance has steadily decreased.

U.S. support was pledged in 1966 to assist the world in achieving a smallpox-free status. Subsequently, the World Health Organization adopted an objective of global freedom from smallpox by 1976. The smallpox eradication program is a cooperative effort involving the Agency for International Development, the Center for Disease Control, and 20 countries of Central and West Africa with a population of approximately 125 million people. Between January 1967 and December 1969, the 20-country program vaccinated 100 million people. The incidence of smallpox steadily decreased and by October 1969, 19 of the 20 countries were smallpox-free. The 20th country, Nigeria, reported its last case of smallpox in May 1970. No cases have been reported from the area for the past two years. A.I.D. spent $30,282,000 in the 20-country smallpox eradication and measles control program. The program has accomplished its purpose and need not be continued as such. It helped build a health infrastructure in African countries, which A.I.D. now is building upon to help in developing basic health delivery services. Recipient countries have taken over a great portion of the costs of the programs, but external assistance still is required to add new elements of health care.

ADJUSTMENT TO MEET NEW AUTHORIZATION CEILINGS

Mr. SHRIVER. Would you explain further the "adjustment" you have made in your budget to meet the new authorization ceilings? You might put something in the record showing these changes.

Dr. HANNAH. The three columns in the following table reflect these changes. The first column shows the original appropriation request as printed in the President's budget; the second, the revised authorization ceilings by appropriation, including items already authorized plus additional items for which requests are now pending in Congress; and the third, the revised appropriation request based on the revised authorization ceilings. As you can see, individual line items have been changed in the revised appropriation request from those in the original request but the overall total of $2,256,593,000 is the same in both instances.

(The table follows:)

FY 1973 REVISED APPROPRIATION REQUEST FOR A.I.D. PROGRAM

(In millions of dollars)

Assistance Category	FY 1973 Authorization Level a/	Original FY 1973 Appropriation Request	Revised FY 1973 Appropriation Request	Difference Between Revised and Original Request
DEVELOPMENT AND HUMANITARIAN ASSISTANCE PROGRAMS				
Development Loans	530.0 b/	410.0	415.5	+ 5.5
Technical Assistance	175.0	161.9	169.4	+ 4.5
Alliance for Progress	(295.0)	(310.4)	(295.0)	(-15.4)
Development Loans	206.5	224.5	206.5	-18.0
Technical Assistance	88.5	85.9	88.5	+ 2.6
Population Programs	125.0 c/	117.5	125.0	+ 7.5
International Organizations	(172.0)	(167.8)	(167.8)	(-)
Grants	154.0	149.8	149.8	-
UN and Other Programs	(139.0)	(124.8)	(124.8)	(-)
Indus Basin Grants	(15.0)	(25.0)	(25.0)	(-)
Indus Basin Loans	18.0 d/	18.0	18.0	-
South Asia Relief and Rehabilitation	100.0 e/	100.0	100.0	-
American Schools and Hospitals	30.0	15.6	15.6	-
International Narcotics Control	42.5 e/	-	42.5	+42.5
Contingency Fund	30.0	100.0	30.0	-70.0
A.I.D. Administrative Expenses	50.0	57.6	50.0	- 7.6
SUB-TOTAL-DEVELOPMENT AND HUMANITARIAN ASSISTANCE	1,549.5	1,440.8	1,407.8	-33.0
SECURITY ASSISTANCE PROGRAMS				
Supporting Assistance	844.0 e/	811.0	844.0	+33.0
State Department Administrative Expenses	4.8 f/	4.8	4.8	-
SUB-TOTAL - SECURITY ASSISTANCE	848.8	815.8	848.8	+33.0
TOTAL A.I.D.	2,398.3	2,256.6	2,256.6	-

a/ Includes items already authorized and those for which authorization is being requested.
b/ Includes $280 million authorized in prior years but unappropriated.
c/ $125 million of FY 1973 economic assistance funds provided to carry out the Foreign Assistance Act is earmarked for population programs.
d/ $51.22 million authorized in Foreign Assistance Act of 1967. Amount shown is level of FY 1973 appropriation request.
e/ Authorization being requested.
f/ Permanently authorized. Amount shown is level of FY 1973 appropriation request.

A.I.D./LPCS:4/24/72

RESULTS OF AID RESEARCH

Mr. SHRIVER. One of your new priorities under "Techinal assistance" is research. How much is included in the request for that?

Dr. HANNAH. $12 million.

Mr. SHRIVER. For many years this committee has heard requests for research money to find out more about the process of development. What are some of the results which have been obtained through this past research?

Dr. HANNAH. We find that this research is helping us to find answers to some of the most difficult problems of development and promises much more for the future. For this reason our request to increase the ceiling on research expenditures. We have given top priority to conquering hunger, mulnutrition and disease, and to slowing the unprecedented population growth. Let me give a few of examples of the progress of our contracted research in finding solutions that can be applied in the field by our action programs and by those of the international development banks and other agencies.

The vampire bat research, already mentioned, which at a cost of less than $800,000 over a period of 4 years, has provided the methodolgy for elminating losses in livestock production in Latin America totaling some $250 million a year.

In east Africa, AID research conducted under a PASA agreement with USDA has produced a high protein, high yielding white corn that is now grown on 400,000 acres of land. The annual added value of this development alone is several times the costs of AID's research inputs.

The research by the University of Nebraska to discover genetic means for improving the nutritional quality of wheat has already obtained increases as large as 25 percent in protein content without adversely affecting yields or amino acid balance. These genetic characteristics are now being incorporated into varieties with broad adaptation in developing countries and the best materials were grown in comparative trials at 44 sites in 27 countries during 1971, through the enthusiastic cooperation of local plant breeders who see the potential of the new varieties in their countries.

The gradual release mechanism in the sulfur coated nitrogen pellet developed under AID supported research at TVA is intended especially for the tropics where nitrogen losses due to leaching are high. Field tests on rice in India, Peru, Colombia, and the Philippines have shown returns of $3.60 to $9.50 for each dollar of extra cost for the purchase of the coated urea. Mexico and Taiwan are already building plants to produce the material.

The research on small farm machinery initiated in 1965 at the International Rice Research Institute with AID research funding has resulted in the design of 19 machines, two of which are being produced commerically in Asia with sales already totaling more than 5,000.

In the field of population, AID has become involved in research because existing technology was not adequate for the needs of the countries experiencing population explosions. This research is quite new, but progress has already been made in development of prostaglandins and in the synthesis of antiluteninizing hormone releasing factors which have the potential of producing a once-a-month pill with

few of the side effects associated with currently used oral contraceptives.

In the field of health, our major thrust has been on the control and eradication of malaria. Under AID funding the Center for Disease Control at Savannah has developed a system and an easily used kit for testing when mosquitoes become resistant to an insecticide. It has developed specifications for the manufacture of DDT and a whole system of checking DDT for suspensibility. These procedures and others developed by the center are now being used worldwide by WHO.

Longer range fundamental research is expected to result in the development of malaria vaccine. If successful this will be a breakthrough of significance to over a billion people who are exposed to the threat of malaria infection. Mr. Shriver, these are just a few examples that may help to illustrate why we feel that our research projects have greatly strengthened our technical assistance program. This conclusion on our part is the reason for requesting that the research ceiling be raised.

NETWORK OF RESEARCH CENTERS

Mr. SHRIVER. On page B–27 you mention the development of a network of interrelated research centers throughout the world for agriculture research. Tell us more about that.

Dr. HANNAH. At present there are five of these international agricultural research institutes and two more in the process of development. They are:

The International Rice Research Institute (IRRI) in the Philippines;

The International Center for Corn and Wheat Improvement (CIMMYT) in Mexico;

The International Center for Tropical Agriculture (CIAT) in Colombia;

The International Institute for Tropical Agriculture (IITA), in Nigeria; and

The International Potato Center (CIP) in Peru.

The sixth, International Crop Research Institute for the Semi-Arid Tropics (ICRISAT) is in the process of being established in India. Work also is in progress to develop a livestock research system in Africa. This is likely to consist of two subcenters: one in East Africa on animal diseases; one in West Africa on production research.

The purpose of these institutes is to: generate agricultural production technology urgently needed by developing countries; and, assist the developing countries strengthen their research and extention system so they can effectively adopt and utilize the technology emanating from the institute, and—in due course, themselves become effective generators of technology. They constitute important parts of the worldwide agricultural research network, serving to link research resources and capabilities of the developed countries to the needs of the developing countries.

FOOD SUPPLY

Mr. SHRIVER. On page C–12 you say "A number of factors suggest moderate optimism in assessing the prospect for developing country food supply continuing to overtake population." This sounds encouraging. Would you comment further on it.

Dr. HANNAH. The use of high-yielding semidwarf varieties of wheat and rice has expanded sharply in the less developed nations in recent years. One thrust of AID programs is to encourage and assist the development and spread, throughout the developing countries, of existing and of new high-yielding varieties of cereal crops. Examples of increased acreage in wheat and rice are:

Crop year [1]	Quantity of seed imported (metric ton)	Area planted or harvested (acres)
Afghanistan, wheat:		
1966–67	420.0	4,500
1970–71		574,300
India:		
1965–66	250.0	7,400
1966–67	18,000.0	1,270,000
1969–70		12,133,000
Morocco, wheat:		
1967–68	1.0	500
1968–69	500.0	12,100
1970–71		49,400
Nepal, wheat:		
1966–67	38.0	16,200
1967–68	450.0	61,300
1968–69	7.0	132,900
1969–70	300.0	186,600
1970–71	136.5	242,700
West Pakistan, wheat:		
1965–66	350.0	12,000
1966–67	50.0	250,000
1967–68	42,000.0	2,365,000
1968–69		5,900,000
1969–70		6,626,000
1970–71		7,288,000
Turkey, wheat:		
1966–67	60.0	1,500
1967–68	22,100.0	420,000
1968–69		1,444,000
1969–70		1,343,000
1970–71		1,184,000
India, rice:		
1965–66	6.0	17,650
1966–67	80.0	2,195,000
1967–68	20.0	4,408,000
1968–69		6,635,000
1969–70		10,729,000
1970–71		13,593,000
Philippines, rice:		
1966–67	55.3	204,100
1967–68	6.1	1,733,400
1969–70	18.2	2,500,000
1970–71		3,345,600

[1] Foreign Economic Development Report 14, dated February 1972.

INDICES OF PER CAPITA FOOD PRODUCTION [1]

Countries	1962	1963	1964	1965	1966	1967	1968	1969	1970	1971
Central America and Panama	99	100	102	102	102	104	103	102	103	105
Latin America (22 countries)	99	100	98	103	100	101	99	99	99	99

[1] Economic Research Service, U.S. Department of Agriculture Bulletin ERS–Foreign 264, revised March 1972.

SUPPLIERS OF COMMODITIES

Mr. SHRIVER. During the deliberations on your fiscal 1972 bill, you provided a list of the major suppliers of these commodities and the dollar value of each company's sales for fiscal 1971. Would you put that list in the record at this point, or put in a later one if available.

Dr. HANNAH. The list is now updated through December 1971. The data are compiled on a semiannual basis and I am providing two

volumes. The first covers the January–June 1971 period and the second covers the July–December 1971 period.

(The material was supplied to the committee.)

DAC RECIPROCAL UNTYING AGREEMENT

Mr. SHRIVER. In connection with this, on page B–26 you say you are "holding further action on untying (of U.S. commodities financed by these loans) pending the completion of ongoing adjustments in international monetary arrangement." Do you now anticipate total untying of these U.S. aid-financed purchases? Tell us more about the potential effects of the "ongoing adjustments in international monetary arrangements."

Dr. HANNAH. We do not contemplate resuming negotiations of the proposed DAC reciprocal untying agreement for the time being.

As Secretary of the Treasury Connally said in this statement before the Banking and Currency Committee, U.S. House of Representatives, on Wednesday, March 1, 1972, he does not expect the currency realinement alone to solve our international financial and economic problems . . . but it does represent progress. The multilateral realinement, changing not only the dollar relative to other countries but also the relationship of the other currencies among themselves, should strongly promote an improved equilibrium in the entire worldwide payments structure, enabling the monetary system to operate more smoothly and more effectively.

"The prime consequence of the international realinement of currency values is, of course, to improve substantially the competitive position of U.S. producers, in both domestic and overseas markets. Over time, these changes should work strongly toward restoring a trade surplus for the United States * * *

"We have made clear on many occasions that we do not expect the currency realinement to correct our trade and payments position quickly. We expect * * * the U.S. underlying balance of payments to remain in deficit this year. Experience by other countries shows the initial price effects of currency realinement on imports and exports are all too likely to be perverse. Moreover, cyclical factors may be less faborable to the U.S. balance this year, with our economy growing more vigorously than those of most of our major competitors. In contrast, the full benefits of favorable changes in physical volumes of trade due to the shifts in exchange rates may not be felt for 2 years or more."

INDUS BASIN

Mr. SHRIVER. You are requesting a total of $43 million for the Indus Basin projects. What effect did the India-Pakistan war have on these projects?

Dr. HANNAH. The hostilities between Pakistan and India which occurred in December affected progress to a minor extent. Only superficial damage was caused to the power station at Mangla. Work on Tarbela and some minor remedial work on Indus Basin projects was slowed down as the result of the imposition of a blackout in the project areas and the evacuation of some expatriate personnel. For nearly 3 weeks the rate of construction at Tarbela fell to about half that of the preceding month. Contractors are now back on the job and construc-

tion activity has pulled up again to earlier rates. An effort is being made to make up for lost time. The World Bank as Indus Basin fund manager has recently confirmed that the full amount of our $43 million request will be needed in fiscal year 1973.

FISCAL YEAR 1973 INDIA REQUEST

Mr. SHRIVER. While we're on the subject of India, on page I–32 of the book, you state in diplomatic language that the Indian leadership "has been placing increasing emphasis on self-reliance". Why, then, have you requested an appropriation of nearly $100 million for fiscal 1973?

Dr. HANNAH. Self-help and self-reliance for developing countries is what aid is all about. India has been showing steady economic progress. A few short years ago India faced famine and its economy was moving very slowly. Currently India is self-sufficient in foodgrains and has built a solid base for future industrial expansion. In fiscal year 1962 our aid to India was around $450 million. It has steadily gone down from that level. But India still needs help to maintain the pace of economic development. Just several weeks ago Prime Minister Gandhi spoke of the continued need for foreign assistance consistent with greater emphasis on self-reliance. She said, "Self-reliance does not mean that we shall not take help and give help. It does mean that we will not be dependent on such help from outside countries. In no way does it compromise our stand on self-reliance". As we have said here before, aid to India is presently under review". It is also clear that India could use substantially more funds than we are provisionally carrying in the fiscal year 1973 request.

SUMMARY OF U.S. ASSISTANCE TO INDIA AND BANGLADESH

Mr. SHRIVER. You mentioned our aid in various programs to India and Bangladesh on page 12. I have received a series of press releases describing this aid—it seems like about one a day. Would you summarize these programs for the record? Include everything we have sent or are planning to send.

What percent of the total does this U.S. contribution represent?

Dr. HANNAH. Since the Indo-Pakistan war we have provided 500,000 tons of Public Law 480 during the period of February and March when the U.N. urgently called for food commodity commitments. The delivered world market value of these commodities is approximately $73 million.

We have also made grants totaling $35.3 million to the U.N. for relief operations in Bangladesh and a series of grants totaling $7.67 million to voluntary agencies as follows:

	Millions
Catholic Relief Services (for roofing materials)	$3.0
CARE (for low-cost housing)	.650
International Rescue Committee (for student stipends and to assist the Cholera Research Lab)	1.62
Red Cross (to support International Red Cross programs in Bangladesh)	1.5
Medical assistance program (for health, housing, other relief in Chittagong area)	.9
Total	7.67

We are also in the process of making a grant of $1.5 million to the Foundation for Airborne Relief to airdrop food supplies to isolated villages during the coming monsoons.

This total of approximately $117.5 million in Public Law 480 and dollar grant assistance represents a little over 20 percent of the total commitments from all nations and voluntary agencies to Bangladesh.

EVALUATION OF TECHNICAL ASSISTANCE PROJECTS AND CONTRACTOR PERFORMANCE

Mr. SHRIVER. A General Accounting Office report dated October 20, 1971, noted the need for criteria for measuring the results of your technical assistance projects and contractor performance. What steps have you taken to meet the criticisms in that report?

Dr. HANNAH. Mr. Shriver, I am pleased to report to you that the bases for the criticisms contained in the GAO report have been eliminated or are receiving corrective action. The GAO survey of 10 technical assistance projects in three African countries was made before the installation of fundamental improvements in the AID system for measuring results of technical assistance projects and contractor performance. These improvements include methods for assuring greater precision and comprehensiveness in the statements on scope of work, goals, targets, and objectives in all planning and programing documents including contracts Thus project progress and contractor performance are evaluated more thoroughly and with greater objectivity and the timely identification of problems is facilitated.

Pursuant to the GAO report, AID arranged an independent onsite evaluation in three African countries of the management of AID technical assistance projects with special reference to the GAO's points of criticism. The report of this evaluation concluded that the new system is operative and that it has materially improved the management of technical assistance projects.

OPIC COORDINATION WITH AGRICULTURE

Mr. SHRIVER. Last year, I questioned you concerning AID projects which resulted in creating competition for U.S. exports, especially agricultural exports. You said 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." What has happened in this regard?

Dr. HANNAH. On July 19, 1971, the OPIC Board of Directors approved policy and procedural guidelines dealing with OPIC review of agricultural projects. OPIC is applying these guidelines which provide for notification of the Department of Agriculture to assure consideration of its views on projects which could affect markets for crops in U.S. surplus.

COMPARATIVE TAX BURDENS

Mr. SHRIVER. In response to a question of mine last year, you inserted information showing that only five of the 30 aid recipient countries in fiscal 1972 would impose equal or higher tax burdens on their people as here in the United States. Most of the other countries have taxes which are considerably lower in terms of percentage of GNP

than here in our country where our people are taxed to pay for this aid program. Are you encouraging these recipient countries to do more in this area? What results have you seen? Would you update that information which was inserted last year?

Dr. HANNAH. Yes, I would be happy to provide the information that you request.

Although taxes as a percentage of GNP is a common measure of tax burden it is very misleading when comparing poor with rich countries. Rich countries have far greater "tax capacity" or "tax handles." Where most people are living close to subsistence, there is little which can be taxed without starvation as the immediate consequence. Hence in general, advanced nations have far higher tax to GNP ratios than poor ones.

The Agency for International Development recognizes the importance of increasing taxes to channel more resources into development. Many programs which AID has assisted have required substantial increases in public resources to be devoted to the activity or sector in question. On countless occasions, in designing overall programing with the host country, the Agency has emphasized the need to increase public resources mobilized for development. The Agency has funded numerous tax reform missions to study countries which suggest immediate basic changes and long-range planning. With the U.S. Treasury it established the Tax Administration Advisory Service which fields technical assistance teams of U.S. advisors to work on a long-term basis in many countries. These teams usually work directly with their counterparts in ministries of finance on a wide variety of problems, from formulating a new budget-design, through development of an auditing system, to introduction of entirely new taxes.

The Agency's concern with the public sector is complemented by the persistent and deep concern of the IMF and the World Bank in increasing taxes in the various poor countries. In general the three organizations have reinforced each others' efforts in using moral and other suasion to induce developing countries to increase their taxation.

The results have been good. According to data from an IMF study, taxes in developing countries (for which data were available) increased from 11 percent of GNP in 1953–55 to 14 percent in 1966–68. Over this 13-year period, taxes grew at a rate which was 140 percent of the rate of growth of GNP. The increase was due to the introduction of new taxes, increases in rates and broadening of coverage of existing taxes, improvements in administration and compliance. Vegetative increase in response to the general growth of the economies probably accounts for only a small part of this total increase.

At this time, many developing countries have not yet published actual tax and GNP data for calendar 1971, as opposed to rough estimates. In any event the tax to GNP ratio does not fluctuate greatly in the short run and the 1971 data will reflect the same situation as those of 1970. We list below those countries for which 1971 estimates are available:

CENTRAL GOVERNMENT TAX RECEIPTS AS PERCENT OF GNP FOR CALENDAR YEARS 1970-71, CLOSEST FISCAL YEAR

Country	1970	1971
Latin America:		
Bolivia	10	11
Brazil	12	13
Colombia	10	10
Dominican Republic	15	16
Ecuador	15	----
El Salvador	10	11
Guatemala	8	8
Guyana	21	----
Honduras	11	11
Jamaica	20	----
Nicaragua	9	9
Panama	13	13
Paraguay	11	11
Peru	15	14
Uruguay	13	----
Africa:	32	----
Congo (K)	8	10
Ethiopia	13	----
Ghana	20	----
Liberia	17	----
Morocco	11	----
Nigeria	13	----
Tanzania	21	----
Tunisia	13	----
Uganda	8	9
Near East and South Asia:	8	----
India	18	17
Pakistan	11	----
Turkey	15	----
East Asia:	9	8
Indonesia		
Korea		
Philippines		

MULTILATERAL AND BILATERAL FLOWS OF FOREIGN ASSISTANCE

Mr. SHRIVER. Mr. DePalma stated last year that 90 percent of our foreign aid in fiscal 1971 was bilateral and 10 percent multilateral. What are these percentages for fiscal 1972, and what are you planning for fiscal 1973?

Dr. HANNAH. The percentages of proposed foreign assistance expenditures for bilateral and multilateral programs as shown in the U.S. budget for 1973 are as follows:

	Estimates (percent)	
	Fiscal year 1972	Fiscal year 1973
Multilateral	13	17
Bilateral	87	83

Bilateral expenditures include AID, MAP, Peace Corps, and Public Law 480 and are estimated at $3,415 million in fiscal year 1972—$3,189 million in fiscal year 1973. Multilateral programs include U.S. participation in international financial institutions and AID contributions to international organizations and other multinational activities. Estimated multilateral expenditure outlays for fiscal year 1972 are $497 million and $639 million for fiscal year 1973.

EXPANSION OF GRANTS TO U.S. UNIVERSITIES AND NONPROFIT ORGANIZATIONS

Mr. SHRIVER. One of your new directions for fiscal 1973 is an expansion of the grants to U.S. universities and nonprofit organizations. Tell us more about that.

Dr. HANNAH. AID plans to expand its existing program of grants to nonprofit organizations in order to draw more fully on the evident talents, resources, and longstanding motivation of American private and voluntary groups in behalf of overseas development. Our limited experience to date along these lines is promising and gives some guide as to how to provide this support effectively.

Many of these organizations are actively or potentially devoted to practical, down-to-earth development work in the service of overseas communities. They frequently have a staff of some size and broad national or regional memberships whose motivations in belonging do vary but are not commercial; they include for example, the nonsectarian service arms of religious denominations.

The starting basis for support will be a real mutual interest, shared by an organization, the less-developed countries and the Agency, in working in specific fields such as nutrition, or family planning, or vocational and management training, that fall within our assistance objectives in a particular country or region. More than a few nonprofit organizations have already shown their interest and ability to work well in some of these fields, with or without AID support. Of course, their ability to expand their activities, perhaps in a new country, will need careful review. Our intention is to encourage these organizations to lay out their own activities and to assume direct responsibility for logistics and operating results, subject to continuing review and evaluation done jointly.

Along with their extensive experience in conducting overseas programs—and consequently their own vigorous ideas of priority needs of communities in poor countries and ways of meeting them—private and voluntary agencies usually have significant financial resources of their own, in hand or on call. These funds are one healthy measure of independent status and a real safeguard against the loss of identity and vitality that total Government support could entail.

The longer term benefits of such Agency support of private groups hopefully will do more than encourage them to strengthen and expand current activities. This collaboration should lead in some cases to new program ideas and methods which can be adopted more widely. It should also help mitigate the "official" character of aid relationships between governments, to the extent genuine collaboration is achieved between private American and local bodies in practical development tasks. This is helpful, in that it allows greater flexibility in how to get things done than often seems to be the case when things have to be done government to government.

MORE SPECIALIZATION

Mr. SHRIVER. On page A–1 of the book you say: "AID intends to become less of a general purpose assistance organization and more of a specialized agency." We will need to explain that to our colleagues

78-827 O - 72 - pt. 2 - 12

when we bring this bill out, so would you comment more extensively on what you plan in this regard?

Dr. HANNAH. In the past U.S. assistance programs have responded to a wide range of requests for help. This was necessary as the capacity of other donors to provide assistance was very limited. This resulted in a stretching of AID resources into a wide range of subjects. We found that it was difficult to manage such a wide ranging program and also to mobilize a "critical mass" of high-quality U.S. technicians in so many fields. The recent growth in the capacities of other donors has taken the pressure off AID and is allowing us to concentrate on those subjects in which U.S. capability is high. This program concentration will also allow for more effective field support and overall management from the Washington side.

We will build our revised program from the field up. Hence the first step is to receive recommendations from our field missions as to which problems deserve the highest priority for U.S. attention. From their proposals we will pick the limited number of subjects upon which we intend to concentrate. Our research efforts and field support activities will be refocused on these problems. This will give us the ability to bring to bear on any given problem a better package of resources than we could when required to maintain a more widespread program.

FOOD FOR WORK PLAN

Mr. SHRIVER. On page A–2 you say you will give increased attention to using "food resources" in rural public works and other programs. Is this the "food for work" idea which has been mentioned in the past? How extensively do you plan to use this?

Dr. HANNAH. What we have in mind here is a more effective use of all Public Law 480 title II resources. We plan to ask for no increase in program size at this time. Our first task is to better integrate title II with other AID resources, so that they reinforce each other. This includes both "food for work" and child and maternal health programs. We look upon better nutrition as a way of improving the "quality of life" without requiring large increases in the GNP.

CONTROL OF U.S. FUNDS

Mr. SHRIVER. Another of your new directions is to have the host countries play a larger role in the planning and implementation of aid programs in their country. Will you still retain what you consider to be adequate control over the expenditure of U.S. funds?

Dr. HANNAH. Yes, we will retain adequate control over the expenditure of U.S. funds. As we rely more heavily on host countries and private institutions to implement our programs, we intend to place our emphasis on monitoring the progress and results of these programs.

Mr. SHRIVER. How will you exercise this control if you keep cutting back on the number of U.S. personnel overseas?

Dr. HANNAH. We do not expect to reduce the numbers of personnel engaged in monitoring activities, except as we identify more efficient ways of performing these functions.

LOW PRIORITY PROJECTS

Mr. SHRIVER. On page B–7 you say that on-going projects in lower priority areas will be phased down or eliminated. What types of projects would these be? Give us some specific examples.

Dr. HANNAH. We are awaiting recommendations from our field missions before selecting our areas of concentration.

SCIENCE AND TECHNOLOGY

Mr. SHRIVER. The book mentions a planned "mobilization" of our strength in science and technology to meet development problems. Explain these plans further.

Dr. HANNAH. Our assistance efforts have used talent from the scientific and technical fields for many years. But the scope of the efforts has been narrow and the impact of the efforts short in duration, usually leaving no indigenous scientific or technical capability.

U.S. expertise in these fields represents great potential for solving the problems of the developing countries. AID has begun a systematic effort to bring together and direct to development needs the resources of U.S. institutions. The purpose of this effort is to strengthen the capacity of developing countries to acquire and use science and technology more effectively.

We shall continue to support promising centers of excellence that form the basis for expanding local competence and can assist in the development of national science policies in the developing countries.

As the developing countries increase their awareness of the necessity to use scientific and technological resources more effectively, we feel that a collaborative style of assistance can make significant contributions to sustained economic development. The National Academy of Sciences, with AID support, has developed collaborative programs with a number of developing countries to assist them in integrating local scientific and technological activities into overall development efforts. Most recently programs have been developed with Cornell University, Massachusetts Institute of Technology, and Arthur D. Little, Inc., to encourage further concentration of U.S. scientific talent on the problems of development.

FOREIGN DISASTER RELIEF

Mr. SHRIVER. Tell us more about your reorganization plans for the disaster relief and reconstruction efforts of our Government. Will all public and private programs be coordinated directly by this new Bureau?

Dr. HANNAH. This reorganization is designed to strengthen U.S. emergency relief responses and provide a capability to contribute significantly to much needed international disaster preparedness activities. Specifically, the plan:

1. Elevates the disaster relief staff to the level of an agency office and by reporting directly to the Assistant Administrator of AID's new Bureau for Population and Humanitarian Assistance, the Foreign Disaster Relief Office is provided higher level policy direction;

2. Increases the staff from eight to 11 to give new emphasis to disaster planning, evaluation, and information exchange among members

of the United States and international foreign disaster relief community; and

3. Provides for the creation of a modest facility to house disaster operations and the information center. The statement of mission of the new Office of the Foreign Disaster Relief Coordinator will emphasize the need for better coordination between U.S. public and private responses and increased effectiveness in coordinating U.S. inputs through the United Nations.

With respect to your reference to reconstruction, AID's emergency assistance role can extend into the recovery phase. In such instances, the strengthened disaster organization will facilitate reconstruction by providing logistic and other support through the difficult period of transition from emergency to recovery aid. At an appropriate point, different in each disaster situation, disaster relief phases out and the AID regional bureau assumes a more conventional program relationship with the host government to carry out agreed upon rehabilitation projects.

Concerning the last part of your question, all U.S. Government relief operations are coordinated through the Foreign Disaster Relief Coordinator (FDRC) and U.S. subsidized disaster relief of U.S. voluntary agencies are coordinated with the overall USG effort. Many of these agencies voluntarily seek the coordination of their nonsubsidized activity with the USG to avoid overlap and duplication. This liaison is expected to become closer under the new Bureau, and result in a strengthened disaster relief arrangement.

Mr. SHRIVER. Are the Bangladesh funds to be directed toward alleviating suffering caused by the war, or are they to be used to raise that country up from its traditional extreme poverty? In other words, is this program, which is justified on the basis of disaster relief, now becoming a regular foreign aid program?

Dr. HANNAH. This is a relief and rehabilitation program based upon the priority needs of Bangladesh as these needs are defined by the U.N. and the World Bank. Emphasis is on the short term, on getting the Bangladesh economy back to where it was before the civil war. This involves more than the provision of relief supplies and repairing most obvious war damage. For example, it requires an expanded water transport system to move food, rural works to provide employment, and the provision of raw materials to get industry started again.

INTER-AMERICAN FOUNDATION

Mr. SHRIVER. You mention the Inter-American Foundation on page B–14. You say this is a "new approach" and that it is an effort "to place increased emphasis on the social aspects of the development process." As I read this book and statement, it would seem you are planning to do the same thing. What is the Foundation doing that AID has not been doing through its technical assistance programs?

Dr. HANNAH. Yes; I would be happy to provide the information you request. The Inter-American Foundation, of course, is not a part of nor is it organizationally associated with AID, but we'll refer your question to the Foundation.

The Inter-American Foundation grew out of the perceived need, as expressed by the Members of Congress who fostered its creation, "for some basic changes in the method and thrust of our approach" to Latin America (report of the Sub-

committee on Inter-American Affairs of the House Foreign Affairs Committee, July 1969, p. 13). Thus, the real distinction between traditional aid activities and those being undertaken by the Inter-American Foundation will be found not so much in "what" it is doing as "how"—the approach.

"The foundation's approach is designed to identify and test Latin American and Caribbean solutions to Latin American and Caribbean social development problems. The foundation does not seek to transfer solutions which have been found useful in the United States—which is one description of normal technical assistance activities—but rather to assist indigenous groups in developing and testing their own methods and solutions. To the extent that these indigenous solutions are found to be valid and viable, they will indicate significant new dimensions for all of the organizations working on social development in the area. The Foundation believes that these solutions and methods hold great promise for the accomplishment of the social goals of Latin America and the Caribbean since they are based on a much more profound understanding of local realities than it would be possible to achieve in any other way.

As a part of carrying out this distinct approach the foundation responds only to applications from bona fide local groups. The foundation does not design or operate projects nor does it finance projects essentially developed by U.S. or other foreign organizations working in Latin America (although in several cases the Foundation has participated in projects of indigenous groups organized with the help of U.S. organizations, and it is anticipated that this will continue). Thus, not only the design, but also the success or failure of projects is and remains clearly the responsibility of the initiating local group involved. This means, among other things, that the foundation is able to operate without resident field staff although relying heavily on in-counry U.S. personnel of existing agencies for assessments of participating groups and similar information.

One additional point of departure may be mentioned. The foundation sees, as the end product of its work, not just a series of projects but rather a body of knowledge about social development in Latin America and the Caribbean and a communications network throughout the hemisphere designed to make this information available to institutions, groups and individuals who may have an interest in or need for it. This would mean everyone from universities, working on the analysis of social development problems, to ministries of planning and social development, to groups of small farmers or urban slum dwellers seeking possible solutions to their own problems.

CHILE—PROPOSED TECHNICAL ASSISTANCE PROGRAM

Mr. SHRIVER. Despite the President's statement on expropriation of January 19, 1972, you are still requesting $850,000 for technical assistance for Chile. This is not going to be very popular in Congress or at home. Would you comment on it?

Dr. HANNAH. President Nixon said that when a country expropriates a significant U.S. interest without compensation to U.S. citizens the United States will not extend new bilateral economic benefits unless it is determined that the country is taking reasonable steps to provide prompt, adequate, and effective compensation or that there are major factors affecting U.S. interests which require continuance of benefits. He also stated that humanitarian assistance will continue to receive special consideration.

For Chile in fiscal year 1973 we are proposing no new loan assistance. The technical assistance program has been steadily reduced in recent years—from $2.9 million in fiscal year 1970 to $1.5 million in fiscal year 1971 and an estimated $1 million in fiscal year 1972. The proposed technical assistance program of $850,000 for fiscal year 1973 provides a limited amount of funding for our program-funded staff in Santiago, which has been cut back from 30 U.S. technicians at the end of fiscal year 1970 to 20 at the end of fiscal year 1971, and which will be cut back further to nine by the end of fiscal year 1972. Only three program-funded U.S. technicians are expected to be on duty at

the end of fiscal year 1973. The technical assistance program also provides funding for people-to-people activities—small-scale community development projects and the United States and third country training. These activities are not new, but have been underway for several years. We believe a continuation of funding for this program during fiscal year 1973 is in the U.S. interest, in that it would permit us to maintain the valuable contact and identification with the Chilean people that we achieve through these activities.

FOOD FOR PEACE PROGRAM

Mr. SHRIVER. On page B–15 you point out that $22 billion worth of agricultural commodities have been provided under the food for peace program since its inception in 1954. Would you provide for the record a breakdown of this figure by the different commodities?

Dr. HANNAH. The actual export value of all commodities provided under the food for peace program since its inception through the end of 1971 is $20.5 billion. The breakdown of these exports by commodity is provided in the attached table.

(The table follows:)

Public Law 480, exports by commodity shipped (July 1, 1954 through December 31, 1971)

[Total Public Law 480 exports in thousands of dollars]

Grains and products:	
Wheat	$8,634,229
Wheat flour	1,375,535
Bulgur wheat	178,333
Rolled wheat	27,714
Corn	894,326
Barley	287,062
Grain sorghums	566,369
Oats	32,255
Rolled oats	18,517
Rye	21,408
Mixed feed grains	212
Rye flour	183
Cornmeal	195,944
Rice	1,505,845
Fats and oils:	
Lard	30,264
Tallow	164,028
Soybean oil	1,285,993
Cottonseed oil	299,225
Linseed oil	2,022
Vegetable oil, other	44,032
Oilseeds and meal:	
Peanuts	898
Soybeans	21,635
Soya flour	232
Flaxseed	2,723
Oilseed meal	2,106
Dairy products:	
Milk (evaporated and condensed)	127,550
Milk (nonfat dry)	1,048,882
Milk (whole)	10,806
Milk (dry, modified)	40
Cheese	194,231
Butter	152,056
Butter oil, anhydrous milk fat, and ghee	164,700
Other dairy products	130

Meat and poultry:	
Beef	38,730
Pork products	9,953
Poultry	10,277
Dried eggs	5
Fruits and vegetables:	
Dried fruit	6,920
Fresh, canned fruits and juices	9,694
Dry edible beans	37,438
Potatoes	2,002
Peas	776
Lentils	209
Other:	
Blended foods	123,610
Cotton (including linters)	2,352,988
Cotton products (fabric, yarn)	56,023
Wool	7,029
Tobacco	588,878
Seeds	394
Cattle hides	144
Total	20,534,555

MULTILATERAL ORGANIZATIONS

Mr. SHRIVER. Would you provide for the record the identifiable U.S. percentage of the multilateral assistance for fiscal 1971 for each of the organizations listed on page B–17?

Dr. HANNAH. Yes, sir.

(The information follows:)

USG Share of Subscribed Capital[1]

	Percent
IBRD	27
IDA	37
IFC	33
IDB ordinary capital	43
IDB fund for special operations	77
ADB ordinary capital	20
ADB special funds	1
AfDB	(2)
EIB	(3)
UN agencies	4 34

[1] As of June 30, 1971.
[2] There are no developed-country members of the AfDB, and the United States has not provided any funds for lending by the AfDB to LDC's.
[3] The United States is not a member of the European Investment Bank.
[4] Based on U.S. pledges to UNDP and UNICEF in fiscal year 1971.

IDA APPROPRIATION REQUESTS

Mr. SHRIVER. Since the full Appropriations Committee voted yesterday not to include $320 million for the International Development Association as part of the 1972 supplemental bill, will you now request $640 million for fiscal 1973?

Dr. HANNAH. I don't think that is very likely. What is important is that we make available the first $320 million installment of our 3-year contribution to IDA as soon as possible. As you know, we are behind schedule, and meanwhile other donor countries have voluntarily advanced $454 million to IDA to permit it to continue lending. In spite of these voluntary contributions, IDA has been forced to ap-

prove some recent loans on a contingency basis, pending receipt of the first U.S. installment.

AFRICAN DEVELOPMENT BANK

Mr. SHRIVER. You say on page B–20 that you are considering a contribution to a Special Fund for the African Development Bank. Tell us about that? Will this committee be consulted about the amount of that contribution?

Dr. HANNAH. The discussions concerning a possible Special Fund for the African Development Bank are still in a preliminary stage. Any U.S. contribution would be requested in the form of special authorization and appropriation legislation and would not come out of the AID budget, but that is not likely in any case until fiscal year 1974. In advance of any such request, the Treasury Department does intend to consult informally with the Congress, if and when it appears likely that we will want to participate in such a Fund.

Mr. PASSMAN. Mr. Riegle?

SOUTH VIETNAM POPULATION ALINEMENT WITH THE VIETCONG

Mr. RIEGLE. First, the study—National Security Memorandum No. 1—notes that the Office of the Secretary of Defense concluded that the portion of the South Vietnamese rural population alined with the Vietcong was apparently the same in 1969 as it was in 1962—3 million Vietcong alined. On the basis of this record, I would like to know what the justification was for spending more money on this program.

Dr. HANNAH. Honest men have differed about the extent of Vietcong influence over the rural population throughout the history of our support effort in Vietnam.

In any case, however, the justification for our continued support to the Vietnamese development effort was then, as it is now, based on the desirability of assisting an ally nation to defend itself against the various faces of an external Communist threat. To be more specific with regard to 1969, this was the year after the Republic of Vietnam (GVN) had turned back the treacherous attacks mounted by the Vietcong and North Vietnamese during the Tet holiday truce. The enemy staked a great deal on this effort, and failed in his attempts to overthrow the government and to incite a "general uprising." In this Tet effort, the Vietcong not only lost much of the good will built up with the rural population over the years, but lost also thousands of key political cadre in the rural areas. The GVN moved actively to take advantage of those factors, to reassert its influence in the rural areas and expand it. The successes of this effort, together with the erosion of the enemy's popular support are facts conceded now by almost all observers. The GVN since 1969 has steadily become more competent and responsive countrywide, and the number of those alined with the Vietcong has decreased drastically. This decline is graphically demonstrated by the negligible Vietcong role at present in the current North Vietnamese invasion.

Mr. RIEGLE. A corollary conclusion was that in 1969 it appeared that at least 50 percent of the total rural population was subject to significant Vietcong presence and influence. And yet during that period, we had witnesses before this committee who consistently argued on

behalf of the program and the gains that had been made. I would like your most pessimistic appraisal of where we stand today in relation to community security and do we have any effective way of measuring this?

Dr. HANNAH. First, we can judge the success of the pacification program in terms of the enemy's response to it. Every recent enemy strategy document we have captured contains references to the gains we have made in pacification and the need for NVA/VC forces to attack and reverse them.

The fact that North Vietnam has found it necessary to use 12 of its 13 regular divisions in a full-scale conventional invasion of the South is testimony to the effectiveness of the pacification program.

It is not possible to give you an appraisal of "where we stand today in relation to community security" since major sections of South Vietnam are, at this moment, under heavy military attack. However, at the end of February, the GVN controlled nearly 75 percent of the rural population of South Vietnam. They held the balance of influence over an additional 10 percent. By way of contrast, the Viet Cong were believed to control about 1.5 percent of the population and held the balance of influence over an additional 1 percent. About 10 percent of the rural population was influenced equally by both sides. About 2 percent of the population could not be rated due to lack of information. These data were developed by the same method which produced the 1969 data which you regard as pessimistic. In our view, they represent substantial progress in the period between the two major North Vietnamese offensives in the South (Tet 1968 and today).

A final element of proof of the substantial gains which were made in pacification is the present inability of the Vietcong (South Vietnam's Communist element) to participate effectively in the present NVA offensive. Apparntly the local Communist organizatieons have been significantly eroded during the last 3 or 4 years.

URBAN MIGRATION VERSUS RURAL PACIFICATION

Mr. RIEGLE. I understand that as a result of the hamlet evaluation system, significant numbers of people have been brought under GVN control and yet the NSM No. 1 (National Security Memo No. 1) concluded that most of these gains occurred as a result of urban migration rather than rural pacification. It is difficult to see what an $844-million expenditure is buying us in Southeast Asia if this is the case. Would you care to elaborate on this point?

Dr. HANNAH. South Vietnam is after all a country at war, and there have been moves of the population away from contested rural areas to find more security elsewhere. It should also be pointed out that migration into the cities from the countryside is a phenomenon seen in many countries, not just Vietnam. These general comments aside, the expansion of GVN influence and the return of the population to rural areas they had previously left is one of the most heartening developments of the last several years. In the heavily populated Mekong Delta for example, former Vietcong base areas have been repopulated. The steadying effect of a continual GVN presence through expanded regional and popular forces, the development of an effective, functioning, armed civil guard, revitalized institutions of local government, and

greatly improved economic conditions have tended to reverse the trend you refer to in your question.

The transformation of the Vietnamese countryside has been one of the striking developments in Vietnam since 1969. It is no easy matter to subdue a guerrilla movemnt, but real progress has indeed been made as many observers have concluded. Pacification and greater security in rural Vietnam is a reality.

AID ASSISTANCE DESTROYED BY THE WAR

Mr. RIEGLE. As we look to the future and the security of the South Vietnamese villages, I am concerned about the conclusion made by both the CIA and DOD, as well as the State Department, that the enemy as very recently proven was capable of another TET-like offensive which could wipe out the much touted gains of the pacification program. Does your agency maintain any records of the number of times you have rebuilt the same schools or infrastructure, resettled the same refugees, and developed the economy of the same areas?

Dr. HANNAH. While there are no data available on resettlement of individual refugees, it can be stated that the percentage of AID supplied facilities and equipment which has been destroyed as a result of the war is very, very small. Major. AID financed facilities such as generally located in heavily populated areas, less exposed to extensive damage by military action. While such installations do occasionally suffer minor damage, none has ever been completely destroyed, even in the 1968 offensives. While it is true that AID has assisted the Government of Vietnam to repair damage to rural public buildings, such as hamlet schools and dispensaries, most of these buildings were originally constructed by the Vietnamese with or without U.S. commodity support. In any case, the cost of repairing such buildings is comparatively low and would represent only a fraction of a percent of our overall annual AID support to Vietnam.

CONTINUED SECURITY OF SOUTH VIETNAM

Mr. RIEGLE. Even if significant progress could be achieved in the pacification program what hope is there for continued security if, as the CIA and DOD believe, the overland routes from China alone could provide the NVA and the VC with enough material to carry on even with an unlimited bombing campaign?

Dr. HANNAH. There is evidence that despite infiltration, pacification was indeed making significant progress prior to the current massive invasion of South Vietnam by regular North Vietnamese Army (NVA) units. This evidence included numerous evaluations and reports of the enemy, including the dismal evaluation in COSVN (Central Office for South Vietnam, the agency which coordinates and directs the overall Communist subversive effort). While pacification is related directly to security, security is related to a state of mind on the part of the populace. Prior to the current NVA invasion, it was increasingly evident that the people were beginning to feel more secure in their anticipation of an eventual GVN victory. Consequently, they were withdrawing support from the Communist insurgents—a fact they admitted. Communist attacks on security in this context were rapidly degenerating into a type of random terror more typical of

banditry than of a popular political rebellion. These acts were increasingly counterproductive. The current offensive is of course different; it is a "blitzkreig" invasion. As such, it depends upon massive logistics supply which is beyond the capability of the enemy for more than a limited, temporary period of duration.

PACIFICATION PROGRAM

Mr. RIEGLE. Again according to the NSM No. 1, if the 1967–68 rate of pacification is sustained, it would—depending on your point of view—take anywhere from 8.3 to 13.4 years to pacify the country. Based on this projection, this means that your Agency could be appearing before this committee in the year 1982 for funds to finish this job. Does that estimate sound realistic to you?

Dr. HANNAH. As indicated elsewhere in these responses, we believe that the GVN has made substantial strides in pacification since 1969. However, it is not possible to give a specific estimate on how long it will take to complete the process. We anticipate assisting the GVN in various areas for some time to come, as we have maintained long-term aid programs in other nations. We are confident that need for assistance specifically directed at pacification will decline over time, but that considerable amounts of other types of economic and financial aid will be necessary to ease the disruptions and dislocations of a wartime situation. These problems have, of course, been magnified as a result of the current North Vietnamese invasion.

Mr. RIEGLE. There was a quote in this study that "the substance of the long-term debate emerges clearly. The pacification program has registered no progress over 1967–68 and before." This is a very bleak assessment indeed, and I would like to know what the picture is today.

Dr. HANNAH. My response to your other question presents our analysis of the present-day situation.

ENEMY'S SUPPLY NEEDS

Mr. RIEGLE. What was most discouraging to me was learning that both the CIA and DOD found that the enemy's needs in South Vietnam—10 to 15 trucks of supplies a day—are so small and his supply of war materials so large that the enemy can replace his losses easily. Thus, in any moment of time, he has the capacity to destroy, within days, AID's achievements in South Vietnam.

Dr. HANNAH. While the enemy was capable of replacing his loss of military material and even of North Vietnamese military personnel prior to this invasion, he was increasingly unable to replace his loss of dedicated and determined local South Vietnamese cadre. This is the area in which the enemy was suffering. While there has been some increased indigenous Vietcong activity in conjunction with invading North Vietnamese Army (NVA) thrusts, that is, (Quang Tri, Kontum, and An Loc) and in traditional strongholds where pacification was just getting started (that is, Binh Dinh Province and the U–Minh Forest area) it is obvious that he still suffers a shortage of active local cadre in 85 percent of the country. Even during the current NVA offensive, which certainly requires more than 10 to 15 trucks of supplies a day, the enemy has not yet destroyed all, or even a significant proportion of AID's achievements in South Vietnam—even after 6 weeks of massive invasion.

VC COUNTER PACIFICATION

Mr. RIEGLE. It is now clear that during 1970 and 1971, the VC were husbanding their resources to give themselves the option of a counter-pacification program. Based on the latest intelligence, there will be a phase 4 offensive against the towns, villages, and cities in South Vietnam. What precautions, if any, are you taking to blunt these attacks?

Dr. HANNAH. It was generally assumed that the Vietcong were attempting to husband their resources during 1970 and 1971. To what degree they succeeded is not yet clear; local Vietcong forces and political cadre have not been notably more confident or aggressive except in areas where they have received heavy support from regular enemy forces. One of the problems facing the Vietcong is that a political insurgency is by definition a dynamic organizational effort. To husband resources for a later day is to risk stagnation and the loss of the necessary dynamism. There is some evidence that this was occurring to a degree sufficient to worry the North Vietnamese leadership. This, in fact, may have been the strongest motive behind the current high-risk policy of the North Vietnamese. With regard to phase 4—an anti-pacification offensive—we can only wait and see what results from the eventual conclusion of the main force battles. The Government of Vietnam is already aware of this threat. The Prime Minister's office issued on April 12, a Central Pacification and Development Council (CPDC) directive on the need to protect and reinstate local administrative and security services to the extent possible. This effort was given a maximum priority. At present, the main effort in pacification must be of necessity be limited to this type of more or less "holding action." The CPDC is, however, already working on plans for some type of accelerated pacification campaign to kick off immediately when the main force invasion is defeated. Hopefully, this campaign will be as successful as a similar campaign following Tet of 1968 which not only gained ground lost during Tet, but also made unprecedented gains into areas never before entered.

Mr. RIEGLE. It is reputed that the Communists have long felt that a demonstrably strong blow against the pacification program would have wide repercussions, particularly at a time of optimistic claims of allied success. Can you explain to the committee how any kind of nation building can go on under these circumstances and why shouldn't we wait until this war is over before we spend these funds?

Dr. HANNAH. The question indicates that some clarification of the purposes of these pacification funds would be in order. By Communist appellation, the war in Vietnam has been a "people's war." The fundamental premise of the enemy's strategy has been to attempt to seize control of the people, pull them from under the Government in power and thus cause its collapse. Prior to 1964 the Communists employes guerrilla tactics designed to erode the presence and programs of the government from the countryside. In late 1964, the Communists escalated hostilities by infiltrating regular battalions, regiments and divisions into the south to exploit gains realized in the earlier stage, and to seize the country by an outright coup de main. Their success was forestalled by the introduction of U.S. combat forces. Behind the shield provided by our forces, the Vietnamese and American Governments spent the next several years organizing policies and programs appropriate to conducting a people's war on the government

side, reflecting the realization that the people are the key to success in this situation. In the aftermath of the convulsive military effort made by the enemy at Tet 1968, these programs were gathered together, and the government assumed the initiative in the people's war, expanding out into the countryside, reestablishing security for the local communities.

The realization of the people's nature of the war on the government side brought a variety of new programs and tactics to the effort. These programs were designed to enable and assists the people to defend themselves, to govern themselves, and to improve their own economic and social conditions. These all come to be considered as parts of "one war," with all programs reflecting the essential popular and political nature of the overall effort. They began as "pacification", or bringing security to the people, and expanded to "pacification and development." These programs have permitted the government to demonstrate concretely its desire and ability to respond to the basic aspirations of the Vietnamese people not only for such basic necessities as physical safety, food, clothing, shelter and medical attention, but also for local self-government, education for their children and economic independence for themselves and their families. If this assistance had been withheld pending complete cessation of military activity, the people could well have been lost through what they would have considered government apathy.

It was certainly understood that rural development in time of war entailed some risk that a portion of the resources supplied by the United States would be damaged or destroyed by military or terrorist action. The risk appeared acceptable compared to the advantages to be gained. In any case, to do nothing at all for those who had been directly or indirectly victimized by a war not of their making was unthinkable. The decision to accept the risks and go ahead has certainly been vindicated. As indicated in the response to the earlier question, only a very small percentage of overall annual AID support to Vietnam has been rendered permanently lost due to military activity.

ALLIED WAR DAMAGE TO RURAL HAMLETS

Mr. RIEGLE. Using limited data which showed that 7 percent of the responding hamlets were affected by friendly caused war damage, the CIA concluded that the rural hamlets take a tremendous beating. They went so far as to suggest that this is a very serious problem which is in need of further U.S. Government attention and analysis. Do you have any further studies that further refine this problem and explain what has been done to correct or eliminate it?

Dr. HANNAH. Both we and the Government of Vietnam have given this problem continuing attention in attempting to reduce war damage caused by friendly forces. Damage has inevitably occurred, but it is probable that in no other war has so much effort been made to prevent as much as possible. A complicating factor has been that the Vietcong have not hesitated on many occasions to purposefully and cynically attempt to bring down friendly fire on populated areas, including schools, churches, and pagodas. This interposition of a civilian population as a technique is one of the cruelist aspects of the war.

The general problem has been much relieved, however, as a result of pacification's success. What this has meant is that local forces (re-

gional, popular, and self defense) have taken on the burden of protecting villages and hamlets while larger ARVN units have pushed the enemy into border sanctuarties or other lightly populated areas. In other words, the battles have been taking place relatively far from the majority of the rural villages and hamlets. Enemy terrorism, propaganda, and recruitment continue, but at a much lower level. The bulk of the fighting has shifted elsewhere, and the relative normality of country life throughout much of Vietnam is testimony to this.

The present invasion has temporarily reversed this trend in some parts of the country. But it is a pitched battle between conventional units, not guerrilla ones. Whatever the outcome of the present fighting, and we are confident as to this outcome, the local guerrilla forces have been eroded to the point where we feel they will not be able to regain the effectiveness throughout rural Vietnam which was the main contributing factor to the friendly war damage you describe.

GVN SHORTCOMINGS

Mr. RIEGLE. It is probably repetitive in this committee room to say that corruption, favoritism, and neglect of the populace's problems are still major GVN shortcomings but to learn from the National Security Memo that after 10 years of war we are no further along in improving the honesty of the GVN officials or in gaining their sympathy toward the populace's problems is most disheartening. What is it that continues to prevent the GVN from gaining the allegiance of the South Vietnamese people?

Dr. HANNAH. We question the conclusion, drawn from a 3-year old document, that the present day GVN has made no progress in the areas you cite, and is unable to gain the "allegiance of the South Vietnamese people." The shortcomings are important ones and they exist in Vietnam, as they do in most governments of the area, not to say the world. It is safe to say, however, that the great majority of the South Vietnamese people prefer the GVN, with its shortcomings, to the kind of regime that exists in North Vietnam. The GVN has worked hard, with our assistance, to remedy its weak points, and the result has been that the populace is considerably more favorably inclined to it.

There are two basic reasons for this. First, the VC have forfeited much of the good will they once had through their Tet attacks of 1968 and their increasingly oppressive policies of taxation and recruitment. Feeling apparently that the course of events was against them, they resorted to policies designed to lose them even more support. Their organization has thus been drastically weakened, and much of this is due to their becoming increasingly isolated from the people.

The second factor was the increasingly effective performance of the GVN. We have outlined for you in some of the above questions the unquestioned expansion of GVN influence and control throughout the country. This has been a result not only of better military performance, but improved performance in many other areas as well. Whatever the faults of the GVN, virtually all observers agree it has now gained greatly in popular support vis-a-vis the Vietcong.

Were this not the case, for example, the GVN would not have decided to distribute weapons in 1969–70 on a mass basis to local militia forces, something that previously it had not dared to do. Also worthy of note is the rallying of many elements of the population around the

GVN during the current crisis, and their corresponding refusal to defect to the enemy.

The improved GVN performance and a clearer popular understanding of the true methods and goals of the VC have thus had a considerable impact. Major problems and shortcomings still exist; it would be surprising if they did not. But progress has been made. The reality of this progress and increasing popular support for the GVN are among the most significant features of the Vietnam scene during the last several years.

Mr. PASSMAN. Dr. Hannah, as usual, you have been completely forthright. We appreciate your testimony before us this afternoon. The committee is adjourned.

TUESDAY, APRIL 18, 1972.

SUPPORTING ASSISTANCE—GENERAL AND EAST ASIA

WITNESSES

HON. RODERIC L. O'CONNOR, COORDINATOR FOR SUPPORTING ASSISTANCE, AGENCY FOR INTERNATIONAL DEVELOPMENT
MARSHALL GREEN, ASSISTANT SECRETARY OF STATE FOR EAST ASIAN AND PACIFIC AFFAIRS
ALFRED L. ATHERTON, DEPUTY ASSISTANT SECRETARY OF STATE FOR NEAR EASTERN AND SOUTH ASIAN AFFAIRS
CHARLES H. BREECHER, DIRECTOR, OFFICE OF DEVELOPMENT PLANNING, BUREAU FOR SUPPORTING ASSISTANCE, AGENCY FOR INTERNATIONAL DEVELOPMENT
DR. HERBERT W. DODGE, PROGRAM DIVISION CHIEF, OFFICE OF DEVELOPMENT PLANNING, BUREAU FOR SUPPORTING ASSISTANCE, AGENCY FOR INTERNATIONAL DEVELOPMENT
HENRY BARDACH, SPECIAL ASSISTANT, ECONOMIC AFFAIRS, BUREAU OF EAST ASIAN AND PACIFIC AFFAIRS, DEPARTMENT OF STATE
ROBERT MYERS, BUREAU OF EAST ASIAN AND PACIFIC AFFAIRS, DEPARTMENT OF STATE
GEORGE NEWMAN, ACTING COORDINATOR OF SECURITY ASSISTANCE, OFFICE OF THE UNDER SECRETARY, DEPARTMENT OF STATE
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 of the budget requests for foreign aid and assistance for fiscal year 1973. This afternoon we have Hon. R. L. O'Connor, Coordinator for Supporting Assistance, Agency for International Development; Hon. Marshall Green, Assistant Secretary of State for East Asian and Pacific Affairs, and Hon. Alfred L. Atherton, Deputy Assistant Secretary of State for Near Eastern and South Asian Affairs, and other distinguished witnesses whose names will also be spread upon the record.

I would assume that you have a statement you would like to make to the committee at this time, Mr. O'Connor?

Mr. O'CONNOR. I do, sir.

GENERAL STATEMENT OF THE COORDINATOR FOR SUPPORTING ASSISTANCE

Mr. Chairman, I appreciate this opportunity to appear before you and members of this subcommittee to present our request of $844 million in security supporting assistance funds for fiscal year 1973. This amount combined with other availabilities would fund a total program of $874.5 million.

Supporting assistance, no less than other forms of military and security assistance, is an instrument of U.S. foreign policy. Supporting assistance is provided in order to promote or maintain the recipient country's economic or political stability when the maintenance of the recipient's stability is important to U.S. national security interests.

SOUTHEAST ASIA

As was the case in fiscal year 1972, the major portion of the supporting assistance request for fiscal year 1973 will be directed toward Southeast Asia. Some 85 percent of the 1973 proposal—$743.8 million of the $874.5 million total program—is programed for Vietnam, Cambodia, Laos, Thailand, and East Asia regional projects.

VIETNAM

For Vietnam we request $585 million, principally for economic stabilization and war relief activities. This will help to compensate for increased diversion of Vietnamese resources to meet military requirements as Vietnamization of the war effort progresses. Beginning in fiscal year 1973, our supporting assistance program in Vietnam also will place increased emphasis on economic development, with special attention to both domestic and export production to promote the growth of economic self-reliance which will be necessary to sustain Vietnam in the years ahead and to allow U.S. economic assistance to decline.

Mr. Nooter is scheduled to discuss the Vietnam program with you in greater depth tomorrow so I will focus my remarks principally upon the other security supporting assistance recipient countries. Along with Vietnam, other Southeast Asia nations which share the same immediate and common threat to their national survival receive this type of economic aid. For these other Southeast Asia nations we request supporting assistance totaling $158.8 million in fiscal year 1973.

CAMBODIA

We are requesting $75 million of supporting assistance funds for Cambodia in fiscal year 1973. Most of this—more than $55 million—is for the commercial import program which finances essential commodities and offsets losses in Cambodia's domestic production and export earnings. Without such assistance, Cambodia's increased defense expenditures, incurred to withstand North Vietnamese and Vietcong incursions, would induce abnormal economic dislocations and would thus contribute toward political instability.

On the advice of the International Monetary Fund, Cambodia has sought establishment of a multilaterally financed exchange support fund to help finance essential goods and services which it is not feasible

to finance under the U.S.-supported commercial import program. Contributions to this newly created fund already have been pledged by Japan, Australia, Thailand, New Zealand, the United Kingdom, and Malaysia. Other donors may subsequently elect to join the fund. The fiscal year 1973 supporting assistance request for Cambodia includes $18.75 million—$12.5 million proposed as the U.S. contribution to the fund for calendar year 1972 and $6.25 million for the first half of calendar year 1973. Cambodia will put in $15 million in calendar year 1972, $6.25 million of which will be a special drawing on the IMF.

Only 1 percent of our fiscal year 1973 request—$750,000—is programed to meet the personnel and overhead costs of managing supporting assistance inputs to Cambodia. As in the past, we will continue to implement the Cambodia program with the minimum direct U.S. involvement consistent with sound and adequate management of the resources we contribute.

LAOS

Our supporting assistance program for Laos continues to have three major aims: maintenance of economic and political stability, provision of relief and resettlement assistance to Laos' large refugee population, and helping the Loa Government to provide essential services and facilities in rural areas.

For fiscal year 1973, we are requesting $49.8 million to help to maintain an independent Laos by contributing toward these three objectives. The multilateral economic stabilization program—the foreign exchange operations fund—which comprises the core of the Lao stabilization effort is slated to receive $18.8 million of this amount to continue to assist in what thus far has been a successful effort to offset inflationary pressures. Other donors to this fund are Australia, France, Japan, and the United Kingdom.

Roughly half of the remaining $31 million will be devoted, directly or indirectly, to refugee relief activities. It is estimated that during fiscal year 1973 there will be an average of close to 300,000 refugees at any given time. Supporting assistance will meet their needs for food, clothing, medical care, air support, relocation assistance, and other supplies and services as required.

The remaining funds—about $15 million—will support project activities in the areas of rural development, public health, public works, agriculture, education, public administration, industry, and civil police administration. Population and narcotics control programs will also be operated but are proposed for funding from their own special appropriations.

THAILAND

Thailand continues to face an externally supported Communist insurgency which, while still contained, appears to be growing in strength. This internal threat is further compounded by events in Cambodia and Laos which have brought active military operations closer to the Thai border. Unfortunately, at the same time that Thailand is thus faced with the need to increase defense and counter-insurgency expenditures, the former impressive growth rate of the Thai economy has slowed considerably.

78-827 O - 72 - pt. 2 - 13

The combination of increasing defense expenditures and diminishing revenues due to the economic slowdown must inevitably result in cutbacks in important civilian programs, particularly those of a developmental nature, unless external assistance is provided. A supporting assistance level of $25.6 million is proposed for fiscal year 1973 to help to assure that adequate attention will continue to be accorded to the Thais' developmental efforts. Some assistance will continue to be provided to the basic security-oriented programs of prior years but increasing emphasis will be directed toward economic development and the building of institutions which will assist the Thais in addressing and overcoming their longer term internal problems. The two core security programs, the Thai National Police and accelerated rural development, are programed to receive $4.2 and $3.8 million of supporting assistance, respectively, in fiscal year 1973. Approximately $10.6 million is requested for other project activities in the fields of agriculture, health and sanitation, education, industry, and public administration. Family planning and narcotics control projects are scheduled for funding from other appropriations.

The remaining $7 million of the fiscal year 1973 supporting assistance request is proposed to be made available on a loan basis in conjunction with the IBRD-chaired consultative group for Thailand. This loan will provide support for capital projects envisaged in the Thai Government's third 5-year economic and social development plan covering the period 1971 to 1976. From this $7 million of supporting assistance loan funds, $5 million would be made available for agricultural credit purpose to promote diversification and expansion of Thailand's considerable potential for agricultural export production. The remaining $2 million would finance dollar costs of project preparation and feasibility studies in such areas as transportation, irrigation, potable water, and industrial development.

EAST ASIA REGIONAL PROGRAMS

In fiscal year 1973 we propose $8.4 million of security assistance funds for East Asia regional programs to continue support of Mekong Basin development and to encourage cooperative regional initiatives in such fields as transportation and communications, agriculture and fisheries, resettlement, economic cooperation, health, manpower training, and environment. In addition to those supporting assistance funds in support of projects which will contribute principally to the political and economic stability of the mainland Southeast Asia nations, technical assistance, and population funds will support geographically wider regional initiatives.

The Middle East

For fiscal year 1973, supporting assistance of $90 million is requested. This, together with other forms of security assistance, will contribute toward maintaining the arms balance in the Middle East and preserving the existing ceasefire in the hope that a formula can be found which will provide a just and lasting resolution to the Arab-Israeli confrontation.

ISRAEL

Israel in the past 2 years has been faced with a sharply increased level of defense expenditures compared with the levels of previous years. In absolute terms, Israel's external debt and debt servicing costs have increased at a rapid rate—reflecting large-scale purchases of military equipment and Israel's domestic pattern of full-employment inflationary growth.

Supporting assistance of $50 million is being provided in fiscal year 1972 and a further $50 million is proposed for fiscal year 1973 to assist Israel in meeting the heavy financial burden imposed by Israel's defense and economic needs. This assistance, in the form of a grant import program from the United States, will, among other things, help the Israeli Government in its ability to support continued rapid economic growth while meeting Israel's security requirements and meeting the foreign exchange costs associated with resettling increased numbers of new immigrants.

JORDAN

Jordan continues to exert a moderating influence on Middle East problems and to serve as a partial buffer against further expansion of radical socialism in the area. Jordan has maintained a moderate, pro-Western outlook and has continued full diplomatic relations with the United States.

A total of $45 million of AID assistance was provided to Jordan in fiscal year 1972—$30 million from supporting assistance and $15 million from the contingency fund. In fiscal 1973, we propose to provide $40 million of supporting assistance to Jordan to assist in overcoming its serious economic difficulties and to help offset rising security costs.

A small technical assistance program—$1.2 million in fiscal 1973—will also be carried out in Jordan.

OTHER PROGRAMS

Lesser amounts of security assistance are proposed to fund a number of other security-related programs in other parts of the world. A total of $40.7 million is programed for these other purposes. Malta will receive $9.5 million as the fiscal year 1973 U.S. contribution to the NATO alliance's military base agreement with Malta. We propose $3 million for Spain to fund the educational-cultural component of the 1970 United States-Spanish defense agreement. United Nations peacekeeping forces in Cyprus will receive $4.8 million as the U.S. share of their operating expenses. And finally, supporting assistance will provide $23.4 million toward shared costs of central AID program support and services.

As Secretary Rogers noted in his recent appearance before the House Foreign Affairs Committee, the United States is maintaining, and must continue to maintain, a responsible long-term involvement in world affairs. Only on a strong foundation of security for ourselves and those countries in which our interests are deeply engaged can we hope to achieve a stable and enduring era of peace. The supporting assistance program which the administration is proposing for fiscal 1973 will, I believe, make a significant contribution toward building the solid security foundation which we all seek. You and your committee,

Mr. Chairman, have consistently supported these foreign policy goals of the President, and I would like to express in closing our gratitude for this support.

Mr. PASSMAN. We will also have a statement from Mr. Marshall Green.

Mr. GREEN. Thank you, Mr. Chairman.

GENERAL STATEMENT OF ASSISTANT SECRETARY OF STATE FOR EAST ASIAN AND PACIFIC AFFAIRS

Mr. Chairman, distinguished members of the committee. I would like to join Mr. O'Connor in expressing my appreciation for the consistent support which you have extended to the policy goals of the President and for the assistance programs that are necessary to achieve these goals. I welcome this opportunity to appear with Mr. O'Connor before your committee to discuss our request for economic supporting assistance funds for East Asia in fiscal year 1973 in the amount of $743.8 million. While not directly involved in today's hearing, the related portion of this request on which you heard testimony last week, that is, military assistance of $587.35 million in grant aid and foreign military sales credits of $92.5 million, is also strongly supported by the Department of State.

Mr. O'Connor, with whom we are of course in constant close consultations, has outlined for you the principal components of the supporting assistance request. I would like to talk briefly about the basic policies that underlie all of our assistance programs in East Asia. These policies take into account the fact that for almost two decades the United States has helped to provide for the military and economic shield of many countries of East Asia and the fact that these countries have made considerable progress to the point where they can shoulder more of the common effort. Our policies also recognize that we are in an era of transition from bipolarity to multipolarity, from dependence to interdependence, and hopefully from confrontation to negotiation.

Against all this background, the United States in the last several years has adopted two policies which are of particular relevance to East Asia: one is the Nixon doctrine, and the other is what, for the lack of a better term, I call the openings for peace.

THE NIXON DOCTRINE

The key policy we are now pursuing in East Asia is known as the Nixon doctrine of shared burdens and shared responsibilities. Here I would remind the committee that we have faced uniquely difficult problems in East Asia over the last two and one-half decades. I have in mind the fact that until recently we have had virtually no relations or dialog with mainland China which makes up two-thirds of the population and almost one-half of the area of East Asia. I also have in mind the fact that all of the divided countries of the world except Germany are in East Asia and that divided countries like Korea, Vietnam, and Laos pose particular dangers to the peace. Finally, I call attention to the fact that Korea as well as all the countries of Southeast Asia except Thailand were under colonial rule until sometime after World War II. Faced by all the difficulties of nation-building these nations have nevertheless, behind the shield of our support, been able

to achieve growth and increased capabilities for self-defense. And it is against this background thta the Nixon doctrine of shared burdens and shared responsibilities has become feasible and indeed successful.

We recognize that it is the will and effort of the countries themselves that counts. Unless a country mobilizes its own psychological, human, and material resources, our assistance cannot be effective. Given that will and effort, however, our assistance can make the critical difference—to the security and growth of the recipient nations and to world stability and peace. This is especially significant in areas where the United States is reducing its military presence.

A great deal has been accomplished under our new approach over the past 3 years. In South Vietnam, we have witnessed substantial economic progress despite the burdens caused by aggression. Our ground forces have been reduced from 550,000 to 69,000 men by May 1, 1972. Elsewhere in East Asia, we have also been able to withdraw our military forces commensurate with the increasing capabilities of our friends. We have reduced our forces in Korea, Thailand, Japan, and the Philippines by almost 60,000 men. We have cut our civilian staff in the entire area by over 25 percent. And we have reduced our annual overall defense expenditures in the Indochinese states by about $20 billion.

The Republic of Korea has demonstrated an increasing capacity for dealing with its own problems, be they economic or security. Operating on a base of growing strength and self-confidence, the Republic of Korea has initiated a dialogue with North Korea with a view to reducing tension and relieving the plight of separated families. But we must remember that Korea has assumed the responsibility for the defense of the entire Demilitarized Zone and that our own forces in Korea have been reduced by 20,000 in the past 2 years. This places a heavy burden on the Republic of Korea which it cannot carry with its own resources alone. That is why we must do our best to supplement their own efforts to modernize their armed forces in order to strengthen their military posture.

Another area of progress is the coordination of the assistance effort among all countries concerned. We are constantly alert to ways and means of encouraging both military and economic aid contributions from other donors. We are working through consortia and consultative groups to effect close cooperation in this endeavor. The recently established economic support fund for Cambodia is a good example. The best example is Indonesia where for several years the members of the Inter-Governmental Group for Indonesia have made substantial economic aid contributions in a multilateral framework.

This is what the Nixon doctrine is all about. It has worked already and it can work in the future. We do not want over-involvement in the countries of East Asia. Yet there is a tendency to swing the pendulum in the other direction toward what the President has called under-involvement. We have seen what that produces. We have seen in our time what happens to the world when the United States goes isolationist.

What we are trying to do is to prevent this pendulum from swinging back and forth and to bring it back to a medium point and hold it there so that our friends will know where we stand so that they can plan and act accordingly. U.S. support is still needed to tide friendly

countries over the difficult transition stage until their own hard work and determination enables them to assume the costs of maintaining security and economic growth.

OPENINGS FOR PEACE

The other basic policy is what I would like to call the openings for peace. It is a continuation of a steady effort to ease tensions in the world which the President has pursued from the beginning of his administration. It is part of the transition from confrontation to negotiation which I mentioned earlier. The President's visits to the People's Republic of China and to the Soviet Union reflect his hope to have better relations with these two nations. His success in opening up a dialogue with the People's Republic of China means that he has reached across the great abyss of over two decades of noncommunication with Peking, across a vast chasm of misunderstanding, tensions and opposing philosophies.

This historic move has already had an impact in easing tensions in East Asia. And I know from my own recent discussions with virtually all the leaders of the area that there is genuine and broad support for the President's policy. These leaders see that we are driving at the roots of the dangers and tensions that exist in the area. Furthermore, their people, like ours, are tired of the continuing confrontation in this world; they are anxious to have some breakthrough toward peace.

Any breakthrough towards peace must be built upon self-confidence of our friends and upon mutual confidence between them and us. If that confidence is lacking, or if our friends are weak and their economic and social fabric disintegrates, then their efforts to fend for themselves will collapse. The consequence will be that they and we will lose the chance for growth, stability and peace which is our common goal.

CONCLUSION

This then is the perspective for our policies in East Asia. We are striving to achieve even greater self-reliance on the part of the countries of the area; at the same time, we are aiming to end the long confrontation that has existed between the United States and the People's Republic of China. These objectives go hand in hand as part of our strategy for peace in the Pacific.

The United States is a Pacific power. We have interests in the area which we must safeguard—though increasingly through shared responsibility with our friends whose interests are to a large extent coextensive with our own.

It is now more important than ever that we maintain mutual confidence with our friends and allies throughout East Asia. We must continue to provide the sinews for security and growth. We must remain steady in our policies and programs in order to accelerate the trend towards shared responsibilities that have been set in motion under the Nixon doctrine and to derive the most benefits from the breakthrough towards peace.

I appreciate the opportunity to discuss these policies with you and

your continued support for the programs that are so vital in accomplishing the President's objectives.

Mr. PASSMAN. Also, we will have a statement from Mr. Atherton.

Mr. ATHERTON. Thank you.

GENERAL STATEMENT OF THE DEPUTY ASSISTANT SECRETARY OF STATE FOR NEAR EASTERN AND SOUTH ASIAN AFFAIRS

Mr. Chairman and members of the subcommittee. In his statement, Mr. O'Connor referred to the bilateral economic and other considerations which underlie our request for supporting assistance to Israel and Jordan. I should like to expand briefly on his remarks and to put these requests in the broader framework of the situation which confronts us in the Middle East and the policy we have formulated to deal with it.

In the Middle East there are elements of both danger and hope. Neither element can be ignored. And our policy has included both factors.

A peaceful settlement of the Arab-Israeli dispute remains our goal. Unfortunately, it must still be described as a goal. Its attainment will not come easily. Despite the obstacles which must still be overcome, the situation is not without hope. That the cease-fire along the Suez Canal has endured for over a year and a half is an indication that both sides have found value in its continuation and have not despaired of diplomatic solutions.

Clearly it is in the interest of Egypt and Israel that the cease-fire continue. A cease-fire by itself may not be sufficient, but it has saved lives and preserved an atmosphere potentially conducive to negotiations. What is still lacking, however, is the peace settlement required to establish the conditions of permanent peace in the area. Hence, the necessity for continuing to pursue constructive diplomatic efforts.

The United States has an interest in assisting our friends in the Middle East who accept peace as an objective and who have demonstrated a will to persist in the pursuit of that objective. Jordan needs our assistance to compensate for the limitations on its own resources—limitations which are in part the result of the constancy of its dedication to peace.

In the case of Israel, I do not need to elaborate on the extraordinary defense burdens it bears—burdens that are further aggravated by the need to resettle the increased number of new immigrants it is currently receiving from the Soviet Union. Our assistance will help Israel meet these heavy costs.

The military and economic strength our assistance will help maintain are not only deterrents to war; they also provide the self-confidence essential to enable our friends in the Middle East to make effective contributions to the development of a peace settlement.

JUSTIFICATION MATERIAL

Mr. PASSMAN. Thank you for your statements. We will insert certain justifications in the record at this point.

(The information follows:)

SECURITY SUPPORTING ASSISTANCE

The United States provides Security Supporting Assistance to selected countries or international organizations to promote or maintain economic or political stability. In general, recipient countries face actual or threatened aggression which compels them to strengthen their capacity to meet the resultant challenge to their security. The use of Supporting Assistance funds in a given country depends on the degree of importance of that country to U. S. foreign policy objectives, particularly in terms of potential impact on U. S. national security interests.

As President Nixon noted in his February 1972 Foreign Policy Message:

> "Security assistance is a cornerstone of our foreign policy and of Free World security, as it has been ever since the early days of the Second World War. Our programs have adapted to changing circumstances, but our purpose has remained steadfast -- to assist those willing to work for peace and progress. Our friends are demonstrating the ability and willingness to shoulder a larger share of the common effort, but their material resources frequently are inadequate. They do not seek American forces; they do ask for the equipment and supplies which they themselves cannot provide."

Supporting Assistance funds normally contribute to some degree to the economic growth or to the developmental goals of the recipient country, but the current U. S. motive in programming these funds is neither economic growth nor development per se; rather, the specific purpose is to stablize the economic or political situation vis-a-vis a given security situation. Supporting Assistance seeks, therefore, to assist the recipient nation to overcome an immediate security threat while avoiding simultaneous deterioration of the national economy as much as possible.

Since the criteria for providing military assistance and

Security Supporting Assistance are similar, countries which are principal recipients of Supporting Assistance are also as a rule significant recipients of military assistance through Military Assistance Service Funded programs (Vietnam, Laos and Thailand in FY 1972; Vietnam and Laos only in FY 1973), the Military Assistance Program (Cambodia, Jordan, and, beginning in FY 1973, Thailand) or Foreign Military Sales (Israel). In recognition of the common interests served by military assistance and Security Supporting Assistance programs, we have continued our efforts to strengthen coordination in the transfer of these types of U. S. assistance resources. Under the leadership of the State Department's Office of the Coordinator for Security Assistance, a position authorized by the Foreign Assistance Act of 1971, joint planning of all security assistance elements within the context of U. S. foreign policy has been initiated.

As was the case last year, by far the major portion of the proposed security assistance program for FY 1973 will be directed toward Southeast Asia. Eighty-five percent of the FY 1973 Security Supporting Assistance program -- $743.8 million -- is programmed for Vietnam, Cambodia, Laos, Thailand and East Asia regional projects.

These Southeast Asia nations share an immediate common threat to their national survival. Security Supporting Assistance will continue in FY 1973 to assist them to maintain the viability of their national economies while meeting their internal security and external defense requirements. As hostilities recede, we are reorienting our aid toward basic reconstruction and economic development activities. And as national economies are strengthened, the U. S. Security Supporting Assistance program will decrease, and the composition of aid to these Southeast Asia nations will shift from grants to loans and from bilateral to greater emphasis on multilateral assistance.

About two-thirds -- $585 million -- of the FY 1973 Security Supporting Assistance program of $874.5 million

will be used to continue support for stabilization and war relief activities in Vietnam as Vietnamization of the war effort progresses. For the Vietnamese, the war continues, and the pressures on the economy which it generates remain severe. Supporting Assistance helps directly to compensate for resources diverted to military needs, as the Vietnamese increase their military force capability to the point where Vietnam will be able to perform its defense and internal security missions without the need for in-country assistance from U. S. military forces. Beginning in FY 1973, greatly increased emphasis will be placed on economic development, with special attention to both domestic and export production and to efficient import substitution, in order to promote growing economic self-sufficiency to sustain the country.

Cambodia is projected to receive $75 million of Security Supporting Assistance to help offset the abnormal economic dislocations which would otherwise result from the increased defense expenditures incurred to withstand North Vietnamese and Viet Cong invasion. A program of financing imports to offset losses in Cambodia's domestic production and export earnings will continue to provide commodity availabilities at approximate pre-war levels in order to prevent serious deterioration in living standards, which in turn would contribute toward political instability. A multilateral Exchange Support Fund financed by Cambodia, the United States, Japan, Australia, Thailand, New Zealand and Malaysia will provide foreign exchange for imports of commodities and services not available through other sources.

For Laos, $49.8 million is proposed to counteract the inflationary pressures upon the Lao budget imposed by requirements to finance heavy military and civilian expenditures necessitated by the war. Laos is one of the poorest and most defenseless nations in the world. Its fundamental lack of resources and the relentlessness of communist attacks combine to make Laos dependent upon substantial external assistance for its very existence. In FY 1973 the United States will continue to contribute to the multilateral Foreign Exchange Operations Fund,

which is also supported by Australia, the United Kingdom, France and Japan. Security Supporting Assistance funds will also help Laos to support its large dependent refugee population and assist in their relocation and resettlement. Principal areas of project assistance to Laos are rural development, roads, public health, agriculture, education, public administration, and public safety. The project program emphasizes the provision of basic government services, particularly in rural areas.

Thailand will receive $25.6 million to assist in partially offsetting the recent slowdown in the Thai rate of economic growth brought about in part by deterioration in the market demand for Thailand's principal export products and by a decline in U. S. military expenditures. Despite this slowdown, Thailand is further increasing defense and counterinsurgency expenditures in response to the growing potential threat emanating from Laos and Cambodia and in order to overcome deficiencies in its efforts to counter the insurgency within Thailand. Given the imbalance between the rate of growth in revenues and expenditures in the Thai budget, further increases in defense outlays would have to be made at the expense of important development programs if external assistance were not provided.

In FY 1973, $8.4 million of Security Supporting Assistance funds will be provided to East Asia Regional programs to continue support for Mekong Basin development and for regional initiatives in transportation and communications, agriculture and fisheries, resettlement, economic cooperation, health, manpower training, and environment. The main overall thrust of the regional effort continues to be the promotion of development cooperation among the nations of Southeast Asia, with increasing multilateral donor involvement, in order to stimulate political and economic stability in the area.

The remaining $130.7 million is programmed for security-related purposes in other parts of the world. Jordan will receive $40 million to assist in offsetting rising security costs to meet the internal threat from the

Fedayeen and the potential external threats from Arab neighbors. Jordan has exerted a moderating influence on Middle East problems, has limited the scope of armed conflict on her borders, and continues to serve as a partial buffer to further expansion of radical socialism in the Middle East.

Israel has gone heavily into debt to meet the military threat emanating from Soviet-assisted Arab countries. Fifty million dollars are requested for Israel to assist in meeting Israel's heavy fiscal burden.

In support of the New British agreement with Malta, the United States will make a grant of $9.5 million from Security Supporting Assistance. Continued British military presence on Malta is important to the NATO Alliance and to the security of the Mediterranean. In addition, a proposed $3 million of Supporting Assistance for Spain will be used in FY 1973 to fund the educational-cultural component of the U.S.-Spanish defense agreement signed in 1970.

The UN peace-keeping forces in Cyprus will receive $4.8 million as the U.S. share of their expenses. Security Supporting Assistance will also make a contribution of $23.4 million to shared costs of central A.I.D. program support and services.

SECURITY SUPPORTING ASSISTANCE

AVAILABILITY AND PROGRAM FY 1972 AND FY 1973
(in thousands of dollars)

	FY 1972						FY 1973				
	Balance Forward	Appro-priation	Transfers	Receipts & Reimb.	Recov-eries	FY 1972 Program	Appro-priation	Transfers	Receipts & Reimb.	Recov-eries	FY 1973 Program
SECURITY SUPPORTING ASSISTANCE	2,721	550,000	-2,363 a/	1,845	30,897	583,100	844,000	-1,177 a/	1,845	29,832	874,500

a/ Net of transfers in to cover January 1972 pay increases ($1,237,000 in FY 1972 and $2,423,000 in FY 1973) offset by transfers out ($3,600,000 in FY 1972 and the same amount in FY 1973) to Administrative Expenses, A.I.D. to cover increased administrative expenses resulting from the expanded Vietnam program.

ESTIMATED GROSS EXPENDITURES AND UNEXPENDED BALANCES FOR FISCAL YEARS 1972 AND 1973
(in thousands of dollars)

	Unexp. Balance 6/30/71	Appro-priation FY 1972	Recpts. Trans. Reimbs.	Total Avail-able	Gross Exp. FY 1972	Unexp. Balance 6/30/72	Approp. Request FY 1973	Recpts. Trans. Reimbs.	Total Avail-able	Gross Exp. FY 1973	Unexp. Balance 6/30/73
SECURITY SUPPORTING ASSISTANCE	611,682	550,000	-518	1,161,164	-584,000	577,164	844,000	668	1,421,832	-796,088	625,744

SECURITY SUPPORTING ASSISTANCE - SUMMARY OF PROGRAMS BY AREA AND COUNTRY
FISCAL YEARS 1971, 1972 and 1973

(In thousands of dollars)

	FY 1971 Actual			FY 1972 Estimated			FY 1973 Proposed		
	Supporting Assistance	Other A.I.D.	Total	Supporting Assistance	Other A.I.D.	Total	Supporting Assistance	Other A.I.D.	Total
SUMMARY - ALL PROGRAMS	572,971	27,040	600,011	583,100	37,880	620,980	874,500	17,692	892,192
ASIA - TOTAL	510,318	27,040	537,358	564,400	28,380	592,780	833,800	17,692	851,492
Cambodia	70,000	-	70,000	37,100	-	37,100	75,000	-	75,000
Israel	-	-	-	50,000	-	50,000	50,000	-	50,000
Jordan	5,000	1,000 b/	6,000	30,000	15,550 bc/	45,550	40,000	1,200 b/	41,200
Laos	41,450	7,485 be/	48,935	47,000	500 d/	47,500	49,800	870 d/	50,670
Thailand	16,996	5,545 be/	22,541	15,000	1,500 d/	16,500	25,600	2,145 d/	27,745
Vietnam a/	376,656	-	376,656	385,000	325 d/	385,325	585,000	346 d/	585,346
East Asia Regional Programs	216	13,010 be/	13,226	300	10,505 bd/	10,805	8,400	13,131 bd/	21,531
AFRICA - TOTAL	18,383	-	18,383	3,700	-	3,700	-	-	-
Nigeria	18,163	f/	18,163	3,400	-	3,400	-	-	-
Southern Africa Regional	220	-	220	300	-	300	-	-	-
EUROPE - TOTAL	-	-	-	-	9,500	9,500	12,500	-	12,500
Malta	-	-	-	-	9,500 c/	9,500	9,500	-	9,500
Spain	-	-	-	-	-	-	3,000	-	3,000
LATIN AMERICA - TOTAL	2,827	-	2,827	-	-	-	-	-	-
Guatemala	45	f/	45	-	-	-	-	-	-
Haiti	2,782	-	2,782	-	-	-	-	-	-
NON-REGIONAL PROGRAMS	41,443	-	41,443	15,000	-	15,000	28,200	-	28,200
UN Force in Cyprus	4,800	-	4,800	2,400	-	2,400	4,800	-	4,800
UN Relief and Works Agency	13,300	-	13,300	-	-	-	-	-	-
Program Support and Interregional Activities	23,343	-	23,343	12,600	-	12,600	23,400	-	23,400

a/ Excludes administrative and program support costs resulting from the expanded Vietnam program.
b/ Technical Assistance funds.
c/ Contingency Fund.
d/ Population funds.
e/ Development loan funds used for population programs.
f/ Does not include Development Loans and Technical Assistance.

CAMBODIA

PROGRAM SUMMARY (In millions of dollars)			
	FY 1971 Actual	FY 1972 Estimated	FY 1973 Proposed
Security Supporting Assistance	70.0	37.1	75.0

OBJECTIVES OF U. S. ASSISTANCE

The basic objective of U. S. economic supporting assistance is to enable Cambodia to withstand the abnormal economic dislocations caused by the North Vietnamese and Viet Cong invasion. Without such external assistance, political instability and disruption of the economy would be inevitable. The U. S. economic aid program complements United States support of Cambodian military efforts.

POLITICAL, MILITARY, AND ECONOMIC SETTING

The continuing presence within the country of an estimated 65,000 North Vietnamese and Viet Cong troops strongly affects all aspects of life in Cambodia. The North Vietnamese continue to use Cambodia as a major transit point and rest and recuperation center for their operations in South Vietnam. The northeastern provinces of Cambodia serve as an extension of the Ho Chi Minh trail. Currently, the North Vietnamese and Viet Cong control roughly one-third of Cambodia's territory, in which about twenty percent of its population lived as of March 1970. The enemy has the capability to harass or conduct hit-and-run raids throughout most of the rest of the country. The Cambodian Armed Forces have expanded from a pre-war level of 35,000 to an estimated level of some 200,000 men, but the armed forces suffer from problems of organization, leadership, and modernization at the same time that they are required to undertake active combat with the enemy.

Despite these difficulties, the internal political situation in Cambodia has remained remarkably stable. The present leadership has undertaken a major change in Cambodia's response to North Vietnamese use of its territory as compared to the Sihanouk era. Rather than allowing the initiative to rest with others, the Cambodian Government has elected to defend its territory against foreign occupation and attempts to preserve its territorial integrity through its own efforts. The political goals for which the Government stands -- neutrality, territorial integrity, independence -- have the support of the Cambodian people.

ECONOMY

However, the consequences of the Cambodian decision to fight the invaders continue to pervade the economy. Trade is disrupted by North Vietnamese/Viet Cong interdiction of key lines of communication through destruction of rail lines and bridges, and general harassment of traffic. Production in agriculture has declined because of loss of territory and labor shortages resulting from the military buildup. Production of rice, particularly, has fallen sharply. All of the major rubber plantations have ceased operations, and many plantation facilities are either damaged or destroyed. Production of tobacco, cotton, oils and other crops is also off sharply. In the industrial sector, manufacturing output has fallen bacause of shortages of raw materials and manpower and, in some cases -- such as -- cement plant, phosphate plant, oil refinery, sugar refinery and paper mill -- because of war damage or enemy control of the area. Tourism has disappeared. The war has caused a decline in total domestic production estimated at $120 million in 1970 and $136 million in 1971.

Budget expenditures have increased sharply because of the expansion of the army. At the same time, government revenues have declined due in part to the insecurity which inhibits domestic tax collections and in part to the

decline of imports and exports. The increase in money supply resulting from budget deficits and the contraction in the supply of goods have caused a price inflation of about 140 percent between March 1970 and December 1971.

To counteract these inflationary price pressures, the government, on the advice of the IMF, undertook a far-reaching economic stabilization program in October 1971. This program includes:

-- controls on government expenditures;

-- contraction of available bank credit through public borrowing;

-- an increase in interest rates to encourage savings and to reduce nonessential consumption expenditures;

-- reduction in government subsidies to state-owned enterprises;

-- liberalization of the import regime to help expedite import arrivals and thus increase the availability of goods in the marketplace; and

-- institution of an adjustable foreign exchange rate system.

Since March 1970, through successive devaluations, the riel has been depreciated from 55 to 145 to the dollar.

Also on the advice of the IMF, the government has succeeded in establishing a multilateral Exchange Support Fund (ESF) to help finance those foreign exchange requirements which cannot be financed under bilateral aid programs. As a result of meetings held in Washington in September, in Paris in November, and finally in Phnom Penh in January 1972, Cambodia has obtained pledges or provisional pledges to the Fund by the United States, Japan, Australia, the United Kingdom, New Zealand, Thailand, and Malaysia. Also, to conserve foreign ex-

change the Cambodian Government has undertaken to reschedule as much of its external debt as possible, particularly with France and Germany.

PROPOSED FY 1973 PROGRAM

The FY 1973 AID program will continue to provide foreign exchange financing for imports to help offset declines in Cambodia's domestic production and export earnings. An estimated $75 million in Supporting Assistance funds will be required in FY 1973.

For FY 1973, the United States is also planning a $30 million P. L. 480 program and $225 million in Military Assistance.

The $75 million of Supporting Assistance is proposed to be used as follows:

		($ thousands)
A.	Commodity Import Program (CIP)	$55,500
B.	(1) U. S. contribution to ESF for CY 72	12,500
	(2) U. S. contribution to ESF for CY 73 (first half)	6,250
C.	Technical Support Costs	750
		$75,000

A. Commodity Import Program - $55.5 million

A $55.5 million Commodity Import Program (CIP) is required in FY 1973 for licensing of essential imports in order to prevent a serious deterioration in Cambodian living standards. The $55.5 million estimate takes into account (1) the availability of an Economic Support Fund (ESF) to finance other imports, (2) an anticipated decline in Cambodia's own reserves, and (3) the setting of the rate of exchange at a realistic level and institution of a preferential rate for U. S. goods, both of which should increase demand for CIP goods.

CAMBODIA

In FY 1971, $70 million was provided for commodity imports and in FY 1972, we estimate about $17 million (in addition to a $20 million cash grant). The decline in 1972 was due to the slow start-up in the FY 1971 program and the consequent pipe line of unlicensed funds. As of the date of this presentation, about $55 million of the $70 million is committed or earmarked; thus the pipeline of uncommitted funds going into FY 1973 will be sharply reduced as compared to the end of FY 1971. There is a need for new obligational authority of $55.5 million in FY 1973.

In order to help develop a market for U.S. goods in an economy that traditionally traded elsewhere, the Cambodian Government has agreed to a favorable differential rate of exchange for CIP financing imports from the U.S. The spread between that rate and the exchange rate applicable to other imports is about 30%. The Cambodian Government is providing additional inducements in terms of importer credit and advance payment requirements. It is our expectation that these measures will help to increase the percentage of imports from the United States, while at the same time providing an adequate flow of resources into Cambodia.

B. Exchange Support Fund

Faced with declining reserves and virtual elimination of foreign exchange earnings, and the fact that the U.S. Commodity Import Program is not designed to nor can it finance all essential foreign exchange transactions, the Cambodian Government sought an alternative source of financial support. The recently established multilaterally-financed Exchange Support Fund (ESF) serves this purpose.

The Cambodian Government and other participating donors have agreed that the ESF's resources should be limited to financing (a) certain commodities for which bilateral commodity import programs are not feasible and (b) services and commodities required in connection with capital projects or technical assistance. These resources

will not be used for payment of debt, capital transfers and other items reserved for financing by the Cambodian Government's own foreign exchange. The Fund's resources will thus be used for limited particular requirements in accordance with rules and procedures established by representatives of the multilateral membership rather than any individual donor's bilateral rules and procedures.

At the third multinational meeting on the ESF, held in Phnom Penh in January, the United States made a tentative pledge of $12.5 million to the Fund for calendar year 1972, with the understanding that this amount would be made from FY 1973 funds yet to be appropriated by the Congress. This constitutes about one-third of the total Fund. Japan pledged $5 million; New Zealand, $120,000; Thailand, $250,000; Malaysia, $100,000; and Australia, $1 million. Subsequently, the United Kingdom pledged $520,000, and other donors may elect to join the Fund as well. The Cambodians will put $15 million into the Fund in 1972, $6.25 million of which will be a special drawing on the IMF.

The FY 1973 request includes $18.75 million, $12.5 million for the U.S. contribution to carry out the ESF pledge made in January, subject to Congressional appropriations, for a calendar year 1972 contribution, and a $6.25 million contribution for the first six months of calendar year 1973. If required after FY 1973, contributions will be on a U.S. fiscal year basis.

C. Technical Support

For FY 1973, $750,000 is needed to fund the personnel and overhead costs of carrying out the program in the field.

CONTRIBUTIONS BY OTHERS

In addition to Cambodia and the United States, six other nations (Japan, New Zealand, Thailand, Malaysia, Australia and the United Kingdom), are contributing cash resources to the multilateral Exchange Support Fund.

There are also a number of other bilateral aid programs in Cambodia. Japan has given substantial amounts of rice and humanitarian relief, principally through its Red Cross. Other recent contributors include France, Denmark, Israel, New Zealand, Australia, South Korea, Thailand, Malaysia and Belgium. The UNDP, the Mekong Committee, and the Asian Development Bank are also helping Cambodia with technical assistance or loans.

OUTLOOK FOR FUTURE YEARS

If peace is achieved in Indochina, the economic outlook for Cambodia is fair. With a settlement or a subsiding of hositilities, commercial traffic would resume its normal pattern, and production and shipments would return to near pre-hostility levels. Manpower would be released from military service and return to domestic agricultural and industrial pursuits. The need for external assistance to finance essential imports for current consumption would drop off sharply. The recent currency devaluation would make Cambodian agricultural exports competitive and commercially attractive, despite the price inflation, and tourism to Angkor Wat would again become an important source of foreign exchange. The unsettling experience of the war and its catalytic effect on energizing the Government and the populace from their traditional low level of economic activity should lead to new efforts to modernize and develop the economy. The priority areas for such efforts would be agriculture on the physical resource side and education on the human resource side.

SUMMARY OF PROGRAM BY FUNCTION

Country: CAMBODIA

(Dollar Amounts in Thousands)

TABLE II

Category	Actual FY 1971				Estimate FY 1972				Proposed FY 1973			
	Total	Tech. Assist.	Supp. Assist.	Population	Total	Supp. Assist.	Population	Narcotics	Total	Supp. Assist.	Population	Narcotics
Development Loan Program		XXX	XXX	XXX		XXX	XXX	XXX		XXX	XXX	XXX
Programs Other than Devel. Loan												
Project Assistance												
U.S. Technicians	69		69		452	452			665	665		
Participants	-		-		-	-			-	-		
Commodities	94		94		86	86			-	-		
Other Costs	50		50		60	60			85	85		
Total Project Assistance	213		213		598	598			750	750		
Method of Financing												
Project Assistance												
Direct A.I.D.	213		213		598	598			750	750		
Other Agency	-		-		-	-			-	-		
Contract	-		-		-	-			-	-		
Program Assistance	69,787		69,787		36,502	36,502			74,250	74,250		
Total	70,000		70,000		37,100	37,100			75,000	75,000		
Total Assistance	70,000	XXX	XXX	XXX	37,100	XXX	XXX	XXX	75,000	XXX	XXX	XXX

NUMBER OF U.S. TECHNICIANS (Program Overseas)

TYPE OF TECHNICIAN	On Duty At Close of Year		
	Actual FY 1971	Estimate FY 1972	Proposed FY 1973
A.I.D. employed	3	12	17
Participating agency	-	-	-
Contractor technicians	-	-	-
Total	3	12	17

NUMBER OF PARTICIPANTS

TYPE OF PARTICIPANT	Programmed During Year		
	Actual FY 1971	Estimate FY 1972	Proposed FY 1973
Non-contract			
Contract			
Total			

LAOS

PROGRAM SUMMARY (In millions of dollars)			
	FY 1971 Actual	FY 1972 Estimated	FY 1973 Proposed
Security Supporting Assistance	41.4	47.0	49.8
Technical Assistance	(6.6)	(-)	(-)
Population	(.9)*	(.5)	(.9)
Total	(48.9)	(47.5)	(50.7)

*Funded from Development Loan account.

OBJECTIVES OF U. S. ASSISTANCE

The primary U. S. objective in Laos is to maintain an independent Laos, neutral within the framework established by the 1962 Geneva Agreements and capable of protecting itself and the security of the Mekong River Valley from North Vietnamese and Lao People's Liberation Army aggression.

POLITICAL, MILITARY, AND ECONOMIC SETTING

Although Laos is sparsely populated and is one of the least developed countries in the world, it occupies a strategic geographic position in the Indochina Peninsula. It has common borders with China, North Vietnam, South Vietnam, Cambodia, Thailand and Burma. Laos does not have the economic or military power to protect itself against these more powerful neighbors, but its continued existence as an independent buffer state is crucial to any political stabilization of Indochina.

In 1962 a Government of National Union was established by agreement among the three Lao factions--communist, rightist and neutralist. In 1964 the Lao Communists withdrew from their seats in the cabinet and undertook a policy of military opposition to the Lao Government. The Government of

National Union could again become operative if the Lao Communists should choose to re-occupy their cabinet seats.

There are about 100,000 North Vietnamese troops in northern and southern Laos in addition to the approximately 40,000 soldiers of the communist Lao People's Liberation Army. The combined communist forces control about half of northern and northeastern Laos and the eastern half of the southern panhandle, through which runs the major North Vietnamese supply line to South Vietnam.

Faced with the aggressive posture of the communist forces, the Lao Government is forced to maintain defensive military forces -- regular and irregular -- of about 90,000 men. This military force represents a large proportion of the working force of the population under Lao Government control. Out of a total population of three million, about two million live in areas controlled by the Government. A cumulative total of about 700,000 persons have been displaced at one time or another and required assistance as refugees. A.I.D. and the Lao Government are currently providing assistance for about 290,000 refugees.

In these adverse circumstances, Laos' largely subsistence agriculture economy cannot provide adequate tax revenues to finance both military and civilian expenditures, and the Government must resort to deficit financing for well over half of its budget each year. To offset the very great inflationary pressures that would result from this deficit, the United States has joined with Japan, the United Kingdom, Australia and France in contributing to a Foreign Exchange Operations Fund (FEOF), which comprises the core of the Lao economic stabilization effort. Since 1964, this stabilization effort has been remarkably successful and has provided a much needed base of economic and price stability.

PROPOSED FY 1973 PROGRAM

U. S. economic assistance has been concentrated primarily in two areas: (1) control of inflationary pressures which threaten the country's economic and political stability, and (2) assistance to the Lao Government in

providing essential services and facilities in rural areas in order to relieve war-imposed suffering and to promote public confidence in the Government.

The proposed FY 1973 Supporting Assistance program of $49.8 million is divided into $18.8 million for the stabilization program and $31 million for project activities.

Stabilization Assistance

Support of the multilateral economic stabilization program must be accorded highest priority if economic and, therefore, political stability is to be maintained. The $18.8 million requested for the stabilization program for FY 1973 would be used almost entirely to support FEOF, although a small amount of this (up to $500,000) may be used to finance a commodity import program for selected equipment and raw materials needed to promote the development of local industries.

Prior to 1964 the United States and other donor countries financed commodity import programs to absorb excess domestic spending power and thereby maintain price stability. These programs did not adequately serve the needs of most Lao importers for small amounts of quickly available foreign exchange. In 1964 the Lao Government and a group of donor nations instituted a comprehensive, multilateral stabilization program recommended by the International Monetary Fund (IMF). The core of this program is the FEOF, which reduces the amount of Lao currency in circulation by buying local currency on the open market with foreign exchange contributed by the United States (the major donor), Australia, France, Japan and the United Kingdom.

A resident representative of the IMF provides advisory assistance in monetary and fiscal affairs to FEOF, and IMF teams visit Laos periodically to study and make recommendations on monetary and fiscal problems. The United States provides technical assistance in these and other areas of public administration.

Project Assistance

In FY 1973 A.I.D.'s project program will continue to help the Lao Government provide basic services and facilities for which its own financial resources and supply of skilled personnel remain inadequate. Principal areas of project assistance are detailed below.

Refugees. The United States furnishes refugees with food, clothing, medical care and supplies; provides air services for emergency relocation of refugees and for delivering supplies to them; and helps refugees resettle and become self-sufficient. The United States also helps train junior Lao Government officials to perform refugee work at both the national and provincial levels. Assistance to refugees is given not only through a project designed for that purpose, but also as an important part of other projects, such as air support, public health and rural development.

The number of refugees and amount of support required vary with military actions and crop conditions. The North Vietnamese/Pathet Lao offensives of 1969, 1970 and early 1971 greatly increased the number of refugees in the areas under Lao Government control. At the beginning of FY 1972 the total was about 307,000; it fell to about 236,000 by February 1972. In FY 1972 we estimate that A.I.D.-assisted refugees will average about 290,000 and will remain at approximately this level through FY 1973. We are proposing $4.4 million in direct aid for the A.I.D.-supported Refugee Relief and Resettlement project in FY 1973, but in fact about half of the $31 million project program will be associated with refugee activities.

Rural Development. U. S. activities in this field are concentrated on institutional development and on fostering economic links between producers and markets. American and Lao community development advisors help villagers and refugees identify basic needs, organize local resources and work together through local leaders and government officials. Activities financed include construction of schools, dispensaries, wells and rural

roads and improvement of local skills and techniques, particularly in agricultural production. While the initial aim is to bridge the gap between the central government and the rural population, the program also lays the groundwork for expanded agricultural production, the key to the ultimate objective of economic independence. In FY 1973 $3.7 million is proposed for this project.

During the past five years the use of local resources has been encouraged by making rural construction contingent upon the provision of local materials and labor by villagers. Many local projects are now processing without U. S. financing. Increasing emphasis is being placed on organizational and leadership training, formal and informal, and on technical training for farmers and villagers.

Public Health. The country has only a few Lao doctors and nurses to combat the high prevalence of such diseases as malaria, dysentery and influenza, and to reduce a high infant mortality rate. In addition the prolonged military action in Laos has produced refugees and civilian casualities who must be given medical care. The United States helps provide medical services in rural areas through over 200 A.I.D.-supported facilities. Six municipal hospitals are operated by Filipino medical personnel under A.I.D. contracts. Training programs provide medics to operate dispensaries, as well as assistant nurses and midwives. However, the dearth of qualified candidates for university medical study limits the development of a long-range program to improve public health standards and services.

In FY 1973 we will continue to provide technical assistance and supplies to Government health facilities. The project will require $2.9 million in FY 1973.

Roads. Laos has an extremely poor system of surface transportation. It has no railroads, the navigability of its rivers and streams is seasonal and its road system is primitive. The United States assists in the construction and maintenance of major arteries and roads. This program contributes to security objectives and also helps join

villages hitherto inaccessible, except by boat or air, to the rest of the nation and its commerce.

The program also develops local capacity to build and maintain the road network needed for national integration and commerce. Improvement in the Lao Government's capability is demonstrated by the growth in its maintenance activities. Maintenance mileage has increased by about 50 percent over the past four years. To date about 1,000 Lao, from supervisory to semi-skilled levels, have completed training programs in skills such as engineering drafting and equipment maintenance. In FY 1973 both academic and on-the-job training will continue.

The FY 1973 funding requirement for the roads program is about $2.5 million for commodities and personnel needed in construction and maintenance and for training activities.

Agriculture. Expanding rice production is a major undertaking in our assistance to Laos. As security permits, project activities center on building the necessary infrastructure -- such as irrigation systems and storage facilities -- and farmer motivation. The immediate objective is to eliminate the chronic need for rice imports.

The use of improved seed varieties, fertilizers and insecticides has already yielded dramatic production increases in selected areas. A widespread and successful campaign to distribute new seeds, demonstrate new methods and train farmers in villages and in refugee resettlement projects was begun in FY 1968. Introduction of double cropping has demonstrated that, with use of improved seed varieties, farm chemicals and irrigation, production could be expanded up to five times the present yield.

In FY 1972 and FY 1973 the agriculture program will continue to require assistance for importation of fertilizer and insecticides, development of rice milling and storage facilities, and development of vegetable crops and livestock production. Finally, the United States will continue to assist the Lao Government develop the rural banking sector in order to assure adequate and reasonable

credit availabilities to small farmers.

In FY 1973 $2.1 million will be required. Of this amount, $608,000 is needed for purchase of commodities and $1.53 million for continuation of technical advisory services and support of ongoing irrigation projects.

Education. The extreme shortage of trained manpower in Laos is one of the chief obstacles to national unity and effective government services. In addition, the continuing popular demand for education in the rural areas is a challenge to the government's efforts to retain popular support. Consequently, the Lao Government devotes about 20 percent of its civil budget to education.

A.I.D. has been helping the government to expand and upgrade the elementary education base and to increase the number and quality of trained teachers. The United States will concentrate during the next few years on the Lao normal schools, aiming at a total enrollment of 3,500 by 1975. The Lao-language secondary education system, begun in FY 1968, which includes both vocational and academic training, will also be expanded. Assistance is also provided for village self-help elementary school construction.

Assistance to education totalling $1.5 million is proposed in FY 1973, mainly for assisting six normal schools, providing advisory services to the elementary school system and constructing a fifth and sixth Lao-language comprehensive secondary school under supervision of a University of Hawaii contract team.

Public Administration. The United States provides advisory and training assistance designed to improve the administration and operations of two key government ministries, Finance and Planning. The program includes the upgrading of personnel skills and advising the Finance Ministry of means of improving budgeting, taxation and expenditure controls. U. S. advisory and training services in economic and manpower research and planning help the Planning Ministry carry out the Government's general, broad development plan for the years 1970-1975.

For FY 1973, $1.1 million is proposed to continue this program.

Industry. A major aim of A.I.D.'s industrial development program is to increase Lao foreign exchange earnings by promoting local industries which have potential export and can supply domestic markets as well. Initial emphasis from 1968 through 1970 was placed on developing the timber industry, which has an immediate market in Thailand. Export earnings from timber increased from $80,000 in 1966 to an average of over $800,000 per year from 1968 through 1970. A.I.D. and other donors have provided technical services for a forest inventory and for training of Lao foresters.

With local currency (kip) generated by the United States Commodity Import Program, the Lao Government has established an Industry Loan Fund, which has made loans to various sectors of the timber industry. Technical and loan assistance to local sawmillers and to furniture and veneer manufacturers was begun in FY 1968 and has continued in FY 1972. Studies and technical assistance are planned for development of small agro-industries such as farm-implement manufacturing and food and fiber processing. Medium-term loans from the Industry Loan Fund will be available for expansion or creation of new enterprises.

In FY 1973, $238,000 will be required for the Industry Development project.

Civil Police Administration. The United States assists the Lao Government in developing the capability of its national police to enforce law, maintain public order and combat subversive elements. This assistance involves advisory services, training for police officials, provision of communication and transportation equipment and development of physical facilities.

Completion in 1968-1969 of the primary national police radio network linking Vientiane police headquarters with the provincial headquarters has improved the coordination and efficiency of police operations. The installation of

the most important segments of an intra-province radio network was completed during FY 1971. The scope and effectiveness of police training have expanded steadily as the staffing of the central police academy, construction of which was completed during 1970, has progressed.

For this project, $462,000 is proposed in FY 1973.

Population. The United States is giving assistance to the Lao Government for the development of a national maternal and child health center. A beginning has also been made on extending maternal and child health services to rural areas. This program will provide improved clinical care, additional medical training and channels for dissemination of information on improved mother and infant health care and family planning.

This project will require $870,000 of Population funds in FY 1973.

Support Projects. Under a project for which $6.7 million is proposed in FY 1973, air services needed to support the program are provided. Another project, for which $5.3 million is proposed in FY 1973, will provide administrative services and facilities such as housing and communications for the economic assistance mission. Also provided within this total are salaries for 98 U. S. technicians to support the overall A.I.D. program in Laos.

CONTRIBUTIONS BY OTHERS

Japan, the United Kingdom, Australia and France, in addition to the United States, participate in the stabilization program for Laos with contributions to the Foreign Exchange Operations Fund (FEOF). The combined annual contributions to FEOF of donors other than the United States have been on the order of $6-7 million.

An important dam, Nam Ngum, has been constructed in Laos under supervision of the International Bank for Reconstruction and Development. It began generating power in

December 1971. About $30 million has been contributed by the United States (50 percent), Japan, Netherlands, Canada, Denmark, Australia, France and New Zealand.

France has provided a large number of teachers for the Lao school system and advisors and technicians for Lao Government ministries. Japan has financed a variety of assistance projects in the food, agriculture, and refugee areas, as well as special airport and telecommunications projects. Germany and Canada have also made contributions, in vocational training and forestry for example. Smaller assistance activities have also been undertaken by India, Israel and Thailand.

The United Nations and its specialized agencies, and such other multilateral organizations as the Asian Development Bank and the UN-sponsored Mekong Committee, provide Laos with various types of technical assistance.

Non-U. S. assistance, exclusive of Nam Ngum and FEOF, of about $10-$12 million per year is expected to continue in FY 1973.

OUTLOOK FOR FUTURE YEARS

So long as hostilities continue and Laos is required to maintain armed forces at the current level and to care for large refugee populations, the Lao Government will require large-scale foreign assistance to avoid economic chaos. In a post-war situation foreign economic assistance would be required at approximately the current level through a period of adjustment. The first focus of post-war reconstruction would be on remedying the massive dislocation of people which has occurred. Many of these people would want to return to their original homes, but the extent of these movements would depend significantly on the geographic "spheres of influence" that might be recognized by the three Lao political factions in any process of reintegration of a Government of National Union.

Laos would also require a period of time to "deflate" to a peace-time economy. A concentrated development effort

would be required to make Laos self-sufficient at least in food, to create employment for the former soldiers and to close the now very large gap between imports and exports. The development of hydroelectric power, which was initiated by construction of the Nam Ngum Dam, with multilateral support, should give an impetus to agricultural development. Laos can also expect to benefit from Mekong Basin development activities.

SUMMARY OF PROGRAM BY FUNCTION

Country: LAOS

(Dollar Amounts in Thousands)

TABLE II

Category	Actual FY 1971				Estimate FY 1972				Proposed FY 1973			
	Total	Tech. Assist.	Supp. Assist.	Population	Total	Tech. Assist.	Supp. Assist.	Population	Total	Tech. Assist.	Supp. Assist.	Population
Development Loan Program		XXX	XXX	XXX		XXX	XXX	XXX		XXX	XXX	XXX
Programs Other than Devel. Loan												
Project Assistance												
U.S. Technicians	7,918	3,087	4,769	62	7,504		7,439	65	9,020		8,908	112
Participants	485	139	320	26	556		501	55	546		491	55
Commodities	12,312	1,933	10,066	313	9,573		9,448	125	11,449		11,094	355
Other Costs	10,620	1,401	8,695	524	11,667		11,412	255	10,855		10,507	348
Total Project Assistance	31,335	6,560	23,850	925	29,300		28,800	500	31,870		31,000	870
Method of Financing Project Assistance												
Direct A.I.D.	19,301	4,936	13,954	411	16,935		16,687	248	19,543		19,011	532
Other Agency	1,174	107	1,067	-	769		769	-	1,189		1,189	-
Contract	10,860	1,517	8,829	514	11,596		11,344	252	11,138		10,800	338
Program Assistance	17,600	-	17,600	-	18,200		18,200	-	18,800		18,800	-
Total Other than Devel. Loan	48,935	6,560	41,450	925	47,500		47,000	500	50,670		49,800	870
Total Assistance	48,935	XXX	XXX	XXX	47,500	XXX	XXX	XXX	50,670	XXX	XXX	XXX

NUMBER OF U.S. TECHNICIANS (Program Overseas)

TYPE OF TECHNICIAN	On Duty At Close of Year		
	Actual FY 1971	Estimate FY 1972	Proposed FY 1973
A.I.D. employed	230	233	233
Participating agency	29	58	67
Contractor technicians	71	37	44
Total	330	328	344

NUMBER OF PARTICIPANTS

TYPE OF PARTICIPANT	Programmed During Year		
	Actual FY 1971	Estimate FY 1972	Proposed FY 1973
Non-contract	424	339	302
Contract	-	-	-
Total	424	339	302

THAILAND

PROGRAM SUMMARY (In millions of dollars)			
	FY 1971 Actual	FY 1972 Estimated	FY 1973 Proposed
Security Supporting Assistance	17.0	15.0	25.6
Technical Assistance	(4.1)	(-)	(-)
Population	(1.4)*	(1.5)	(2.1)
Total	(22.5)	(16.5)	(27.7)

*Funded from Development Loan account.

OBJECTIVES OF U. S. ASSISTANCE

The basic U. S. assistance objective is to help improve Thai capacity for dealing with internal and external security threats and to strengthen the ability of the government to maintain economic growth and internal stability over the long term. Both the U. S. and Thai Governments recognize that the fundamental responsibility for defending Thailand rests with the Thai.

POLITICAL, MILITARY AND ECONOMIC SETTING

Thailand occupies a key position in Southeast Asia and plays a major role in the economic and political life of the region. Thailand has cooperated closely with the United States in the Vietnam conflict, permitting U. S. access to base facilities in Thailand and providing Thai troops in support of South Vietnam. For many years Thailand has faced an externally-supported communist insurgency, and events in Cambodia and Laos have brought active military operations close to Thailand's border. The insurgents in Thailand have continued to increase in numbers and to strengthen their organizational base. Assassinations of local officials and civilian supporters of the Thai Government increased markedly in 1971 over the previous years.

On November 17, 1971, the Thai leadership suspended parliament and the constitution and modified the form of government with the intent of improving the Government's capability to deal with security and economic problems. The position of the King and the institutions of the monarchy, armed services, police and basic government administration remain unchanged. The new Government is administered by a National Executive Council (NEC) composed of former Prime Minister Thanom Kittikachorn and other former members of the Cabinet. The NEC has stated that Thailand will continue to support the UN and to cooperate with friendly nations as in the past, and that a new constitution is to be prepared.

Economy

In 1971 the economy of Thailand, which had reached a rate of growth of nine percent per year during the mid-1960's, continued the slowdown begun in 1969. Thailand's GNP growth rate declined to six percent in 1971, as a result of lower earnings from major exports--rice, tin and rubber--and reduced U. S. military expenditures in the country. Thai international reserves, which had experienced an earlier ten-year build-up, continued a decline started in 1969. The Thai Government sharply raised import duties and other taxes and in setting government budgets for fiscal years 1971 and 1972 it narrowed planned deficits by limiting developmental and other expenditures. It also favored exports by removing taxes on most categories of rice exports and encouraging production of other crops in stronger world demand. By these measures the Thai succeeded in holding the drawdown of official foreign exchange reserves to moderate proportions.

The high growth rates of the 1960s were achieved with monetary and price stability resulting from a high rate of private savings, a balance of payments surplus and the Government's conservative monetary and fiscal policies. In the early phases of the Second Five-Year Development Plan, 1967-71, expenditures of the Central Government increased rapidly, but they were later

restrained because of monetary pressures. Growth in government revenues has slowed, largely because of reduced growth of economic activity; the FY 1972 budget showed an expenditure increase of only one percent over the previous year.

On October 1, 1971, Thailand initiated its Third Five-Year Development Plan, which sets a target of a GNP growth rate of seven percent annually over the next five years while maintaining "monetary and financial stability". The Plan regards the balance of payments as the major constraint on future growth and calls for more rapid export growth and slower import growth compared to the Second Plan, 1967-71. Expecting little improvement in external demand for rice, the Plan projects export growth mainly in maize, tapioca and rubber and to some extent in other agricultural and manufactured products.

Total public development expenditures over the Plan period are projected at $4.8 billion. The Plan will give increased emphasis to agricultural expansion and diversification, particularly for crops with export potential, and to education and other social services. In order to raise the needed domestic resources, the Plan calls for new tax measures and holding down expansionary borrowings. Internal resources available for the Plan may face increased pressures because of declining growth in government revenues and continuing demands for security and defense expenditures.

At the February 1972 meeting of the IBRD-chaired Consultative Group on Thailand, the new Third Five-Year Development Plan was reviewed, and the RTG presented its case for external assistance to donors from 14 countries and international organizations.

PROPOSED FY 1973 PROGRAM

A Supporting Assistance level of $25.6 million is proposed for FY 1973. In addition, A.I.D. plans to provide $2.1 million for family planning activities.

To supplement the FY 1973 A.I.D. program, a two-year (FY 72/73) PL-480 Title I program of $30 million is planned, which will include cotton, tobacco, wheat and wheat flour. The local currency funds generated will be made available to agriculture and industry. A program of housing investment guaranties for a variety of low- and middle-income housing projects also is under discussion with the Thai Government. A military assistance program of $60 million is also planned.

U. S. Supporting Assistance will continue the basic security-oriented program of previous years, but will direct increased attention to economic development and the building of institutions which will permit the Thai Government to deal with its own internal problems over the long term. Assistance provided directly for security will help strengthen the Thai police and the Government to continue to carry out a broad program of rural development. Economic and technical assistance will be provided in the fields of agriculture, education private sector development, health and population planning. An agricultural sector program is being developed to provide assistance to farmers to increase production of agricultural crops for which good export potential exists.

Security

To assist the Thai in improving security in the rural areas threatened by insurgent activity, the FY 1973 program contains $4.2 million for support of the Thai National Police Department. The bulk of this assistance will help to improve and expand the capability of the National Police to deal with the insurgency, although significant effort will also continue to be given to developing the Thai National Police Department into a modern police institution.

The increase in the insurgency threat over the past two years has prompted the National Police to increase its

manpower by almost 6,000 men. New recruits are in the main being assigned to counterinsurgency units located in security-sensitive areas. U. S. assistance is largely focused on the counterinsurgency police elements, chiefly the Provincial Police and the Border Patrol Police.

Program plans call for extending police services to townships, improving police and counterinsurgency training, improving mobility and communications and promoting police-community activities.

Rural Development

The proposed FY 1973 program includes $3.8 million in Supporting Assistance funds for rural development through the Accelerated Rural Development program. This project is designed to assist in the economic and social development of insurgent-threatened areas of Thailand by providing increased governmental services, equipment, funds and trained personnel. The program provides support and assistance to the provincial government to create, train and equip a provincial organization which can respond to the needs and desires of the people. Project activities include rural roads, water facilities, schools and other public works. An important part of the project is the building of a capability in the provincial government to plan, coordinate and implement local programs.

In addition to the Accelerated Rural Development project, other development activities focused largely in the North and Northeast and designed for maximum public impact are being undertaken in rural health, rural education and agriculture extension. Assistance will be provided to mobile development units which undertake development activities in the most insecure areas.

Family Planning

The Family Planning program has obtained strong Thai Government support. A.I.D. assistance, largely in the

form of commodities, will continue at a level of about $2.1 million in FY 1973. The present population growth rate is estimated at 3.3 per cent annually, and the Thai have set a target growth rate of 2.5 per cent by the end of the Five-Year Plan.

Education

In FY 1973 $1.7 million is proposed for U. S. assistance to education. A.I.D. will help improve teacher training and help the Thai become self-sufficient in the development of their own science and mathematics education programs.

Only an estimated 50 per cent of Thai children in the primary through secondary school age group are in school, despite increasing Thai resources budgeted for education. A new activity planned for FY 1973 is assistance to provide reading material for village schools.

Institution Building and Development

In line with the objective of increased emphasis on local leadership and lowered U. S. presence in our aid programs, a change in emphasis and previous geographic concentration of the Thai program is being planned. The FY 1973 institution-building program will increase efforts to support or improve basic Thai institutions which have leading roles in national development. New A.I.D. activities which will carry forward this purpose include the Local Government Finance project, the National Economic Policy project, and an agricultural planning activity.

-- The Local Government Finance project will assist provincial and lower level government units to identify methods of generating or expanding local revenues, thus increasing funds available to provincial authorities, which to date have been largely dependent on allocations from central government sources.

THAILAND

-- The National Economic Policy project will improve the development planning capability of the Thai Government at the national level. It will help develop an analytic and planning capability to assist in the formulation of sound national policies by such institutions as the National Economic Development Board and the National Institution for Development Administration.

-- The activity that stresses agricultural planning aims at improving the planning capabilities of the Ministry of Agriculture.

Two Supporting Assistance loans are proposed in FY 1973. The absence of adequate studies and firm project proposals to support development plans has hampered Thailand's ability to obtain capital project financing from external sources which otherwise might be willing to increase their assistance. During the 1972 Consultative Group meeting, a particular point was made of this weakness. A proposed $2 million Supporting Assistance loan to the Thai Government will finance the identification and preparation of feasibility studies of priority capital projects in Thailand.

A $5 million Supporting Assistance loan for agricultural development is also planned. The Agricultural sector holds the most promise for increased production of commodities for export; however, greatly increased local and external resources are required both for diversification and expansion of production. Loan funds will be provided to the Bank of Agriculture and Agricultural Cooperatives. This will support a major Thai program for assistance to farmers and producers of commodities with good export potential, and should contribute to strengthening the Government's relationship with the farmers.

In December 1971 an A.I.D. housing guaranty program for Thailand was approved at a $6 million level for public housing and sites and services projects to be administered

by the Thai Public Welfare Department. Discussions are taking place on the possibility of additional housing guaranty assistance for the formation of savings and loan/mortgage insurance systems and a private housing program.

OTHER DONOR ASSISTANCE

The principal non-U. S. sources of assistance to Thailand are the International Bank for Reconstruction and Development (IBRD) and Japan. The IBRD has been lending to Thailand at an average of $30 million a year, largely for infrastructure projects. The Bank is expected to continue to provide substantial assistance in support of the Plan. Japan has been the largest bilateral donor after the United States, and there has been a steady rise in the amount of its assistance. Japanese loans reached $12 million in FY 1971 and may be expected to increase significantly over the Plan period. Japan also contributes about $2 million annually in grant technical assistance.

Thailand also receives assistance from ten other countries or organizations. The Asian Development Bank is expected to give loans totaling $18 million for FY 1972. Australia, New Zealand, West Germany, the UK and the United Nations are the other largest contributors of grant assistance. Total grant assistance from all non-U. S. sources is expected to reach over $11 million in FY 1972.

THE OUTLOOK FOR FUTURE YEARS

Thailand faces a number of economic problems over the next few years which may hinder its rate of development.

The Thai Government intends to undertake a drive to increase export sales, a major objective of the new Third Five-Year Plan, and to hold imports to a slower rate of growth. Both of these efforts will require the Thai to undertake a variety of actions to increase and diversify agricultural production, to increase industrial production for both export and efficient

import substitution and aggressively to pursue new markets for all of its exports. New incentives must be established and implemented to encourage the private sector and foreign investment. Other economic problems which must be faced will include increasing revenue collections in support of the development plan and simplifying the import and domestic tax structure. The identification and preparation of plans for specific development projects suitable for donor financing will receive priority attention. All of these actions will call for determination and discipline on the part of the Thai.

Thailand will face a continuing threat from internal insurgency, which over the last year increased in strength and organizational base. The Thai are also concerned about the external threat arising from events in Laos and Cambodia. Increased communist efforts in both these areas may well compel them to increase their defense and counterinsurgency efforts by using resources that otherwise would be applied to economic development.

Thailand has, however, a number of strengths which will support its efforts to deal with these problems. It has a long history of national independence, a widely respected royal family which helps to unify the nation and an established structure of government. Its resource base is sound, and the country does not face food shortages nor great pressures on arable land. It is increasingly assuming a more important role in the political and economic affairs of Southeast Asia. Given sufficient determination for self-help and adequate technical and developmental support, Thailand should be able to overcome its problems.

SUMMARY OF PROGRAM BY FUNCTION

Country: THAILAND

(Dollar Amounts in Thousands)

TABLE II

Category	Actual FY 1971				Estimate FY 1972				Proposed FY 1973			
	Total	Tech. Assist.	Supp. Assist.	Population	Total	Tech. Assist.	Supp. Assist.	Population	Total	Tech. Assist.	Supp. Assist.	Population
Development Loan Program		XXX	XXX	XXX		XXX	XXX	XXX		XXX	XXX	XXX
Programs Other than Devel. Loan												
Project Assistance												
U.S. Technicians	10,420	3,279	7,056	85	6,117		6,027	90	9,649		9,459	190
Participants	3,144	670	2,187	287	2,259		2,059	200	3,375		2,960	415
Commodities	8,977	201	7,753	1,023	8,124		6,914	1,210	14,436		12,896	1,540
Other Costs	-	-	-	-	-		-	-	285		285	-
Total Project Assistance	22,541	4,150	16,996	1,395	16,500		15,000	1,500	27,745		25,600	2,145
Method of Financing Project Assistance												
Direct A.I.D.	17,389	1,341	14,653	1,395	14,836		13,336	1,500	22,086		20,041	2,045
Other Agency	621	344	277	-	298		298	-	770		770	-
Contract	4,531	2,465	2,066	-	1,366		1,366	-	4,889		4,789	100
Program Assistance	-	-	-	-	-		-	-	-		-	-
Total Other than Devel. Loan	22,541	4,150	16,996	1,395	16,500		15,000	1,500	27,745		25,600	2,145
Total Assistance	22,541	XXX	XXX	XXX	16,500	XXX	XXX	XXX	27,745	XXX	XXX	XXX

NUMBER OF U.S. TECHNICIANS (Program Overseas)

TYPE OF TECHNICIAN	On Duty At Close of Year		
	Actual FY 1971	Estimate FY 1972	Proposed FY 1973
A.I.D. employed	161	139	132
Participating agency	20	11	13
Contractor technicians	53	38	72
Total	234	188	217

NUMBER OF PARTICIPANTS

TYPE OF PARTICIPANT	Programmed During Year		
	Actual FY 1971	Estimate FY 1972	Proposed FY 1973
Non-contract	442	475	650
Contract	24	-	35
Total	466	475	685

EAST ASIA REGIONAL

PROGRAM SUMMARY (In millions of dollars)			
	FY 1971 Actual	FY 1972 Estimated	FY 1973 Proposed
Security Supporting Assistance	12	.3	8.4
Technical Assistance	(11.1)	(8.7)	(10.6)
Population	(1.9)*	(1.8)	(2.5)
TOTAL	(13.2)	(10.8)	(21.5)

*Funded from Development Loan Account

OBJECTIVES OF U.S. ASSISTANCE

The principal objective of U.S. regional programs in East Asia is to help improve the prospects for long-range peace and stability in the area. A.I.D. supports Asian proposals for cooperative economic and social development involving several countries working together on common problems. A.I.D. also encourages maximum involvement of other developed nations and international organizations in such programs.

Some of the A.I.D. regional projects are funded by Supporting Assistance funds and some by Technical Assistance funds, depending on the nature and purpose of the activities.

PROPOSED FY 1973 PROGRAM

The Mekong River is the major single natural resource of common interest to the countries of mainland Southeast Asia. Exploitation of its hydropower and irrigation potential could transform the Mekong Basin into a great electric power and food producing region. Beyond that the development of the Basin on a cooperative regional basis serves as a model for such cooperation in other areas and can help provide for political as well as economic stability in the region as a whole. The Mekong Development Program is sponsored by the Committee for Coordination of Investigations of the Lower Mekong Basin consisting of Cambodia, Laos, Thailand and South Vietnam.

Despite continuous war and subversion in the area, the program of the Mekong Committee has continued uninterrupted over the last 14 years, with contributions from all sources totaling $214 million.

The United States has been a supporter of the Mekong Committee and its program since its earliest period. With 28 other countries and 12 UN agencies participating in the Mekong Committee's work, U.S. assistance has accounted for only 17 percent of the Mekong program funding to date. The U.S. contributions have included participation in the recently completed Nam Ngum Dam in Laos, large-scale investigations of the feasibility of a mainstream dam at Pa Mong on the Thailand-Laos border, participation in the World Bank-directed program for the development of agricultural pilot projects in all four Mekong countries, and a series of studies and activities including investigation of ecological problems arising from river development.

In July 1969, the World Bank accepted a suggestion by the UN Secretary General that it become more closely associated with the development of the Mekong Basin. With inputs from the United Nations, the United States, Great Britain, Japan and the Netherlands, the Bank has established a $2,040,000 fund for the purpose of developing and managing a series of related agricultural projects in the Basin. The Bank's work is being carried out under the aegis of the Mekong Coordinating Committee.

The World Bank has now recommended that a $50 million fund be established for the construction and operation of the projects. The United States proposes to contribute up to 25 percent of the foreign exchange costs, which are estimated at one-half of the $50 million construction fund. The total U.S. input of about $6,250,000 would be spread over a five-year period. The World Bank has requested donors to make substantial initial contributions. Consequently in FY 1973, $2 million in Supporting Assistance funds is proposed for contribution to the $50 million Mekong Pioneer Projects

EAST ASIA REGIONAL

Development Fund. Our contribution would help finance projects such as construction and repair of irrigation and flood control dikes and levees to protect agricultural land from salt-water intrusion; pump, gravity and rain-fed irrigation projects; experimentation with seed varieties under a variety of water control experiments in many locations; and training programs for farmers, farmer organizations and the local government organizations working with them.

In addition, $1.6 million in Supporting Assistance funds is requested for the Mekong Development Planning Project to assist the Mekong Committee in a variety of activities in such fields as fisheries, resettlement, analysis of downstream benefits from upstream dams, and preventing the spread of schistosomiasis. An additional $4 million is proposed for construction of a series of dikes to provide protection for Vientiane, Laos, and the nearby Wattay Airport from floods originating from the Mekong and Nam Ngum Rivers. Repeated flooding has resulted in high annual costs for emergency services and repair of flood damage and has interrupted normal communications for long periods.

Another A.I.D. effort is directed toward stimulating coordinated telecommunications and transportation facilities in Southeast Asia, thereby promoting greater cooperation and cohesion in the region. The Asian Development Bank has just completed a $3 million transportation survey of Southeast Asia to which the United States contributed one-third. The survey report is now being reviewed by the countries concerned and could establish the pattern and priorities for future transportation development in Southeast Asia. In FY 1973, $600,000 in Supporting Assistance funds is needed for feasibility studies of specific priority projects identified by the foregoing regional transportation survey, and to provide technical advice and assistance to the Coordinating Committee in Malaysia which coordinates regional transportation and communications development interests of eight Southeast Asian countries.

Fifteen feasibility studies have been completed and two studies are under way financed with prior-year funds. The feasibility studies already completed have helped to attract about $100 million of investments from non-U. S. sources.

$217,000 is requested for equipment and training of Laotian personnel to complete construction of a telecommunications system tying Laotian and Thai systems together with international centers.

TECHNICAL ASSISTANCE AND POPULATION

The proposed FY 1973 A.I.D. program for East Asia regional development also includes $10.6 million of Technical Assistance funds to help the Southeast Asian Ministers of Education Organization (SEAMEO) promote regional cooperation in education through the operation of regional centers for advanced study and research in English teaching, tropical agriculture, mathematics and science teaching, tropical medicine, tropical biology and educational innovation; contribute to the development of the Asian Institute of Technology; support multilateral and cooperative efforts for improving the quality and supply of food (rice, vegetables and fisheries research); assist regional projects in health (cholera research); support labor and management training programs and selected activities of multilateral organizations; support the Southeast Asia Development Advisory Group and related research programs; and finance logistics and technical support costs for regional field operations.

The East Asia regional program also includes $2.5 million of population funds in FY 1973 for support of regional family planning activities.

COMPARISON OF FISCAL YEAR 1972 AND FISCAL YEAR 1973
SUPPORTING ASSISTANCE

Mr. PASSMAN. Mr. O'Connor, as I read the record, the total request for supporting assistance for fiscal 1973 is $874.5 million as compared to the program level of $583.1 million for fiscal 1972, or a net increase of $291.4 million; is that correct, sir?

Mr. O'CONNOR. That is correct.

Mr. PASSMAN. At this time I am going to yield to Mr. Robinson of Virginia.

Mr. ROBINSON. Thank you, Mr. Chairman. I have no questions at this point.

Mr. PASSMAN. Thank you, sir.

As I read the record, the total amount of new obligational authority requested for supporting assistance for fiscal 1973 is $844 million, is that correct?

Mr. O'CONNOR. Yes, sir, that is.

Mr. PASSMAN. Now in recent years we have had that grand gentleman, the administrator of AID, Dr. Hannah, one of the most forthright men ever to appear before this committee, put it right on the line. He said, "Mr. Chairman, this is the asking price. We will arrive at the taking price later."

I said, "That is very fair. Let's proceed with the examination on that basis."

I would assume, borrowing from Dr. Hannah's expression, this is the asking price, is that correct?

Mr. O'CONNOR. That is correct, sir.

Mr. PASSMAN. Thank you very much. You are fair to admit that.

What was your new obligational authority request for fiscal 1972?

Mr. O'CONNOR. It was $768 million, sir.

Mr. PASSMAN. So in reality the carryover in unobligated funds and the new appropriation allowed was what figure less than the original request in fiscal year 1972?

Mr. O'CONNOR. I will have to do a little subtraction.

Two hundred and forty-one million, four hundred thousand dollars.

Mr. PASSMAN. Does that also take into account the carryover at the time you made this request or would you add that to it? Would you not add that to get the grand total?

Mr. BREECHER. That is correct.

Mr. PASSMAN. All right. Let's get the grand total.

Mr. BREECHER. That is correct, Mr. Chairman. We had a total of $825 million which we had requested.

Mr. PASSMAN. No. I am dealing entirely with fiscal 1972.

Mr. BREECHER. Fiscal 1972, our request for the program was $825 million.

Mr. PASSMAN. And the Congress provided——

Mr. BREECHER. The Congress provided, including carryovers, $583 million.

Mr. PASSMAN. A reduction of?

Mr. BREECHER. $242 million.

Mr. PASSMAN. $242 million rounded figures?

Mr. BREECHER. Yes, sir.

Mr. PASSMAN. Below the total request?

Mr. BREECHER. That is correct.

EFFECT OF REDUCED SUPPORTING ASSISTANCE PROGRAMS

Mr. PASSMAN. Are you carrying on what could be termed a satisfactory workable operation in fiscal 1972 in the areas where we provided supporting assistance?

Mr. O'CONNOR. Sir, my answer to that has to be no; we are in a rather painfully cut condition.

Mr. PASSMAN. How painful? Where are you hurting most?

Mr. O'CONNOR. I think perhaps the best way to answer that is to tell you where we reduced our program.

Mr. PASSMAN. No; I would rather have a direct answer. You say you are hurting painfully. Now just where are you hurting because you did not get all the money you wanted?

Mr. O'CONNOR. Sir, in Thailand, for example, we have put off, delayed, and postponed $25 million worth of projects. In Vietnam——

Mr. PASSMAN. Let's speak of Thailand.

You are postponing $25 million worth of projects?

Mr. O'CONNOR. Postponing, reducing, or other.

THAILAND LOAN TO THE UNITED STATES

Mr. PASSMAN. I believe this is the little nation in Southeast Asia where they built up $1 billion in the foreign exchange account and under the Johnson administration we went to Thailand and borrowed $100 million to be repaid in four and a half years at 6 percent interest; is that not corect?

Mr. O'CONNOR. That was correct, sir.

Mr. PASSMAN. Have you repaid that loan?

Mr. O'CONNOR. I think that repayment is due next year.

Mr. PASSMAN. Why don't you let them take some of that money we are going to have to go out and painfully borrow to spend on their projects? That is a good question, is it not?

Mr. O'CONNOR. Yes.

Mr. PASSMAN. Thank you. I am glad you admit that. How silly can we get, Mr. O'Connor? Here is a small nation with such a large, favorable foreign exchange credit that we go out and actually borrow $100 million from them at a high rate of interest to be paid back in four and a half years. Mr. Nixon stopped that practice. Here you are requesting a grant-aid program for Thialand when those people have a favorable foreign exchange balance even at this time, with a $100 million loan from the United States, that we borrowed from them, to be repaid next year with interest. Are we paying them the interest in advance or is it going to be accrued all at one time?

Mr. O'CONNOR. Let me see if we have that.

(The information follows:)

Interest on these securities is paid semiannually.

Mr. PASSMAN. You are such a nice fellow. You are the one administering this program. Do you not think you should have known about this loan? Just how are we going to repay this loan to Thailand, borrow the money?

Mr. O'CONNOR. I am sorry, Mr. Chariman, that is a detail I do not have.

Mr. PASSMAN. Off the record.

(Discussion off the record.)

HISTORY OF ASSISTANCE TO THAILAND

Mr. PASSMAN. We are wrecking the welfare of unborn generations with so many of these giveaway programs, both domestic and foreign. Somewhere along the way, if we do not develop some sanity in our fiscal affairs, our economy is going to collapse.

Please have a look at this supporting assistance program. These nations where we are borrowing money, they are waxing fat in wealth and prosperity. I have been out to Thailand. As you well know, this is the country, where 12 years ago, we said there would be no more aid for Thailand, they can now take care of themselves. I was so very happy when the ambassador and the AID people gave me that report. I returned home and I gave that report to Douglas Dillon and others in the State Department.

One year later I returned to Thailand; we set up a meeting between four of the committee members and all the AID people. They dropped the gavel. You may have been in on this matter, I do not know.

Mr. O'CONNOR. That was before my time.

Mr. PASSMAN. The AID Director said he was sorry, "we have been instructed in Washington not to give you any information about our program."

I said, "you have no program. You told me last year you were going to conclude the program."

He said, "yes, but we have had some new thoughts. We decided we will not conclude it and it is strictly confidential as to what our new program will be."

You can imagine how I felt. This arrogant man lost his job about 90 days later because I informed certain people what had happened.

Imagine, the chairman of the committee, was told "we cannot tell you what we are going to ask for on this new program." So they went back in on a program in Thailand. Since that time we have given them 3 times as much as we had provided up to the time we cut it off.

The reason I am mean sometimes is because of the experience we have had with this foreign aid program.

Here you talk about postponing the program in Thailand, when we are going to have to go out to the American people and borrow $100 million to pay back that loan that is due next year, plus interest, I assume.

Mr. O'CONNOR. Yes, sir, there is interest on it.

Mr. LONG. Who is responsible for this?

Mr. PASSMAN. The administration at that time was anxious to show an improvement in our balance-of-payments situation. It was very critical and alarming. The only way we could do it, was to go out and borrow money from nations and bring it home. That was the purpose of it.

I happen to know because we made the record time and time again.

At this time I would like to yield to Mr. Shriver of Kansas.

AID PERSONNEL IN CAMBODIA

Mr. SHRIVER. Thank you, Mr. Chairman.

To administer the $75 million requested for Cambodia you will have only 17 U.S. personnel there. Would you tell us what those 17 people do?

Mr. O'CONNOR. I can give you a breakdown, Mr. Shriver.

We estimate by the end of the year we will have actually 14 there. I will have to supply the precise breakdown for the record.

(The information follows:)

The AID staff in Phnom Penh constitutes the Economic Section of the Embassy and consists of the Economic Counselor (who is the principal AID officer), a controller who also serves as a deputy to the Economic counselor, deputy controller, and arrival accounting officer, four supply officers, two economists, a program officer, and three secretaries. AID plans to add three more officers in the arrival accounting/end use/audit area as the momentum of our program picks up and the need for such personnel is justified.

Mr. O'CONNOR. From my memory, because I have been there a number of times, I think I can tell you approximately what is done. It is not a separate AID mission, it is the Economic Section of the Embassy. The chief of it is the Economic Counselor. He has a deputy who actually come out of our accounting operation in Bangkok.

We have an economist there. We have an administrative man there. Below that I believe we have three people that are looking at the commodity import program, they are specialists in that. I think we have one logistics expert who is a specialist in handling shipment arrivals. We have a couple of secretaries, perhaps three altogether. I believe there are two more administrative types who are really a part of the CIP program, not the housekeeping chores.

OTHER DONOR CONTRIBUTIONS TO THE CAMBODIAN EXCHANGE SUPPORT FUND

Mr. SHRIVER. On page 3 of your statement you mention the contributions of other countries to the exchange support fund for Cambodia. Some of these contributions are listed in the justifications, but would you put in the record more details about these other donations from these other countries and exactly what you anticipate in 1973?

Mr. O'CONNOR. Yes.

(The information follows:)

Other than ourselves and the GKR, the following countries are making cash contributions to the Exchange Support Fund in calendar year 1972: Japan, $5 million; New Zealand, $120,000; Thailand, $250,000; Malaysia, $100,000; Australia, $1 million; and the United Kingdom, $520,000.

Although no specific commitments have been made to the ESF for calendar year 1973, we are hopeful that the GKR will be able to raise a total amount of other donor contributions equivalent to calendar year 1972.

Mr. O'CONNOR. Those were donations which I think are going to be made in-kind by Indonesia, if I remember correctly, Korea, Malaysia, and——

Mr. GREEN. Australia.

Mr. O'CONNOR. That was made in money. You are talking about the ones other than money?

Mr. SHRIVER. Yes. Or money, too.

Mr. O'CONNOR. I am sorry, sir. The other contributions of money are Japan, $5 million; New Zealand, $120,000; Thailand, $250,000; Malaysia, $100,000; Australia, $1 million, and United Kingdom, $520,000.

Mr. SHRIVER. What is the percentage from these other countries as compared with the United States?

Mr. O'CONNOR. The total of the funds, sir, was $34.5 million, approximately. The Cambodian Republic put in $15 million; the United States will put in $12.5 million in fiscal 1973. The others make up the difference.

REPORT ON LAOS FOREIGN EXCHANGE OPERATIONS FUND (FEOF)

Mr. SHRIVER. On page 4, you mention the Foreign Exchange Operations Fund for Laos.

Now, the House Committee on Government Operations released a report December 8, 1971, highly critical of this fund and of our assistance efforts in Laos, altogether. The conclusions of the committee were summed up with this statement:

> Our excessive generosity has precluded any real and lasting success, where a shopping bag is needed we send a truckload.

Are you familiar with that report?

Mr. O'CONNOR. Yes, sir. I am familiar with the report.

Mr. PASSMAN. Would you comment on it?

Mr. O'CONNOR. I testified before that committee for a good many hours a couple of months ago.

OPERATION OF THE LAOS FUND

The difficulty with the FEOF is that it is uncontrolled in the sense that the manager of the FEOF does not exert any control over the way the FEOF foreign exchange is spent. It was set up 7 or 8 years ago with the recommendation of the IMF. I have consistently said to the committees of Congress the best thing you can say about it is that it has accomplished its purpose, to keep the inflationary rate down. As a matter of fact, Lao price levels has been steady over 5 or 6 years. I believe 6 years ago, this is from memory, the inflationary rate was something like 7½ percent, in 1970 and in most of this past year it was only 1 percent. Nevertheless, the FEOF has been criticized because of this feature that we are not able to say where the money is spent and on what it was spent.

That was inherent in the way it was set up. It continues to be our judgment that the Laotians do not have the capacity to run a much different kind of program, and, when we tried, it turned out to be a very difficult operation; nor do they have the capacity to set up the kind of controls that might be used in a normally sophisticated operation. So in our judgment this remains the best way to do the job.

The amount of money is quite small, the amount of money contributed to the fund has run someplace between $22 and $23 million.

Mr. SHRIVER. You mean compared with what, it is small?

Mr. O'CONNOR. I mean in terms of total aid funds or money spent in almost any other country to try to maintain stability. This is really a small amount, a small commitment. We have never considered a FEOF in a larger size economy.

MAINTENANCE OF LAOTIAN FOREIGN EMBASSIES

Mr. SHRIVER. Are we still financially supporting the maintenance of Laos' Embassies over the world?

Mr. O'CONNOR. No, I believe we ceased that 3 years ago. I think I testified here last year that we had stopped.

Mr. SHRIVER. My time is up. I thank you for yours.

Mr. O'CONNOR. Thank you.

Mr. PASSMAN. Mr. Riegle, would you like to use the constitutional 5 minutes at this point?

I yield to you.

Mr. RIEGLE. Is Dr. Long——

Mr. LONG. I just told him I wanted you to have my time.

Mr. RIEGLE. Thank you, Mr. Chairman.

IMPACT OF NORTH VIETNAMESE INVASION IN SOUTH VIETNAM

I think everybody is troubled about what has happened in South Vietnam with respect to the most recent developments, and I am sure you are too, from the point of view of what it does to the programs we have underway and also, as those activities relate to Laos, Cambodia, and Thailand.

Have you done any impact work yet that would indicate what you would envision in the way of increased refugee activity in terms of rebuilding efforts, particularly in the area now being held by the North Vietnamese, assuming that the South Vietnamese at some point regain that territory?

Have any impact studies been done to indicate what is likely to happen to the overall economy of South Vietnam as a result of the disruption that has already occurred?

Mr. O'CONNOR. The estimates I think rather than studies that we have gotten so far on the refugee problem which seem to have generated between 150,000 and 200,000, nobody is sure of the exact figure, will probably not have an impact in this fiscal year.

The reason for that is there are reserves actually built into the local currency fund of the South Vietnamese Government for just this very purpose, because where this attack obviously produces more refugees than normal, we are always subject to sudden influx of refugees.

There are reserves in the South Vietnamese budget that we believe will handle this 150,000. If there should be more retreats and more cities that are being pushed militarily, I imagine that will get to a point where we will have to come out with extra money. Quite frankly, I do not know where we are going to get it.

Mr. RIEGLE. This is a result of the invasion of the North Vietnamese?

Mr. O'CONNOR. That is right.

Mr. RIEGLE. You are not talking about anything we have done?

Mr. O'CONNOR. No, sir, I am not.

The place where the refugees are being produced is in the Quang Tri R–1 area. I think you read about that in the paper, there was a dialogue between our people and the press.

INCREASED REFUGEES DUE TO U.S. MILITARY POLICY

Mr. RIEGLE. I do not want to quarrel with my good friend from Wichita, but the other day Secretary Laird and Admiral Moorer said that since this invasion occurred, the area in South Vietnam held by the North Vietnamese and the VC is a free-fire zone, and in all likelihood anybody there in a civilian capacity is going to get out quickly

if they want to live. So in a sense, the fact that we consider this area now a free-fire zone resulting in our bombing and strafing at the highest levels since 1968, probably has something to do with refugee creation, wouldn't you think?

Mr. O'Connor. You are better briefed than I am.

Mr. Green. I think the refugees have all moved in the path of the invasion. The invasion moved about 10 or 15 miles south of the DMZ, everybody has left that area. So there is no civilian population in it.

Mr. Riegle. What I am saying is that I suspect two things contribute to that fact; both the presence of NVA forces as well as the fact that we now consider this area a free-fire zone and thus use every kind of air capability we have. I would think both those factors contribute to it, but that is a subjective matter and we can quarrel about it. I happen to think that is true.

I have talked to refugees in South Vietnam who say their main fear is the American bombing rather than ground activity by either side.

Mr. Green. They all go in one direction, that is south, they do not go north.

Mr. Riegle. But at the same time, we are also bombing in North Vietnam?

Mr. Green. At various places in North Vietnam, yes.

Mr. Riegle. I think that would have to have a bearing on it. If I wanted to get away from bombing, I would not go where they are bombing.

Mr. Green. I do not think that is the reason they are going where they are.

Mr. Riegle. That becomes judgment.

Mr. Green. That is my judgment.

Mr. Riegle. We are bombing in the north?

Mr. Green. We are bombing but sporadically and not in a way that I think would have that effect. I think the reason is, they do not want to go into the servitude of North Vietnam.

CAMBODIAN COMMODITY IMPORT PROGRAM

Mr. Riegle. Mr. Chairman, I notice here in the statement, and I trust you probably saw this too, that we now have a commodity import program of some size in Cambodia.

Mr. Passman. That is right.

Mr. Riegle. I think the records of this subcommittee will show that there has been great concern over the years in this committee that the commodity import program, first in South Vietnam and other countries, was growing to the point where we were helping to develop a brand new standard of living and a consumption level in those countries which was completely out of character with what they were accustomed to in the past and in all likelihood out of step with what they can support in the future. In fact, we raise the standard of living for which we end up paying and which they cannot sustain in their own right.

When I see Cambodia with a substantial and growing commodity import program I become greatly troubled because it is the same old pattern. We saw this happen in Vietnam. Why do we have to do this?

Why is it necessary for us to get in with a new and a growing program in Cambodia in this regard?

Mr. O'CONNOR. Mr. Riegle, when we first came to the Congress in, I guess, November of 1970 for this program, we said we were going to try to do it in a different way than the way which had admittedly been subject to some criticism in Vietnam for the very reasons that you cite: instead of setting it up on a basis that we were going to meet the budgetary deficit, trying to combat inflation, which was the case in Vietnam, We did not do that. We did a study of what goods they needed in Cambodia to maintain a level that they had before the war started. So we are specifically not committed to offsetting a budget deficit.

CAMBODIAN EFFORTS TOWARD ECONOMIC STABILIZATION

We also insisted that the Cambodians themselves take some necessary steps with the advice of IMF to stabilize their own economy, which they have done. They have a flexible exchange rate which went into effect last fall in Cambodia, which again relieves us of much of the problem that plagued us and the Vietnamese in Vietnam when they maintained a most unrealistic exchange rate, which not only caused economic instability, but provided opportunities for a good deal of corruption.

We have dealt with those two aspects in Cambodia.

PRICE AND WAGE CONTROLS IN CAMBODIA

Mr. RIEGLE. Are there price and wage controls? Rationing?

Mr. O'CONNOR. There is some price control, there is not rationing of goods, there has not had to be.

Mr. RIEGLE. This statement says $55 million is for the commercial import program in Cambodia. That $55 million has to come directly out of other things in this country on which we need to spend the money.

I am wondering why are we doing this? If there is enough fat on the bones of the Cambodians today so that they do not have rationing, or tough wartime price and wage controls, why is it necessary for us to inflate their situation and pump it up with $55 million?

Mr. O'CONNOR. Well, in the first place, we are not inflating imports. They are less than pre-1970, but I think you have to distinguish between what is available in terms of food and what they have to import to keep the economy going. When you said rationing, that is what I was focusing on.

OPERATION OF THE CAMBODIAN C.I.P.

Mr. RIEGLE. What is this $55 million for; what is it made up of?

Mr. O'CONNOR. Made up largely of the kind of essential imports, either small machinery, spare parts, also POL, oil for lubrication, and so forth, to keep their generators going.

Mr. RIEGLE. Are there any restraints on this? What if they want to import automobiles, television sets, bicycles?

Mr. O'CONNOR. No, they have to import from a positive list set up by ourselves that includes only what we consider to be essential products.

ABUSES OF THE COMMODITY IMPORT PROGRAM

Mr. RIEGLE. Let me tell you what we found one other time. We found out the way that program works. It looks like on the first level that you are setting up restraints which would keep them from importing luxury goods. What happens when a commercial importer wants to finance part of his business with these necessary products on your list through this program, but then that frees up his resources to open up a subsidiary operation out of another door where he can get into other kinds of goods which we would think of as luxury items. So in effect we end up underwriting that.

To see Cambodia come on this list, to see it grow like this, I think is inexcusable. I think if they have any give in their system at all, if they do not have price and wage controls or rationing, there they ought to tighten up and see whether they cannot come up with this $55 million themselves even if it means a lowered consumption level.

MAGNITUDE OF CAMBODIAN C.I.P.

Mr. O'CONNOR. I see your point, but I also have to say that the program in fact has not been growing, their import levels have gone down to only some $53 million worth in 1971. So this is a country that is getting less imports than they have had in their economy in the past.

As a matter of fact, this decline is showing up markedly in the level of domestic production, largely because they cannot get raw materials or the spare parts for their factories or new machines to keep their production going. In that kind of situation, you are getting inflation.

Our commodity import program has not developed yet in sufficient magnitude to hold that inflation very stable.

TOTAL COSTS OF U.S. OPERATIONS IN LAOS

Mr. RIEGLE. One other point. I know your budget data for Laos shows only a piece of the cost that the Federal Government is now incurring in terms of total costs in Laos. We are underwriting—although I am not exactly sure in which appropriation bill—the costs of certain mercenary forces in Laos which do not show up here.

Do you have or can anybody in the room provide the total cost of U.S. operations in Laos for the coming fiscal year, including all pieces even if they are not identified in terms of source?

Mr. GREEN. I can answer that because we do have a ceiling, imposed on us by Senator Symington's committee, of $350 million. That comes fairly close to the total.

Mr. PASSMAN. Every piece of aid? There are 27 spigots.

Mr. GREEN. I know.

Mr. PASSMAN. This includes Export-Import Bank if they are eligible?

Mr. SHRIVER. For Laos? They would not be.

Mr. PASSMAN. You have that third window of Export-Import Bank, where if they do not meet the regular criteria you may lessen the credit criteria and then provide loans.

Mr. GREEN. There were very definite criteria established for this ceiling and all I am saying——

Mr. PASSMAN. It would be all-inclusive?

Mr. GREEN. Yes, sir.

Mr. RIEGLE. Includes CIA, any obligations, airplanes, both covert and overt?

Mr. GREEN. It includes all of it.

Mr. RIEGLE. That was established.

Do you have any idea how much the projection is as to what we will spend?

Mr. GREEN. We are making every effort to operate under that ceiling.

FISCAL YEAR 1973 PROGRAM REQUEST FOR LAOS

Mr. RIEGLE. How much in this bill that is before us now is for Laos? What piece would be in this bill that we are considering today?

Mr. O'CONNOR. The asking figure is $49.8 million of supporting assistance.

There is an additional $870,000——

Mr. PASSMAN. Both of those are the asking price?

Mr. RIEGLE. 870?

Mr. O'CONNOR. $870,000 for the population program. I also have to say there is some narcotic funding of $723,000.

Mr. RIEGLE. All right. Basically that is peanuts. You say there is still $300 million left somewhere that we are not being asked to consider but which is part of our program in Laos?

Mr. GREEN. Yes; approximately that amount under the military assistance service funded program.

Mr. RIEGLE. What can you tell us about that?

It seems to me if we are going to try to consider roughly a sixth of this, we have to have some sense of what the rest of it is about in order to make some sense out of this.

What can you tell us either off the record or on the record on that?

MILITARY EXPENDITURES IN LAOS

Mr. GREEN. I do not have the breakdown here. I do want to make it clear, in clarifying what I just said, the approximately $350 million for fiscal year 1972 includes all assistance-related expenditures for Laos, includes but it does not include combat air operations in or over Laos by U.S. military forces.

Mr. RIEGLE. I think we have to find out what that is, before I yield back.

Mr. GREEN. We can provide the breakdown.

Mr. PASSMAN. The gentleman has established a good record here. I think we should get an estimate on that and also an estimate on what is being funded out of the Defense Department for Laos.

Mr. GREEN. Yes. We are submitting quarterly reports.

Mr. PASSMAN. Mr. Riegle is talking about fiscal 1973, and he wants all pieces of aid whether identified in this bill or not.

Mr. GREEN. We will provide it on a classified basis.

Mr. RIEGLE. If they are classified, then take them out of the record, but we will have to consider them here if we are going to make any judgment whether what you are asking for makes sense in terms of the whole.

CEILING ON AID PROGRAM IN LAOS

Mr. SHRIVER. The $350 million is a limitation applicable to 1972 and not 1973?

Mr. GREEN. This is a fiscal year 1972 ceiling.

Mr. O'CONNOR. It is a fiscal year 1972 ceiling.

Mr. SHRIVER. We are talking about funds here for 1973.

Mr. GREEN. I am sorry. I misunderstood. In discussing the $350 million ceiling, I was referring to fiscal year 1972. As yet, no ceiling has been established by Congress for fiscal year 1973.

Mr. SHRIVER. There is no limitation?

Mr. GREEN. Well, that issue will arise, of course; but we don't know yet on what assumption we should operate.

Mr. PASSMAN. You do not know at this time?

Mr. O'CONNOR. It was in the 1972 legislation.

Mr. PASSMAN. Is it permanent legislation or is it applicable to 1 year?

Mr. NEWMAN. It is in the Defense Procurement Authorization Act of 1971.

Mr. PASSMAN. But it was applicable only to fiscal 1972?

Mr. NEWMAN. That is correct.

Mr. PASSMAN. We are talking about fiscal 1973.

If the gentleman would permit, would you also like to have in the record the same thing for fiscal 1973 as they project it at this time?

Mr. RIEGLE. That is right. I think we ought to have both fiscal 1972 and fiscal 1973.

(The information follows:)

The two principal programs providing for assistance to Laos are the AID Supporting Assistance and the Military Assistance Service Funded programs. There are, however, other programs which, depending upon interpretations, could be considered to contain moneys for assistance to Laos. For example, in writing section 505 of the Defense Appropriation Act, 1972 it was considered necessary to exclude specifically from a ceiling on assistance-related expenditures for Laos all "combat air operations in or over Laos by U.S. military forces" lest a portion of these air operations be considered as covered by the definition of assistance-related.

The following are the unclassified figures for assistance-related expenditures in Laos only for the programs listed, and not for other programs which may be considered as assistance-related or for which the figures are classified:

	Amount
Fiscal year 1972 program figures:	
AID supporting assistance	48.6
Public Law 480	3.6
AID regional development	3.1
MASF	277.2
Fiscal year 1973 program figures:	
AID supporting assistance	51.4
Public Law 480	3.5
AID regional development	4.4
MASF	360.0

SUCCESS OF VIETNAMIZATION

Mr. PASSMAN. We never had a bad President, they have all been good. Some of them have been better than others. I think without a doubt that when President Nixon has finished his tenure, whether it be 4 or 8 years, history will record him as being one of the greatest, if not the greatest, President this Nation ever had.

In my position, I take time to study the past and I look at the record. When this great man assumed command, we had 549,500 troops in Vietnam, with no plans to reduce that number. When Mr. Nixon assumed command he had to formulate some plan by which he could wind down this war. That required, as we all know, several months. He has only been in office 39 months.

In 39 months since he assumed command, he has reduced the number of troops in Vietnam from 549,500 to an estimated number of 69,000 as of May 1. To me, that is winding down the war.

All of us have read of Dunkirk. It is perfectly obvious if we had not delayed long enough to have trained the Vietnamese to defend themselves and to some extent defend our last withdrawals, it would have been another Dunkirk. We could have lost thousands of troops.

Now the North Vietnamese, after the President had just about concluded the war with the exception of our Air Force, thought they had caught us in a weakened condition and they launched on offensive.

God bless this man for his great courage, to say yes, we will take steps to stop you. He did what others did not have the courage to do. He gave them a taste of what they are going to get into if they keep violating the agreements, and move south of the demilitarized zone.

I do not think I would be a good American if I did not defend him. I think he is do'ng a great job.

What would you expect a man to do? I would not want him as my President if he did not have sufficient courage to take strong steps against these people when they thought we were down to a number low enough that they could overrun us.

Now we are seeing many amendments appear which want to delete funds for Southeast Asia as of some specific date, providing certain conditions are met.

Richard Nixon would get us out in 2 weeks if these people would agree to peace and give us our prisoners of war back. Now that is the way I see it.

I have nothing but praise for this man who is trying to conclude the war. That is the way I see it.

Mr. RIEGLE. Will the gentleman yield because I respect the gentleman from Louisiana, as he knows?

Mr. PASSMAN. Yes.

I say this wherever I go.

Mr. RIEGLE. He is entitled to his view. I just want to say for the record that my view is not the same. I will not get into what my view is, but I think there is another side of the story.

Mr. PASSMAN. There are three sides to every issue; your side, my side, and the right side. I think I have the right side. I am not quarrelling with you. I have some friends who insist on trying to stand on their head. All I do is applaud them. I am not quarreling with you, I am just defending what I consider one of the greatest Presidents.

Mr. O'CONNOR. Can I just say what I feel; we appreciate your forthrightness.

Mr. PASSMAN. I say it everywhere. I have to live with my conscience. If other people disagree, they live according to their conscience. Nobody can deny the fact that you had 549,500 U.S. troops in Vietnam and by May 1 you will have 69,000—and I will bet you a steak dinner that he will have a plan to reduce the level below that.

TOTAL COSTS OF THE WAR IN VIETNAM

Mr. RIEGLE. Will you yield? The record should be kept straight.

There have been another 20,000-plus Americans killed in Vietnam since Nixon has been President, 20,000-plus on top of Johnson's 35,000. In 3 years and 3 months we spent over $50 billion which we did not have on this problem. It caused problems for your Monroe, La. district just as in mine in Flint, not to mention other Members'.

Mr. PASSMAN. Let's correct the record.

The total cost of the war since 1965 has been $134 billion. After all, we were engaged in the war when this man took over.

Neither Riegle, Passman, Shriver or Smith could have done any more than he did to wind this thing down. You have to defend yourself when the people attack you. If you run, you sustain more casualties than if you stand and fight. The facts are that he has wound the war down and certainly we had casualties and we had fatalities. You could not prevent that, because we had to train the Vietnamese to fight to protect their country during this period, did we not?

Mr. O'CONNOR. Yes, sir.

POSTPONEMENTS OF FISCAL YEAR 1972 PROJECTS IN THAILAND

Mr. PASSMAN. Let's get back to supporting assistance. You mentioned the painful effect that the reduction made by the Congress last year had on your program and you specifically referred to one project in Thailand that you have had to postpone in the amount of $25 million.

What was that project, Mr. O'Connor?

Mr. O'CONNOR. Sir, that was not one, that was several.

Mr. PASSMAN. What projects, plural?

Mr. O'CONNOR. I can supply the projects.

Mr. PASSMAN. No; I want the answer now.

Mr. O'CONNOR. I will have to go to the books.

Mr. PASSMAN. Get your book because we are not finished with this item. We are dealing with Thailand.

Mr. O'CONNOR. The first and major project to be postponed is the one we had in our congressional presentation.

Mr. PASSMAN. Name it. I know it is in there.

Mr. O'CONNOR. Multisector development assistance.

Mr. PASSMAN. Now what is that?

Mr. O'CONNOR. We are requesting $10 million at that time for a supporting assistance loan.

Mr. PASSMAN. For what?

Mr. O'CONNOR. I have just the 1973. It was a different presentation in 1972.

Mr. PASSMAN. You had better get that 1972 book before you.

Mr. O'CONNOR. At that time, sir, it would be for about $9 million worth of commodities——

Mr. PASSMAN. What kind of commodities?

Mr. O'CONNOR. And $1 million for U.S. technicians. I will have to wait unitl I get the 1972 report. I can read it off. Of that proposed loan, $1 million was going to be spent on——

Mr. PASSMAN. Loan; you are talking about supporting assistance.

Mr. O'CONNOR. Supporting assistance loan.

Mr. PASSMAN. What were the proposed terms of this loan that you did not make?

Mr. O'CONNOR. I think we had not actually worked that out with the Thais, but we have under the legislation, as you know, sir, the ability, I believe, to provide supporting assistance on a loan as well as a grant basis.

Mr. PASSMAN. Most of your supporting assistance is grant aid, is it not?

Mr. O'CONNOR. That is right.

Mr. PASSMAN. Let's proceed to name these projects because chances are either this was a direct grant or disguised grant, because these loans are 60 percent grant-aid due to the concessionary interest rates charged. I am interested in the projects now.

Mr. O'CONNOR. In the 1972 request about $1 million of the $10 million SA loan was to support advisory services and project preparation. The project preparations were then going to be submitted to lending institutions such as the World Bank, Asian Bank, and others.

Mr. PASSMAN. Let's move on to the next one.

This is what you call planning for intent spending?

Mr. O'CONNOR. That is right, sir.

Mr. PASSMAN. Which there ought to be a law against.

Proceed.

Mr. O'CONNOR. Rural electrification was going to be a $2 million loan for foreign exchange——

Mr. PASSMAN. You keep saying "loan". You do not know whether it is going to be a grant or loan, because you have not worked out the terms and this was a concessionary interest loan with the terms to be established by AID; is that correct?

Mr. O'CONNOR. That is correct.

Mr. PASSMAN. I believe the majority of the loans to this part of the world have been concessionary type loans, if not an outright grant.

Mr. O'CONNOR. This would have been one of the first of the SA loans——

Mr. PASSMAN. Next project.

Mr. O'CONNOR. Regional highway maintenance.

Mr. PASSMAN. That is highway maintenance?

Mr. O'CONNOR. That is highway maintenance.

Mr. PASSMAN. Go ahead.

Agriculture?

Mr. O'CONNOR. Agricultural sector grant——

Mr. PASSMAN. How can it be a grant and a loan?

Mr. O'CONNOR. I am sorry, the title of it says Agricultural Sector Loan.

Mr. PASSMAN. Next?

Mr. O'CONNOR. Final $2 million for provision of water supply systems.

ROAD MAINTENANCE IN THAILAND

Mr. PASSMAN. You are talking about projects like road maintenance which will go on for 100 years.

Mr. O'CONNOR. They will.

Mr. PASSMAN. Are you maintaining that road that you built for the buffaloes out in Thailand?

Mr. O'CONNOR. That road is being maintained.

Mr. PASSMAN. I know it is being maintained. It is only being used by the water buffaloes. It is the most lonely place I have ever been.

Mr. RIEGLE. We were on that road.

Mr. PASSMAN. It was the most lonely place in the world. You could stay there for 3 weeks and you would not see a vehicle.

Mr. O'CONNOR. That road is widely used today.

Mr. PASSMAN. By water buffaloes or do you have other types of traffic now?

Mr. O'CONNOR. Sir, because of the war going on and because of the supplying of our airbases and because of commerce that opened up the road, it is very heavily used now.

TERMS OF THAILAND LOAN TO THE UNITED STATES

Mr. PASSMAN. This is the same country we discussed earlier, where we borrowed $100 million from them and it is to be repaid next year in dollars with 6 percent interest.

Mr. O'CONNOR. It is, sir.

Mr. PASSMAN. I want you gentlemen to hear this. This is Thailand, where they painfully postponed $25 million in projects, and where we borrowed 100 million in dollars and we are going to repay them next year with interest, are we not?

Mr. O'CONNOR. But Mr. Chairman——

Mr. PASSMAN. Will you answer my question?

Mr. O'CONNOR. Yes.

THAILAND GOLD AND FOREIGN EXCHANGE HOLDINGS

Mr. PASSMAN. All right. Let's move along. Let's go to page E of your justification in Thailand.

Mr. O'CONNOR. E is what number?

Mr. PASSMAN. General economic data sheet.

Mr. O'CONNOR. I have it, Mr. Chairman.

Mr. PASSMAN. Let's look at what these people had in their foreign exchange reserves. In 1967 the gold and foreign exchange including commercial bank holdings, was $1.086 billion; is that not correct?

Mr. O'CONNOR. You are adding official and commercial bank holdings?

Mr. PASSMAN. Commercial bank holdings means——

Mr. O'CONNOR. $1.086 billion.

Mr. PASSMAN. 1968 they had $1.129 billion, did they not?

Mr. O'CONNOR. Yes.

Mr. PASSMAN. 1969 they had $1.114 billion, did they not?

Mr. O'CONNOR. Yes, sir.

Mr. PASSMAN. In 1970 they had $1.032 billion, did they not?

Mr. O'CONNOR. Yes, sir.

Mr. PASSMAN. And in 1971 they had $1.048 billion, did they not?

Mr. O'CONNOR. Those are the figures that we have, sir.

Mr. PASSMAN. I am so disillusioned I do not know whether I can continue with this examination. Just think, so few of us recognize the stupidity concealed in this program.

We are running not only a serious balance-of-payments deficit, but also a trade deficit and these people are sitting there with $1 billion in

foreign exchange which they can do anything with. Plus, they have another $100 million which the United States borrowed from them, and here you are telling this committee what a painful thing it was to postpone $25 million worth of projects to this country.

It is actually enough to make a man lose faith in mankind.

U.S. SECURITY INTERESTS IN THAILAND

Mr. O'CONNOR. The reason we have been giving aid to Thailand for a long time is basically a security reason.

Mr. PASSMAN. Are you not securing Thailand more so than you are securing the United States? Let me go back and comment on that. Thailand is 12,000 miles away, are they not?

Mr. O'CONNOR. Yes, sir.

Mr. PASSMAN. You know very well it has no more to do with the security of the United States than I have to do with what you are going to have for supper Christmas Eve night. This is just your imagination when you say it is for security. It may be tied into some treaty or some agreement, but it does not have a thing to do with the security of the United States. It is giving Thailand more security than it is giving the United States, is it not?

BENEFITS TO THAILAND'S SECURITY

Mr. O'CONNOR. Mr. Chairman, can I comment on the security matter again?

The fact is that the bases in Thailand allow our planes to bomb the Ho Chi Minh Trail.

Mr. PASSMAN. You did not answer my question, before you start lecturing me. Who gets the most security out of this. Thailand or the United States?

Mr. O'CONNOR. I do not think those bombers are contributing to Thailand's security at all.

Mr. PASSMAN. You think. They are only a few miles from it. Thailand is right there with these people. They are the ones that could be overrun by the Communists, if what we are hearing is correct. They live there, they are part of it.

Let's put the shoe on the other foot. Say we are being attacked by a foreign power. Do you think it would be in the security interest of Thailand to come 12,000 miles over here to help us?

When they arrive here, would it be in the interest of the security of Thailand or the United States while they were here?

Mr. O'CONNOR. As you know, sir, in Laos and Cambodia, there is active war going on. That has put a great deal of pressure on the Thai position.

Mr. PASSMAN. You have not answered my question.

These people are just waxing fat with wealth. Are they not really the ones getting the security out of these funds? Are they not the ones that benefit, we are trying to protect their freedom.

Mr. O'CONNOR. We are trying to.

Mr. PASSMAN. Why do they not spend their own money and not build these fat reserves up and force us to go out and borrow money at a high rate of interest. This is completely wrong and it is to be

regretted that fine Americans like you are allowed to start these projects and think up these mythical accomplishments.

If you people would stop giving these people all this aid, they would put some of their own resources into it.

Mr. RIEGLE. I agree with what the chairman has said.

Mr. PASSMAN. It is frightening, simply frightening.

U.S. INTEREST IN SOUTHEAST ASIA SECURITY

Mr. RIEGLE. We have a letter that came from the Department of Defense, in a previous administration, granted, but I do not think the position has changed any. But they were specifically asked at that time whether the United States could defend itself and could meet its own security arrangements and security needs, if we were to lose the whole land mass of South Vietnam, period.

Under that assumption, their response in writing was that in fact we could continue to protect the United States and meet our own security arrangements.

Mr. O'CONNOR. Somebody in that administration had a contrary opinion, obviously, because we sent troops into Vietnam.

All I am suggesting is that the situation in Thailand——

Mr. RIEGLE. But the chairman posed a very different question. He asked whether our security would be jeopardized by what does or does not happen in Thailand, not the security of Southeast Asia, Thailand, or any other treaty commitments, but the security of the United States.

I do not think you are going to find anybody in that prior administration or this administration who is going to sign his name to a document saying yes, the physical security of Thailand directly relates to the physical security of the United States. They are not going to say that; they have not said that.

Mr. O'CONNOR. Once we put our troops in there, we have the——

Mr. RIEGLE. Sure, you can always defend it that way, but that is a phony argument.

Mr. PASSMAN. Are we not protecting the people of that area? This is for the benefit of Thailand, wholly, purely, simply and completely, is it not?

Mr. O'CONNOR. I am sorry, sir, I do not really think it is. Our bombers are there.

Mr. PASSMAN. You do not think so. Let's have some proof.

These American bombers are over there trying to protect the people of that area, are they not, Vietnam, Cambodia, Laos, Thailand; is that not right?

Mr. O'CONNOR. Yes.

U.S. ECONOMIC SITUATION

Mr. PASSMAN. They are the beneficiaries of this aid, not us. We are making the sacrifice. I do not like the idea of you people coming before this committee and saying supporting assistance is a sacred cow.

I realize you are creating a vacuum when you pull these men out but these people have been used to a high standard of living. They are unhappy if they do not have all these luxuries and all this fancy living. But what frightens me is we provide aid to a country like

Thailand, when we know, by their standards, they are enjoying a great, great period of prosperity as is indicated by their $1 billion in gold and foreign exchange reserves.

We have not only a serious balance-of-payments deficit in the United States but we actually have a net trade deficit. The U.S. trade deficit is the first since 1888.

Gentlemen, I have a lot of respect for you. You are great patriots, just as patriotic as I am. This ridicule is not intended to be on a personal basis. Why do you not come down out of those clouds and recognize that by this extravagance we are destroying the economy of our country.

RESULTS OF INFLATION

I am a man of 72, I will be in June. I worked hard all my life. I worked by the sweat of the brow 7 days a week, 75 hours a week average, running a business and trying to create a nest egg, which I did.

You know what my Government has done to me? They legally confiscated 62 percent of all my savings. Those dollars that I worked so hard for and saved, my Government has confiscated 62 percent of those savings. Those savings are only good for 38 cents on the dollar, just since I have been in the Congress. It is going to get worse. I realize that a Republican administration cannot spend money until the Democratic-controlled Congress gives it to them, but gentlemen, it is not right, there is no way you can make it right to keep dissipating our resources in countries where they do not actually need it.

THAILAND PROGRAM AND VIETNAMIZATION

Mr. GREEN. Mr. Chairman, could I just make an observation?

Mr. PASSMAN. Certainly.

Mr. GREEN. I think the point Mr. O'Connor is making is that the basis——

Mr. PASSMAN. Trying to make, you mean.

Mr. GREEN. I think he is making it.

Mr. PASSMAN. You think so. I do not.

You proceed; I will listen.

Mr. GREEN. I will be accused of trying to make it also.

Mr. PASSMAN. Go ahead. You have to put your best foot forward.

Mr. GREEN. I was alluding to your own figures about how the war had been wound down.

The point he is making is that these bases in Thailand are instrumental in the Vietnamization program. Without having the bases at Nakhon Phanom Udorn, Ubon, all the rest of it, we would not have been able to protect our forces and bring them out the way they are being taken out now.

Mr. PASSMAN. Were you not also protecting Thailand with those bases?

Mr. GREEN. Yes, sir.

Mr. PASSMAN. Were they not willing to accept this protection without having to charge the U.S. for the protection in the way of assistance?

Mr. GREEN. I am coming to that point. These bases were instrumental

in bringing about the Vietnamization program which you applaud and I applaud, but they are also useful for Thailand and the area itself.

As you say, they are 12,000 miles nearer to the fighting. They have a stake in it. It is mutual.

Mr. PASSMAN. Why let them build up this large foreign exchange reserve at our expense? Why not make them follow the same austere program we are following. We are in trouble with our balance of payments situation, we are in trouble with our gold reserves, we are in trouble all across the waterfront, but these people are not, Mr. Secretary. They have all of these hundreds of millions of dollars of gold and reserves built up that they do not need, they are just sitting there with it.

My point is, you should operate a tight program and not come before this committee with a statement indicating how painful the postponement of $25 million in projects is, because $25 million is a very small part of $1 billion, is it not?

Mr. O'Connor. Yes, sir.

Mr. PASSMAN. $25 million is only 25 percent of the $100 million we have to pay Thailand next year, is that not right, Mr. Secretary?

Mr. GREEN. Yes. But my point related simply to the importance of Thailand and the fact that this was mutual, that we have an interest too, and they have an interest.

IMPOUNDED RURAL ELECTRIFICATION FUNDS

Mr. SHRIVER. We have $100 million of rural electric money that has been impounded.

Mr. PASSMAN. Impounded for years. These people are begging for it; we cannot take care of the demands of our own country. Remember this, Mr. Secretary, under the REA program in America, they borrowed this money and they repay it, not one nickel of it is grant, other than a concession on the interest charge. We had to just put the program on ice. It is also true of many, many public works programs. Why? We are overspending our revenue. Even our gold reserves have dropped down now to about $10 billion. Did you know that?

I do not want to be offensive to you, sir, but this is not right. You are trying to make dollars do things they were never, never intended to do. We are pricing ourselves out of the world market and we are going to become the most isolated nation on the face of the earth because we will no longer be able to trade with other countries.

TOTAL FISCAL YEAR 1973 PROGRAM FOR THAILAND

Mr. RIEGLE. Can we get on the record at this point all the dollar transactions with Thailand anticipated for this coming fiscal year? I mean everything, all spigots?

Mr. PASSMAN. The next question was just that.

I must restate this nation has over $1 billion in foreign exchange and gold reserves and $100 million in cash coming from the United States next year as repayment of a loan. With that in mind, could you tell us what your total program will be for Thailand for fiscal 1973?

Mr. O' CONNOR. For fiscal 1973, Mr. Chairman, we are requesting——

Mr. PASSMAN. All spigots now.

Mr. O'CONNOR. I will have to give you first our AID. All spigots, yes, I have it.

From the tables it would be $106.9 million.

Mr. PASSMAN. All inclusive, this is not all the aid you have.

Mr. O'CONNOR. According to our figures, the grant, MAP——

Mr. PASSMAN. I am talking about all if it. You know and I know these loans are not worth 1 percent on the dollar. I want to know the all inclusive program, all spigots that you have for Thailand for fiscal 1973.

Mr. O'CONNOR. That is what I am trying to give you.

Mr. PASSMAN. You gave me an inaccurate figure to start with. What does your book show?

Mr. O'CONNOR. Our book shows a total of $105.9 million. It is broken down as follows——

Mr. PASSMAN. Go back up and look at your classified book.

Mr. BREECHER. For AID, we have $25.6 million in supporting assistance.

Mr. PASSMAN. All right.

Mr. BREECHER. Plus $3.1 million in other AID funding.

Mr. PASSMAN. All right.

Mr. BREECHER. The MAP, military assistance program, in 1973 the Thai program is projected at $60 million. I have the Peace Corps at $1.6 million Public Law 480 at $15.6 million as a planning figure. If I add up these five items, it is $105.9 million.

Mr. PASSMAN. How about your excess defense articles? Let's get what you did not put in. That is $4.5 million.

Mr. BREECHER. That is correct. I do not have excess defense articles.

Mr. PASSMAN. But it is $4.5 million?

Mr. BREECHER. They are shown as $4.5 million in fiscal year 1973.

Mr. PASSMAN. Let's move on to a lot of other spigots.

This country is also eligible for Export-Import Bank loans, are they not.

Mr. BREECHER. That is correct.

Mr. PASSMAN. How much?

Mr. BREECHER. The Export-Import Bank does not make projections on loans.

Mr. PASSMAN. But they are eligible and they do borrow all the time from the Export-Import Bank, do they not?

Mr. BREECHER. I do not have a record of any borrowing in fiscal year 1972. I will check the record on this.

(The information follows:)

Two loans totaling $550,000 have been authorized in fiscal year 1972 by the Export-Import Bank for borrowers in Thailand (as of January 31, 1972). In addition, an existing credit was increased during the year by $1,190,000.

Mr. PASSMAN. Let's move into the big items.

U.S. MILITARY EXPENSES IN THAILAND

How about the cost of maintaining our military personnel in Thailand, what is that cost?

Mr. O'CONNOR. We do not have anyone here from DOD. We do not have the figures.

Mr. NEWMAN. That will have to be supplied for the record. We do not have it.

(The information follows:)

The annual operating cost of maintaining U.S. military forces in Thailand is estimated at $424 million for fiscal year 1971 and $478 million in fiscal year 1972. These estimates include the cost of all military and civilian personnel located in Thailand and the cost of operating and maintaining facilities there. They do not include indirect logistics, administrative costs for support from outside the country or major procurement items such as ammunition.

Mr. PASSMAN. We want it all-inclusive. Just giving us a bit of it is one thing, but the actual record is entirely something else.

Mr. O'CONNOR. I do not think we have any figures here.

Mr. BREECHER. We have an estimate for fiscal year 1972.

Mr. PASSMAN. How much?

Mr. BREECHER. Which was $180 million. However, Mr. Chairman, this is not considered—this is paid by the Defense Department for goods and services.

Mr. PASSMAN. It does not make any difference what it is used for, the money is released there in Thailand and goes into their economy.

Mr. BREECHER. Mr. Chairman, with great respect this is paid for goods and services. Of course it is helpful to the Thai economy the same as any other exports they make, but this is not aid.

Mr. PASSMAN. It all depends on the interpretation.

Mr. RIEGLE. To whom would they sell this $180 million worth of goods if they did not sell it to us? You see, it creates——

Mr. BREECHER. Yes.

Mr. PASSMAN. If you turn loose $180 million in Thailand——

Mr. BREECHER. It is beneficial for them.

Mr. PASSMAN. Thailand benefits by this money, is that correct?

Mr. BREECHER. That is quite correct.

Mr. PASSMAN. Without the aid program, and the military program they need, this $180 million would not be spent there, would it?

Mr. BREECHER. It would not necessarily.

Mr. PASSMAN. All right, let the record speak for what it is. How about any other military expenditures in Thailand, do you have any record for 1972?

Mr. BREECHER. No. This was the total amount which I have given you, $180 million.

PUBLIC LAW 480 FOR THAILAND

Mr. PASSMAN. How much is Public Law 480?

Mr. BREECHER. I just gave Public Law 480 for the record—$15.6 million.

ASIAN DEVELOPMENT BANK LOANS TO THAILAND

Mr. PASSMAN. How about the Asian Development Bank?

Mr. BREECHER. The Asian Development Bank has made substantial loans in Thailand.

Mr. PASSMAN. They also receive concessionary loans from ADB, do they not?

Mr. BREECHER. I do not know of any ADB special fund grants to Thailand.

Mr. PASSMAN. They are also eligible for credit under the International Development Association, are they not?

Mr. BREECHER. The IDA has not operated in Thailand.

Mr. PASSMAN. They are eligible?

Mr. BREECHER. The World Bank has——

Mr. PASSMAN. But they do also get concessionary long-term loans under the Asian Development Bank, do they not?

Mr. BREECHER. Those are long-term loans at 6⅞ percent and 7½ percent.

Mr. PASSMAN. What is the amount of it though?

Mr. BREECHER. Just a moment, Mr. Chairman.

In Thailand I have four loans here for $52 million.

Mr. PASSMAN. $52 million and I believe that we put up——

Mr. BREECHER. That was through calendar year 1971.

Mr. PASSMAN. How about 1972 and 1973?

Mr. BREECHER. 1972 is not finished yet so we do not have it.

Mr. PASSMAN. I see. It may be more.

Mr. BREECHER. Well, we do not know.

Mr. PASSMAN. I know, but it could be more. These people just got started. The Asian Development Bank just got started about 3 years ago, is that right?

Mr. BREECHER. It started in 1969, that is right.

Mr. PASSMAN. You agree with one thing, when you take the time and start putting all these things together, it is a different figure than what you gave, is it not?

Mr. BREECHER. Sure, but it is not all U.S. aid.

CONTRIBUTIONS TO THE ASIAN DEVELOPMENT BANK

Mr. PASSMAN. We are the largest contributors to the Asian Development Bank, are we not?

Mr. BREECHER. Together with Japan. Japan and the United States each contribute about 20 percent.

Mr. PASSMAN. How about you checking that out and putting it in the record?

Mr. BREECHER. Yes, sir.

(The information follows:)

The resources of the Asian Development Bank contributed by its members are divided into three parts: Subscribed capital ($1,005 million); special funds ($155.494,489 contributed to date) and technical assistance special funds ($6,559,409 contributed to date). The United States and Japan have each contributed $200 million or 20 percent of the subscribed capital. Japan has contributed $100 million to special funds, and the U.S. Congress has authorized $100 million for the same purpose. Japan has contributed $3,313,982 to technical assistance special funds, the United States $1,250,000.

Mr. PASSMAN. Let's get into 15 or 20 other programs they may be eligible for. Coming up here and just giving a few of these figures does not satisfy me because all of it comes out of the pocket of the U.S. taxpayer.

FISCAL YEAR 1973 SUPPORTING ASSISTANCE PROJECTS IN THAILAND

Mr. PASSMAN. Your $25.6 million request for supporting assistance for Thailand in fiscal 1973, what does that cover?

Mr. O'CONNOR. It covers a series of projects.

Mr. PASSMAN. Start with No. 1.

Mr. O'CONNOR. No. 1, Mr. Chairman, is agricultural water utilization.

Mr. PASSMAN. How much are you requesting there?

Mr. O'CONNOR. We are requesting for 1973 $1.445 million.

Mr. PASSMAN. You did not have this in your request last year?

Mr. O'CONNOR. According to my table, the initial obligation was in 1972.

Mr. PASSMAN. I did not ask you that question. I asked you if you had a request in last year for this specific project?

Mr. O'CONNOR. Yes, sir, we did.

Mr. PASSMAN. How much?

Mr. O'CONNOR. It was for $1,865,000.

Mr. PASSMAN. Under what caption?

Mr. O'CONNOR. Excuse me, Mr. Chairman, I have to get last year's book.

It had the same title, sir, in last year's book.

Mr. PASSMAN. How much did you ask for it last year?

Mr. O'CONNOR. Last year we asked for $1.865 million.

Mr. PASSMAN. What are you asking for it this year?

Mr. O'CONNOR. $1.445 million.

Mr. PASSMAN. That is wonderful, you knock off $400,000 a year.

Next item, please.

Mr. O'CONNOR. The next item, Mr. Chairman, is agricultural development.

Mr. PASSMAN. How much?

Mr. O'CONNOR. We are asking this year $2.935 million.

Mr. PASSMAN. What did you ask for it last year?

Mr. O'CONNOR. We asked $2.425 million.

Mr. PASSMAN. All right. Are you asking for the same projects verbatim all the way through? Let's read them all in.

Next item.

Mr. O'CONNOR. You want to go right on down the list?

Mr. PASSMAN. Yes.

Mr. O'CONNOR. Next project is labor, training, and management; we are asking in 1973 for $75 million.

Mr. PASSMAN. $75 million?

Mr. BREECHER. $75,000.

Mr. O'CONNOR. I am sorry, $75,000.

Mr. PASSMAN. What did you have last year for this program?

Mr. O'CONNOR. It is a new project.

Mr. PASSMAN. New project.

Next project.

Mr. O'CONNOR. "Comprehensive rural health."

Mr. PASSMAN. How much.

Mr. O'CONNOR. We are asking for $480,000.

Mr. PASSMAN. How much did you have in last year?

Mr. O'CONNOR. 570.

Mr. PASSMAN. How much this year?

Mr. O'CONNOR. $480,000.

Mr. PASSMAN. All right. Next project.

Mr. O'CONNOR. The next project, "Family planning and health"; we are asking for $2.145 million.

Mr. PASSMAN. How much did you have in last year?
Mr. O'CONNOR. We asked last year for $1.6 million.
Mr. PASSMAN. Proceed.
Mr. O'CONNOR. "Development of vocational education," we are asking this year for $120,000; we asked last year for $620,000.
Mr. PASSMAN. Down by 80 percent?
Mr. O'CONNOR. Substantial decrease, yes.
Mr. PASSMAN. Decreased by 80 percent; is that correct?
Mr. O'CONNOR. Yes.
Mr. PASSMAN. You must have put in this year what you thought you needed; did you not?
Mr. O'CONNOR. Yes.
Mr. PASSMAN. That simply means you were guessing last year.
Next item, please.
Mr. O'CONNOR. The next item, "Rural education," we are asking this year for $1.345 million; we asked last year for $2.940 million.
Mr. PASSMAN. Just strictly a guessing game, is it not? You had no more idea of what you needed than a man in the moon.
Mr. O'CONNOR. Sir, I have an explanation.
Mr. PASSMAN. I know you have an explanation. Let's get the amounts. What is the next item?
Mr. O'CONNOR. The next item is "Graduate science education." We are asking this year for $260,000; last year we asked for $530,000.
Mr. PASSMAN. This year you are asking for what?
Mr. O'CONNOR. This year for $260,000 and last year, $530,000.
Mr. PASSMAN. All right.
Mr. O'CONNOR. This, incidentally, is one of the projects Congressman Shriver discussed with us. The reason it is reduced is because we are actually only doing a feasibility study on it. Then we plan to present it to some other funding institution rather than ours.
Mr. PASSMAN. What other projects do you have now?
Mr. O'CONNOR. "Civil police administration," $4.231 million is the request in 1973.
Mr. PASSMAN. And last year?
Mr. O'CONNOR. Last year we requested $9 million.
Mr. PASSMAN. You cut it in half.
Next, please.
Mr. O'CONNOR. "Commodity management." $50,000 is the request. $50,000 was the request last year, also.
Mr. PASSMAN. All right.
Mr. O'CONNOR. "Local government finance," $49,000 is requested this year; $180,000 was requested last year.
Mr. PASSMAN. How much this year?
Mr. O'CONNOR. It was $180,000 requested last year and we have reduced it to $49,000 this year.
Mr. PASSMAN. Good, please proceed, my enthusiasm is boundless.
Mr. O'CONNOR. Sir, we have an explanation.
Mr. PASSMAN. I know you have explanations.
Mr. O'CONNOR. I would like the record to show——
Mr. PASSMAN. Put anything you want in the record. Let's get these dollar amounts first.
Next project.
Mr. O'CONNOR. "National economic policy," we are requesting this year $400,000. We requested in last year's presentation $180,000.

Mr. PASSMAN. Nickeling and diming us to death.

Mr. O'CONNOR. "Accelerated rural development."

Mr. PASSMAN. Last year what did you request?

Mr. O'CONNOR. Last year, $6.170 million.

Mr. PASSMAN. This year?

Mr. O'CONNOR. This year, $3.770 million.

Mr. PASSMAN. It is a complete guessing game, that is established. Any more?

Mr. O'CONNOR. We have "Mobile development unit, planning, engineering, and construction," the request last year was $30,000, the request this year $440,000.

Mr. PASSMAN. Put the rest of them in the record.

Mr. O'CONNOR. I will, sir.

(The information follows:)

Project	Fiscal year 1973 request	Fiscal year 1972 request
Special training for national development	$300,000	$225,000
Private capital investment	400,000	555,000
Professional manpower utilization	300,000	
Multisector development assistance	7,000,000	10,000,000
Technical support	2,000,000	2,570,000

Mr. PASSMAN. Let's just comment man-to-man: Some of these projects could be ongoing 10, 15, or 20 years from now, could they not?

Mr. O'CONNOR. I think it depends entirely on conditions, Mr. Chairman.

EFFECT OF PROJECT POSTPONEMENTS IN THAILAND

Mr. PASSMAN. What possible harm resulted from you not funding these projects in 1972?

Mr. O'CONNOR. As you know, sir, the two major projects that normally had most of our money in have been the accelerated rural development and police programs.

Mr. PASSMAN. You are only requesting small amounts for these. That is covering a total of how much?

Mr. O'CONNOR. Together they are still the two largest.

Mr. PASSMAN. I know they are the largest, but you see, you can drain the largest water tank in this country if you drain it long enough, one drop at a time.

How much are those two projects out of the 27?

Mr. O'CONNOR. For—excuse me, Mr. Chairman.

Mr. PASSMAN. Go right ahead.

Mr. O'CONNOR. For those two projects, this year, 1973——

Mr. PASSMAN. Get your mathematics together later. What harm, if any, has been done by delaying these projects?

GUERRILLA ACTIVITY IN THAILAND

Mr. O'CONNOR. Those projects are aimed at the guerrilla warfare going on in the northern and northeastern parts of Thailand.

Mr. PASSMAN. I know that, but what harm has been done by postponing them? That is what I want to know. I want some specifics now because we are going to write a lot of this out of the bill.

Mr. O'CONNOR. I think the harm has been done that the guerrilla movement has gotten stronger and I think the police and military——

Mr. PASSMAN. Where is your proof? How much stronger? Where are statistics on that?

Mr. O'CONNOR. We have the figures. I think they are classified, are they not?

Mr. GREEN. I cannot give the statistics, but the Ambassador's evaluation is that it has gone up, from the country team reports.

Mr. PASSMAN. It is what?

Mr. GREEN. That the guerrilla activity has increased in the northeast and northern part of Thailand.

Mr. PASSMAN. What does that have to do with supporting assistance?

Mr. O'CONNOR. We are putting most of our funds into antiguerrilla activities; in 1966 they had about 1,450 armed guerrillas, in 1969 it was estimated at around 4,500, and in 1971 around 6,500.

COMPARISON OF UNITED STATES-THAILAND DEFENSE EXPENDITURES

Mr. PASSMAN. What is the percentage of GNP spent in Thailand for defense? Is it 3.2 percent?

Mr. BREECHER. About 3.2 percent.

Mr. PASSMAN. What percentage do we spend of our GNP for defense?

Mr. O'CONNOR. About 7 percent.

Mr. PASSMAN. About two and a quarter times that they are spending?

Mr. O'CONNOR. That is correct.

Mr. PASSMAN. Yet they are building up substantial gold and foreign exchange surpluses. It is over $1 billion, is it not?

Mr. BREECHER. To keep the record straight, they have very substantial deficits——

Mr. PASSMAN. Let's go back 4 or 5 years ago, and look at these reserves. They used the same excuse last year to justify this money. But the facts are in 1967 the official reserves and commercial bank holdings were $1.086 billion, correct?

Mr. BREECHER. Correct.

Mr. PASSMAN. And in 1971 these reserves were $1.048 billion, correct?

Mr. BREECHER. Yes, at about the same level.

Mr. PASSMAN. Next year they are going to fatten this up to by $100 million——

Mr. BREECHER. No, sir; because that $100 million is included in their reserves here.

Mr. PASSMAN. That is included here, it is included in commercial bank holdings and gold and foreign exchange?

Mr. BREECHER. I am positive on this, Mr. Chairman.

Mr. PASSMAN. Why do you not give me something certified rather than a blank statement?

Mr. BREECHER. Yes, this is included in their foreign exchange reserves and quite properly.

TOTAL U.S. AID TO THAILAND

Mr. PASSMAN. You do know that years ago they dropped this program in Thailand when they thought it reached the point where they

no longer needed the foreign aid program? They reinstated that program.

Let's see what we have given to Thailand since that time.

The net aid we have given to Thailand in the foreign aid program has been $1,592,400,000. We will have to add to that fiscal year 1972 to get the total figure.

Mr. BREECHER. What period was that?

Mr. PASSMAN. 1946 to 1971 inclusive.

Mr. BREECHER. Thank you. That's correct.

TOTAL U.S. FOREIGN AID PROGRAM

Mr. PASSMAN. If it is of any interest, we have been talking only about Thailand, but we have dissipated our resources in 127 nations of the world and the total amount, including interest on what we have borrowed to give away to foreign nations and foreign nationals, has been $212.8 billion. Almost half of our total public debt.

We are draining our resources and ever increasing our balance of payments deficit. It must be stopped.

I yield to Mr. Shriver.

CLASSIFICATION OF INFORMATION RELATING TO GUERILLA ACTIVITY IN THAILAND

Mr. SHRIVER. I just had one question that related to a comment made a while ago, relating to the increase in guerrilla activity in northeast Thailand. Now you said you thought it was classified. My question to you or to Mr. Green is, why should that information be classified from this committee and how can we defend the program unless we can bring out this kind of information?

The guerrilla activity is the whole reason we are in there to help them.

Mr. O'CONNOR. I was not suggesting it was classified to this committee. All I am saying is, in our papers it is classified.

Mr. GREEN. We can arrange to make it available.

Mr. SHRIVER. I mean for us to use on the floor.

Mr. GREEN. I think we can do that.

Mr. O'CONNOR. I think we can arrange to make it unclassified. It is obviously a key factor.

(The informaton follows:)

Guerrilla activities in 1971 increased sharply over the previous year. There were about 1,500 casualties sustained by Thai Government officials, police, and military which represents a 50 percent increase over the previous year's total. Civilian assassination and kidnapping incidents reached 350 or twice the number for 1970. The number of armed insurgents has increased from approximately 4,500 in 1969 to an estimated 6,500 at the end of 1971, including those in the South.

Mr. SHRIVER. It certainly is. Unless we can tell the story to the American people, we cannot justify this program.

INCIDENTS OF GUERRILLA ACTIVITY

Mr. O'CONNOR. There are also other figures that I can give you that show the number of incidents where guerrillas have attacked or mur-

dered villagers. That has gone up. We will try to supply this committee with a complete record on that.

TOTAL PERSONNEL IN SUPPORTING ASSISTANCE COUNTRIES

Mr. SHRIVER. Thank you. I yield.

Mr. PASSMAN. What are the total number of personnel in your particular area, including U.S. foreign nationals, contract personnel, and military personnel?

Mr. O'CONNOR. I think we have that here, sir.

Mr. PASSMAN. Take your time.

Mr. O'CONNOR. All the SA countries, Mr. Chairman, on board, as of January 31, 1972, direct hire, 1,564.

Mr. PASSMAN. What is that?

Mr. O'CONNOR. 1,564.

Mr. PASSMAN. All right.

Next.

Mr. O'CONNOR. Contractor arrangements, 362; participating agency contracts, 135; States' reimbursable details, 65.

Mr. PASSMAN. I want to know the total number.

Mr. O'CONNOR. That, Mr. Chairman, gives us a total of 2,126.

Mr. PASSMAN. How much?

Mr. O'CONNOR. 2,126 U.S. personnel.

Mr. PASSMAN. All right.

Mr. O'CONNOR. As you know, under President Nixon's policy, we have been bringing personnel ceilings down.

WASHINGTON PERSONNEL UNDER SUPPORTING ASSISTANCE

Mr. PASSMAN. Let's forget about policies and deal with the record before us. How many do you have participating in your area who are drawing a check out of the AID agency or some other agency?

Mr. O'CONNOR. Fiscal year 1971, 726. Those were in the United States.

Mr. PASSMAN. All right, sir.

Mr. O'CONNOR. Third-country participants, in fiscal year 1971, 1,013.

Mr. PASSMAN. What is the grand total of this assortment of personnel? We did not pick up the military personnel assigned in the AID program. Let's get that, too. Could the military help us out on that?

Mr. O'CONNOR. We do not have any military here.

Mr. PASSMAN. It is a sizeable number though; is it not?

Mr. FURMAN. It is, sir.

Mr. BREECHER. 3,865.

Mr. PASSMAN. That does not include the military?

Mr. O'CONNOR. That does not include the military.

Mr. PASSMAN. These are the individuals on a monthly stipend or salary with some phase of the AID program—3,865?

Mr. O'CONNOR. Including participants.

Mr. PASSMAN. I believe all of these people are full time; are they not? We did not ask you for the consultants.

Mr. O'CONNOR. The contractual people are in there.

Mr. PASSMAN. How many would be consultant?

Mr. O'CONNOR. I do not know if we have those figures here, sir.

Mr. PASSMAN. Would you say 100? I want to move along.

Mr. O'CONNOR. I would have thought a good many of the contractor items were basically consultants.

Mr. PASSMAN. Those people work full time, do they not, during the term of the contract?

Mr. O'CONNOR. Yes; they do—during the term of the contract.

NUMBER OF SUPPORTING ASSISTANCE COUNTRIES

Mr. PASSMAN. All I am interested in is full-time people. How many nations are involevd in your area?

Mr. O'CONNOR. Six plus the regional program.

HOST COUNTRY APPROVAL

Mr. PASSMAN. I would assume all six ambassadors approve of this program; do they not?

Mr. O'CONNOR. Yes; these programs do come forward recommended by the ambassadors.

Mr. PASSMAN. I guess they approve of them; do they not?

Mr. O'CONNOR. Yes.

Mr. PASSMAN. You would call them ambassadors for foreign aid. And I would assume their staff, likewise since they work under the ambassador, are advocates of foreign aid; are they not?

Mr. O'CONNOR. I think, when they feel foreign aid is important and necessary in their country, they approve of it.

Mr. PASSMAN. Sure. All the others are working full time, then; are they not? You are full time?

Mr. O'CONNOR. Yes, sir.

Mr. PASSMAN. Your staff is full time?

Mr. O'CONNOR. Yes, sir.

OBSTACLES TO ADEQUATE OVERSIGHT

Mr. PASSMAN. So here are 4,000 ambassadors for more foreign aid just in your area. You work many weekends before you come up here. Now let's compare the 4,000 full-time peddlers of foreign aid you have with what we have on this side of the table. You contrast your operation with mine. I have to handle 68,000 letters a year, take 20 long-distance calls a day, 15 to 20 local calls, see constituents—over 80 of them since this morning—read legislation. It is very difficult to keep up with all these details.

You can imagine at what a disadvantage we are, Mr. O'Connor, with all these people stacked against us.

PLIGHT OF DOMESTIC U.S. PROGRAMS

Mr. RIEGLE. If you will yield, I just came from my other subcommittee. We are listening to a fellow named Lincoln, not Abraham, but probably a descendant, who heads the Office of Emergency Preparedness. He came in today with 12 staff people, in addition to himself, plus more they could not fit into the committee room.

Mr. PASSMAN. They have to stand up a lot of the time.

Mr. RIEGLE. That is right, just 12 in the room. You are doing better than that.

Mr. PASSMAN. With maybe 20 square feet of floor space.

The facts are that you people are turned loose with no restrictions and foreign aid funds never are impounded.

Some of the programs in foreign aid are looked at on Tuesday and approved Wednesday while it takes 14 years to get them approved in this country. The domestic projects we are working on this year, a lot of them are 14 years old, Mr. Riegle.

All of our REA money is going into the deep freeze. You cannot even extend the power lines, we do not have money to replace deteriorating poles in certain areas because foreign aid must have money.

Let's move to the other countries in your area. What are they? Laos?

Mr. O'CONNOR. Laos, Cambodia.

Mr. PASSMAN. Let's take Laos first.

OFFICIALS OF THE LAOTIAN GOVERNMENT

How long have the present officials in Laos been in office?

Mr. O'CONNOR. I think Souvanna Phouma has been Prime Minister since 1962, 10 years.

Mr. PASSMAN. Is his wife still with the government, too?

Mr. O'CONNOR. I think he is divorced, is he not?

Mr. PASSMAN. Has he remarried?

Mr. O'CONNOR. No, sir; I do not believe he has.

Mr. PASSMAN. Let's look at some of the other officials. How long have they been with the government?

Mr. O'CONNOR. Mr. Sisouk, who is the finance minister, has been in government for 7 or 8 years or more, I would think.

LAOTIAN COMMODITY IMPORT PROGRAM

Mr. PASSMAN. At one time about 65 percent of all the intended imports into Laos were accepted in other countries, then channeled out through the black market to the most profitable bidder. Has that been brought under control?

Mr. O'CONNOR. That was when we had a fairly large commodity import program.

Mr. PASSMAN. I know all about it. You do have some of the same public officials in office, do you not?

Mr. O'CONNOR. Yes, sir.

Mr. PASSMAN. Have you reformed them?

Mr. O'CONNOR. I cannot answer whether they are all the same. The two you mentioned are still there.

Mr. PASSMAN. They are the head of the government.

Mr. O'CONNOR. Today there is not that kind of graft and corruption.

Mr. PASSMAN. I did make a statement of fact.

Mr. O'CONNOR. There was, I understand, before my time quite a lot of graft, yes, sir.

Mr. PASSMAN. Do you think they have been completely reformed or just a little more cautious about this operation?

Mr. O'CONNOR. "Completely" is a big word; however, I do not believe our program today is subject to that kind of corruption.

Mr. PASSMAN. You have soldiers who know how to take an about-

face and become blind to their errors? Have they actually changed their ways or are they just more careful about the way they deal?

Mr. O'CONNOR. If they are more careful, that is a plus.

U.S. CLAIMS AGAINST THE LAOTIAN C.I.P.

Mr. PASSMAN. At one time, of course, some public officials in Laos were conniving with crooked suppliers and they would in many instances charge far in excess of the market price and also, they would substitute used equipment for new with our Government paying for it. They admitted that they had been hoodwinking our country. They said, "If you will forgive us, we will repay what we have stolen from you."

Have we ever collected those accounts?

Mr. O'CONNOR. The claims outstanding I believe were all collected last year.

I will supply that for the record.

(The information follows:)

As of February 1972 the RLG had refunded $396,610.43 to the U.S. Government for unauthorized and fraudulent transactions. At this moment no claims are outstanding.

Mr. PASSMAN. I did read that correctly for the record, did I not?

Mr. O'CONNOR. There were outstanding claims.

Mr. PASSMAN. Claims are one thing. What I said was that the public officials permitted overpricing, substitution of inferior equipment and they admitted they were wrong. They said, "We owe you this money, do not take it out of our aid flow because we will subsequently pay you."

Is that not correct?

Mr. O'CONNOR. It was before my time, but I think that is about the story.

TOTAL U.S. CLAIMS UNDER THE C.I.P.

Mr. PASSMAN. All right, you are very fair. You are doing business with the same people. What makes you think they have not become more clever and you have not caught them?

Mr. O'CONNOR. For one thing, we are not bringing substantial imports into the country under that kind of a program. We had a deposit fund from which we could file claims——

Mr. PASSMAN. File claims for wrongdoing?

Mr. O'CONNOR (continuing). Diverting——

TOTAL AID TO CAMBODIA

Mr. PASSMAN. How about Cambodia?

What is the total aid, all pieces, for Cambodia? Put it all together at this point in the record.

Mr. O'CONNOR. Total according to our figures——

Mr. PASSMAN. Put it in the record.

Mr. O'CONNOR. Yes, sir.

(The information follows:)

	Millions
AID and predecessor agencies	$321.6
Food for Peace	9.3
Military assistance program (charged to FAA appropriations)	278.5
Excess defense articles	15.5
Total economic and military through fiscal year 1971	624.9

Mr. PASSMAN. Include all pieces of aid for Cambodia. You were just skimming the surface and we had to dig it all out slowly, piece by piece.

Mr. O'CONNOR. I am sure you are not suggesting we are withholding anything.

Mr. PASSMAN. You just did not do your homework well enough to know the grand total because we kept putting pieces in that you left out.

Mr. O'CONNOR. I am sorry, sir. We did not understand you wanted all the figures.

Mr. PASSMAN. You bet we want all of them. If you know of any that I left out, put them in.

Mr. RIEGLE. Would the chairman yield for a moment?

Mr. PASSMAN. Sure.

COORDINATION OF THE COUNTRY PROGRAM

Mr. RIEGLE. I agree with what you have been saying here. I do not want you to think that anyone here is being rude or unreasonable because that certainly is not the intention.

Mr. O'CONNOR. I understand that, Mr. Riegle.

Mr. RIEGLE. Please do not misunderstand that. But what troubles me is not just the fact that you do not have this data, but the fact that you are not thinking in those terms yourself.

What I worry about is the question of whether you can really do your own job the way it ought to be done if you are not thinking in terms of all these things taken together.

Now I realize there are other jurisdictions and different kinds of programs, some of which may seem very distant from your own. However, unless somebody sits down and cranks all these things in at once in terms of what it really means for a given country, particularly countries like Cambodia and Laos, I do not see how, in the absence of that, you can really make a very sophisticated judgment as to whether your piece that you are here to defend really makes sense. The fact that somebody is not here who can speak to the whole picture combined troubles me.

Mr. O'CONNOR. Mr. Riegle, you have a good point.

Let me say this: In the military area, for example—as you know now, there happens to be a new security coordinator nomination sent forward to the Senate for the State Department. Mr. Newman came in as a deputy to that position. He has a staff, he is coordinating with the MAP, supporting assistance, and so forth. So we are trying to get a handle on the relationship of those funds. We were able to give you a fiscal year 1973 total for Thailand.

In our own AID program we are fully familiar with the Public Law 480 program, for example. When you get into excess defense articles we are not always in that. That does not come as a cash item really although obviously it does cost some money.

There are one or two items that we would question whether they were really foreign aid, although you are entitled to your view.

THE COUNTRY TEAM

Mr. RIEGLE. Another thing that troubles me is not just the degree that impairs your ability to consider what your own programs will

mean in relationship to all these others, but also the fact that it puts people in these foreign countries in a position to end-play us. There is no way you can know very clearly whether some bureaucrat in one of these countries may be approaching you one way for money for one kind of a program and turn around and go to some other person presenting some other program. They may be selling the same program to five or six different people. How do we even know that?

Mr. O'CONNOR. That comes pretty well coordinated through the country team, through the ambassador's office, which of course is one of the purposes that he is there. But it does not come in that specific form, for example, to me.

Mr. RIEGLE. Yes.

Mr. O'CONNOR. You know maybe I ought to be worrying about every account as much as I am worrying about the one for which I am charged responsibility; frankly, I do not think I would be able to make it.

Mr. RIEGLE. Except I would question whether you can get your job done if these other pieces are not also done right.

PROGRAM EFFECTIVENESS

We all know it is tough for the United States to go into any foreign country, particularly Southeast Asia, and try to accomplish anything. We have been in Vietnam for 10 years. We have a hard time right now quantifying improvements over that period of time. So when you are talking about places where we have even less experience than that, I do not know how you could judge the effectiveness of your programs unless you could also know rather clearly what all these other people were doing.

Mr. PASSMAN. This would add greatly to it.

FISCAL YEAR 1973 REQUEST FOR ALL FOREIGN ASSISTANCE PROGRAMS

We have different types of foreign aid and assistance. When we see in the paper where the President requested so much money for AID, he does not say foreign aid, he says AID. AID is an abbreviation for the Agency for International Development. It is just one piece of aid. It does not mean all foreign aid. Is that right?

Mr. O'CONNOR. Yes, sir.

Mr. PASSMAN. What is your understanding of the total request for foreign aid for fiscal 1973, all pieces?

Mr. O'CONNOR. I believe, according to your figures, sir, you have them added up to $13 billion.

Mr. PASSMAN. For 1973.

Mr. O'CONNOR. I am sorry, I was speaking to 1972 and I believe my figure was correct.

Mr. PASSMAN. You are using my figure?

Mr. O'CONNOR. Yes, sir, I said so.

Mr. PASSMAN. I want to know your figure for 1973. You did not have a figure.

Mr. O'CONNOR. I am sorry, you did not specify 1973.

Mr. PASSMAN. I did say 1973, because I would assume you read my sheet on 1972.

Let me tell you, gentlemen, you may feel just a bit irritated at this time, Mr. Secretary, but it is your children and grandchildren we are trying to protect. We have completely lost control of this thing. What are we confronted with?

Last year, the foreign aid requests for all spigots, good and bad, totaled $13,528,628,000. We thought this would set an alltime record. It was inconceivable that there would ever be a year that all pieces of foreign aid would exceed that amount. Do you know what it is this year, $16,942,916,000. Unbelievable. This was enough to worry me, but you know what I just learned? We now have to add to this another $1.6 billion to take care of what we refer to as maintenance of value obligations.

EFFECT OF DEVALUATION

You know what this is?

Because of our extravagance we had to devalue the dollar by 8.57 percent.

Now they come back and say since we had to devalue by 8.57 percent, it is incumbent upon our country now to appropriate an additional $1.6 billion to maintain our contribution in the international financial institutions.

The most frightening thing is that they want $406 million so as to offset any loss of purchasing power of the dollar on the paid-in capital made many, many years ago.

When you add this $1.6 billion to the previous total of foreign aid requests for fiscal year 1973 you get a figure of about $18.5 billion.

Did you really know that?

Mr. GREEN. No. I would be interested in the breakdown of that figure.

INTER-AMERICAN DEVELOPMENT BANK ACCOUNTS

Mr. PASSMAN. We have to put up a total of $406 million on the paid-in capital to these institutions of which $224 million is for the IDB.

Mr. MCEWEN. Which one is $224 million?

Mr. PASSMAN. Inter-American Development Bank. We have to put up $224 million additional because they could not buy as much with the funds we previously contributed as they could have bought if we had not depreciated the dollar through inflation. Their justification was that the other nations followed the same procedure. However, the other nations only put in a small part.

You look at that while I go on.

OVERSIGHT OF FOREIGN ASSISTANCE PROGRAMS

So, gentlemen, these are some other things we have to deal with, it is not just supporting assistance for your area that has added to the recent situation, but the very fact that the overall matter of foreign aid has gotten us into a deplorable situation and you do not have to be smart to know that.

I just wish you gentlemen, when you look at 20 programs for a country, would give them two of them. They would like you better, they would have more respect for our country if you stop just throwing our wealth away. We have always tried to impress people with our wealth.

It is part of America. People try to impress each other by displaying their wealth.

What you do as an individual you usually do as a nation.

Mr. BREECHER. It should be easier for the individuals to get out of the habit.

Mr. PASSMAN. What you do as an individual you are liable to do collectively.

TECHNICAL ASSISTANCE PROJECTS UNDER SUPPORTING ASSISTANCE

Mr. O'Connor, I think it is perfectly obvious that under the request you have labeled "Supporting Assistance," that many of these projects are very definitely in the area of bilateral technical aid. Whoever put these pieces together certainly included several projects that would, in my opinion, possibly qualify, if they could be justified at all, for your technical aid program and not your supporting assistance program.

I think you ought to have a look at it.

Mr. O'CONNOR. We will, sir.

I think you certainly raise a question that we should look at.

ESTIMATED RECEIPTS, REIMBURSEMENTS, AND RECOVERIES IN FISCAL YEAR 1973

Mr. PASSMAN. What amounts do you expect to become available in fiscal year 1973 from receipts, reimbursements, and recoveries which can be used to help finance this program? Please list each one separately with the amount.

Mr. O'CONNOR. In fiscal year 1973, recoveries of prior year deobligated funds are estimated at $29,832,000, and reimbursements at Jordan for Development Loans, however, these repayments will not be $1,845,000. Receipts or repayments will be made from Thailand and used in supporting assistance programs. The estimated recoveries and receipts are offset by a net transfer amount of −$1,177,000. This reduction will result from transfers in of $2,423,000 to cover January 1972 pay increases, and transfers out of $3.6 million to cover increased administrative expenses resulting from the expanded Vietnam program.

FISCAL YEAR 1972 SUPPORTING ASSISTANCE PROGRAM

Mr. PASSMAN. Could you provide for the record a list of all the countries proposed to receive supporting assistance in fiscal year 1973, with the amount and the percentage each amount represents of the total?

Mr. O'CONNOR. Yes, sir.

(The information follows:)

[Dollars in millions]

	Amount	Percent
Vietnam	$585.0	66.9
Cambodia	75.0	8.6
Laos	49.8	5.7
Thailand	25.6	2.9
Israel	50.0	5.8
Jordan	40.0	4.6
East Asia regional	8.4	1.0
Malta	9.5	1.1
Spain	3.0	.3
Interregional	23.4	2.6
UNFICYP	4.8	.5
Total	874.5	100.0

Mr. PASSMAN. What percentage of the total program proposed for fiscal year 1973 is presently allocated to the four South Asian countries of Vietnam, Cambodia, Laos, and Thailand?

Mr. O'CONNOR. Of the total program, Vietnam receives 66.9 percent, Cambodia 8.6 percent, Laos 5.7 percent, and Thailand 2.9 percent.

SUPPORTING ASSISTANCE RATIONALE

Mr. PASSMAN. Would you tell us the purpose of providing security supporting assistance to the various countries?

Mr. O'CONNOR. Security supporting assistance is provided to promote or maintain the economic and political stability of countries in which U.S. national security and related foreign policy interests are involved.

Mr. PASSMAN. Is it not true that supporting assistance is to help implement the Nixon doctrine which is aimed at preparing each country to assume the primary responsibility for its own defense thereby reducing the need for U.S. military presence around the world?

Mr. O'CONNOR. That is correct, sir. It is a major objective both of the Nixon doctrine and of the AID supporting assistance program. Of the total security supporting assistance request for fiscal year 1973, that major portion which will be directed toward the countries of Southeast Asia is intended to contribute toward development of defensive self-reliance of friendly and allied nations to enable them increasingly to shoulder their own responsibilities so that we can safely continue to reduce our military presence in the region without jeopardizing the prospects for a workable peace.

SECURITY ASSISTANCE COORDINATOR

Mr. PASSMAN. The Foreign Assistance Act of 1971 authorized a position called the Coordinator for Security Assistance. Has this position been filled at this time?

Mr. O'CONNOR. The President has nominated Dr. Curtis W. Tarr, currently Director of the Selective Service System, to fill this position. Pending congressional action on Dr. Tarr's appointment, Department of State statutory responsibility in this field is being exercised by an acting coordinator, Mr. George S. Newman, who served until November 1971 as Deputy Chief of Mission, United States Embassy, Bang-

kok. I believe that Mr. Newman is in the best position to answer other questions you may have on that subject.

Mr. PASSMAN. Will there be a separate office for security assistance in the State Department?

Mr. NEWMAN. Mr. Chairman, I am being assisted by a small planning and analysis staff, which was detailed by the Bureau of Politico-Military Affairs (PM) for this purpose. In addition, the Bureau plays the principal role in meeting the Secretary of State's statutory responsibilities for general policy direction for grant military assistance and foreign military sales as they relate to current or day-to-day operations. Final determinations on the support staff needed by the Coordinator and on organization of responsibilities will have to await the arrival of Mr. Tarr.

SECURITY ASSISTANCE ORGANIZATION

Mr. PASSMAN. Would you give us a brief rundown of the organization of the security assistance program as presently planned and indicate the duties of the new office for security assistance?

Mr. NEWMAN. In the exercise of his responsibility, the Coordinator will be the senior representative of the Department of State in all dealings on military and security supporting assistance programs with other agencies, the National Security Council, and, where appropriate, the Congress. In addition, he will have primary responsibility for:

(a) insuring that security assistance programs as planned and developed are consistent with U.S. foreign policy and national security objectives;

(b) providing continuous policy guidance to the Department of Defense, AID, and other agencies concerned with security assistance;

(c) directing the development of congressional presentations for security assistance; and

(d) coordinating the preparation of country plans by our field missions, making determination on U.S. security assistance resource allocations, and proposing legislation for executive branch consideration.

The Cordinator will also serve as executive chairman of the interagency security assistance program review committee.

Mr. PASSMAN. Will the military assistance program and the military credit sales program still be administered by the Defense Department and the security supporting assistance program still be administered by AID?

Mr. NEWMAN. No change is contemplated with respect to management responsibilities. The Department of Defense will continue to administer both grant military assistance and foreign military sales; AID, which created a new Supporting Assistance Bureau in mid-1971, continues to manage that particular program. At present, we are developing effective means for integrating planning and programing for security assistance activities.

COMPOSITION OF AID

Mr. PASSMAN. On page A–1 of the justifications I note you state that as national economies are strengthened, the composition of aid to

Southeast Asia will shift from grants to loans and from bilateral to greater emphasis on multilateral assistance. Do you have any estimate of when it will be possible to decrease grant aid to this part of the world?

Mr. O'Connor. Since the key determinant of the grant supporting assistance requirement for a given country derives from the threat to economic stability which the prevailing security situation generates, it follows that reduction of grant aid is dependent more than anything else upon the rate at which hostilities recede. If we could assume that the security situation in Southeast Asia would improve steadily, the requirements for security supporting assistance could be projected to decrease apace beginning in fiscal year 1974 as the economies of aid recipient countries are strengthened. Our objective is to move countries, as quickly as possible within the context of security requirements and economic capabilities, along the spectrum from grants to concessional loans to commercial loans.

Mr. Passman. Why do you plan to place a greater emphasis on multilateral assistance in the future for Southeast Asia if their economies improve?

Mr. O'Connor. Improvement in the economies of Southeast Asian nations will coincide with improvements in their security situations. This in turn will permit greater aid emphasis upon reconstruction and development; in this process, the international financial organizations should play a larger role than now. Increased emphasis on multilateral assistance will contribute toward other developed nations picking up a fair share of the Southeast Asia development tab.

TRANSFERS

Mr. Passman. Would you please explain the $3,600,000 transfer out from supporting assistance to administrative expenses-AID in fiscal year 1972 and fiscal year 1973 to cover increased administrative expenses resulting from the expanded Vietnam program mentioned on page A–4?

Mr. O'Connor. This is the transfer authorized by section 610(b) of the Foreign Assistance Act. It has been part of the law, and used, since 1966. It permits AID to use up to $9 million of supporting assistance funds to meet the expanded administrative costs of our large Vietnam program.

The $3.6 million level, for fiscal years 1971 and 1972, and also proposed for fiscal year 1973, is down from $4.7 million in fiscal year 1970.

ISRAEL EARMARKING

Mr. Passman. I note in the recent authorizing legislation introduced to authorize the security supporting assistance program for fiscal year 1973 that the specific earmarking language for Israel is deleted. Could you tell us the reason for this proposed deletion?

Mr. O'Connor. Mr. Chairman, the specific earmarking language was introduced into the authorizing legislation for fiscal year 1972 to cover a need which had not been specifically set forth in the illustrative program which we presented. For fiscal year 1973, however, our request includes $50 million specifically for Israel so the earmarking provision has been deleted.

RESTRICTIONS ON SUPPORTING ASSISTANCE

Mr. PASSMAN. How many countries can you supply security supporting assistance to in any one fiscal year?

Mr. O'CONNOR. As prescribed in section 531 of the Foreign Assistance Act of 1971, security supporting assistance may not be used to furnish assistance to more than 12 countries in any fiscal year. In fiscal year 1973 we are requesting supporting assistance funds for eight countries plus the east Asia regional program and a U.S. contribution to support United Nations forces in Cyprus.

Mr. PASSMAN. Are there any other restrictions on the supporting assistance item?

Mr. O'CONNOR. The only other restrictions relating specifically to the supporting assistance item are those pertaining to Vietnam which require, first, the President make a quarterly quid pro quo determination that both the currency accommodation rate and the rate of exchange for U.S. Government purchase of piasters for goods and services are fair to both countries, and second, that arrangements should be made so that proceeds from the sale of grant-aid-furnished commodities are not budgeted by the Government of Vietnam for economic assistance projects or programs unless the President or his representative has given prior written approval. Section 653 requires the President to notify the Congress of the amount of funds to be provided to each foreign country within 30 days after enactment of any law appropriating such funds and prohibits provision to any foreign country of more than 10% above the reported security assistance amount unless the President determines that such provision of additional funds is in the security interests of the United States and reports this determination and its justification to Congress at least 10 days prior to the provision of such additional funds. Broader provisions such as the overall aid level and personnel limitations for Cambodia and the limit on total aid to Laos likewise have a potentially restrictive effect upon the supporting assistance program. And certain general and administrative provisions are applicable to supporting assistance as well as to other categories of assistance covered by the act.

SUMMARY OF PROGRAMS BY AREA AND COUNTRY, FISCAL YEAR 1971, 1972, AND 1973

Mr. PASSMAN. Would you furnish for the record a table showing the actual fiscal year 1971 program, the fiscal year 1972 program, and the estimated program for fiscal year 1973 for each country, region, and organization under the supporting assistance program, excluding Vietnam?

Mr. O'CONNOR. Yes; we will be glad to furnish that information.

(The information follows:)

SECURITY SUPPORTING ASSISTANCE PROGRAMS EXCLUDING VIETNAM FY 1971 - FY 1973

Country	FY 1971 Actual			FY 1972 Estimated			FY 1973 Proposed		
	Supporting Assistance	Other Aid	Total	Supporting Assistance	Other Aid	Total	Supporting Assistance	Other Aid	Total
Cambodia	70,000	-	70,000	37,100		37,100	75,000		75,000
Israel	-	-	-	50,000		50,000	50,000		50,000
Jordan	5,000	1,000[a/]	6,000	30,000	15,550[ab/]	45,550	40,000	1,200[a/]	41,200
Laos	41,450	7,485[ad/]	48,935	47,000	500[c/]	47,500	49,800	870	50,670
Thailand	16,996	5,545[ad/]	22,541	15,000	1,500[c/]	16,500	25,600	2,145	27,745
East Asia Regional Programs	216	13,010[ad/]	13,226	300	10,505[ac/]	10,805	8,400	13,131[ac/]	21,531
ASIA TOTAL	133,662	27,040	160,702	179,400	28,055	207,455	248,800	17,346	266,146
Nigeria	18,163	e/	18,163	3,400	-	3,400	-	-	-
Southern Africa Reg.	220	-	220	300	-	300	-	-	-
AFRICA - TOTAL	18,383	-	18,383	3,700	-	3,700	-	-	-
Malta	-	-	-	-	9,500[b/]	9,500	9,500	-	9,500
Spain	-	-	-	-	-	-	3,000	-	3,000
EUROPE-TOTAL	-	-	-	-	9,500	9,500	12,500	-	12,500
Guatemala	45	e/	45	-	-	-	-	-	-
Haiti	2,782	-	2,782	-	-	-	-	-	-
LATIN AMERICA-TOTAL	2,827	-	2,827	-	-	-	-	-	-

Country	FY 1971 Actual			FY 1972 Estimated			FY 1973 Proposed		
	Supporting Assistance	Other Aid	Total	Supporting Assistance	Other Aid	Total	Supporting Assistance	Other Aid	Total
UN Force in Cyprus	4,800	-	4,800	2,400	-	2,400	4,800	-	4,800
UN Relief and Works Agency	13,300	-	13,300	-	-	-	-	-	-
Program Support and Interregional Activities	23,343	-	23,343	12,600	-	12,600	23,400	-	23,400
NON-REGIONAL PROGS.	41,443	-	41,443	15,000	-	15,000	28,200	-	28,200
SUMMARY-ALL PROGRAMS	196,315	27,040	223,355	198,100	37,555	235,655	289,500	17,346	306,846

a/ Technical Assistance Funds.
b/ Contingency Fund
c/ Population Funds.
d/ Development Loan Funds used for population programs.
e/ Does not include Development Loans and Technical Assistance

SA/IR/DP:RHarrell:4/27/72

UNEXPENDED BALANCES AS OF JUNE 30, 1972

Mr. PASSMAN. What is the anticipated unexpended balance estimated for the supporting assistance countries in your area, including the regional program and other organizations, as of June 30, 1972?

Mr. O'CONNOR. The anticipated unexpended balance for supporting assistance countries in my area as of June 30, 1972 is $509,978,000.

NEW PROJECTS IN SUPPORTING ASSISTANCE FICAL YEAR 1973

Mr. PASSMAN. Would you furnish for the record a list of projects by country, which you propose to initiate in fiscal year 1973, showing the name of the project, the fiscal year 1973 estimate, the estimated total cost, and the final year of completion, excluding Vietnam?

Mr. O'CONNOR. Yes, sir, we will be happy to do so.

(The information follows:)

Country/project	Proposed fiscal year 1973	Estimated total cost to complete	Scheduled fiscal year to be completed
Jordan East Ghor development	250	850	
Total (1 project)	250	850	1976
Thailand	7,635	7,906	
Labor training and management	75	181	1974
Graduate science education	260	260	1973
Professional manpower utilization	300	465	1974
Multisector development assistance	7,000	7,000	1973
Total (4 projects)			
Regional development	6,650	15,650	
Mekong pioneer projects development	2,000	6,250	1977
Mekong Vientiane Dike	4,000	4,000	1973
Regional management training	300	1,000	1975
Center for Environment Studies	200	3,000	1977
Economic Cooperation Center	150	1,400	1979
Total (5 projects)			
Grand total (10 new projects)	14,535	24,406	

PROJECT DEOBLIGATIONS IN FISCAL YEAR 1972

Mr. PASSMAN. Please furnish for the record a table, broken down by country, showing the projects that have had funds deobligated from them during fiscal year 1972 and the amount deobligated, excluding Vietnam.

Mr. O'CONNOR. Certainly, Mr. Chairman.

(The information follows:)

PROJECT DEOBLIGATIONS IN FY 1972
(as of December 31, 1971)

Country	Amount ($000)	Fund
BURMA		
Technical Support.....	$ 3	TC
(Number of Projects - 1)		
Total.....	3	TC
CAMBODIA		
Technical Support.....	15	SA
(Number of Projects - 1)		
Total.....	15	SA
LAOS		
Technical Support	13	TC
Education Development	23	TC
Agriculture Development)	2)	TC)
)	12)	SA)
Public Health Development.....	13	SA
Air Technical Support.....	2	SA
Military Technical Support	13	SA
Industry Development)	10)	TC
)	5)	SA
Project Commodities	2	TC
(Number of Projects - 8)		
	45	SA
	50	TC
Total.....	95	
THAILAND		
Technical Support)	4)	TC)
)	898)	SA)
Aeronautical Ground Service	7	TC
Civil Police Administration	609	SA
Community Development.....	31	SA
Educational Planning	3	TC
Management Improvement.....	39	TC
Private Sector Development	114	TC
Rural Education.....	16	SA
Accelerated Rural Develop	129	SA
Mobile Development Units	46	SA
Chiengmai Medical School.....	2	TC
Civil Service	95	TC

Country	Amount ($000)	Fund
THAILAND (Cont'd)		
Rural Health)	$ 36)	TC)
)	94)	SA)
Agricultural Development)	2)	TC)
)	140	SA)
Potable Water	6	SA
Mun & Chi River Basins	1	TC
Vocational Education	25	TC
Labor Intensive Water Development	2	SA
CSOC	1	SA
Family Health)	7)	DL/FP)
)	2)	SA/FP)
NEED	8	SA
(Number of Projects - 21)		
	1,980	SA
	328	TC
	7	DL/FP
	2	SA/FP
Total	2,317	
REGIONAL DEVELOPMENT		
Regional Technical Administrative Services .	78	TC
Regional Education Development	28	TC
Family Planning	2	DL/FP
Trans/Comm. Feasibility Study	95	TC
Mekong Basin Development	3	TC
(Number of Projects - 5)		
	204	TC
	2	DL/FP
Total	206	
JORDAN		
Technical Support	12	TC
Public Administration	23	TC
Tourism Development Program	4	TC
Engineering Services	2	TC
East Ghor Rural Development	1	TC
Public Safety	6	TC
Agricultural Economics & Planning	5	TC
Wheat Research & Production	2	TC
Development Adm. Training	5	TC
(Number of Projects - 9)		
Total	60	TC
(Total number of Projects - 45)		
GRAND TOTAL	2,040	SA
	645	TC
	9	DL/FP
	2	SA/FP
	2,696	

PROJECTS TO BE TERMINATED IN SUPPORTING ASSISTANCE

Mr. PASSMAN. Please indicate, by country, what projects will be terminated in fiscal year 1973 and show the reason for termination, excluding Vietnam.

Mr. O'CONNOR. Yes, I will be happy to provide that list for you.

(The information follows:)

Country and project	*Reason*
Thailand:	
Development of vocational education	Completed.
Graduate science education	Do.
Multisector development assistance	Do.
Regional development:	
Regional telecommunication development	Do.
Mekong Vientiane dike	Do.
Southeast Asia Fisheries Development Center	Do.
Total number of projects	Six.

PARTICIPANTS FROM SUPPORTING ASSISTANCE COUNTRIES

Mr. PASSMAN. How many participants are programed from the Supporting Assistance countries in fiscal year 1973 and what is the average cost per participant?

Mr. O'CONNOR. There are 2,138 participants programed for fiscal year 1973. We estimate that the average cost is $3,566 per participant.

Mr. PASSMAN. How does this cost per participant compare to the last 5 years?

Mr. O'CONNOR. During the past 5 years, the average cost per participant was highest in 1971 when the average cost was $4,054. During the other 4 years the average cost has been about $3,555 per participant.

Mr. PASSMAN. How does the total participants programed for fiscal year 1973 for Supporting Assistance compare to the last several years?

Mr. O'CONNOR. During the last several years, we have on the average programed just over 2,000 participants. The current request represents an increase of a little over 100 above this average. This increase concerns primarily participants from Thailand.

Mr. PASSMAN. How many of these participants will be trained in the United States and how many in third countries?

Mr. O'CONNOR. Based on present planning, we estimate that approximately 1,300 participants will be trained in the United States and 830 participants will be trained in third countries.

Mr. PASSMAN. Will all the countries involved in Supporting Assistance pay for the international travel of their participants?

Mr. O'CONNOR. Vietnam, Jordan, and Laos do not pay the international travel costs of their participants. Thailand pays the international travel costs. Cambodia and Israel have no participants.

DOD FUNDS FOR COUNTRIES PROGRAMED FOR SUPPORTING ASSISTANCE FUNDS IN FISCAL YEAR 1973

Mr. PASSMAN. What countries programed for supporting assistance in fiscal year 1973 will also receive funds from the Defense Department in fiscal year 1973 and in what amounts, excluding Vietnam? Don't include MAP, excess equipment, or credit sales.

Mr. O'CONNOR. The only country is Laos. It is programed to receive

$360 million in fiscal year 1973 under the military assistance service funded program, MASF.

OFFSET OF ASSISTANCE

Mr. PASSMAN. Do you feel that increased requests for military and economic assistance for South and East Asian countries will more than be offset by savings resulting from the decreased presence of U.S. personnel in these areas?

Mr. O'CONNOR. Yes, sir. This has already been the case and will continue to be so. As Assistant Secretary Green noted in his statement before this committee yesterday, we have reduced our annual overall defense expenditures in the Indochinese states by about $20 billion commensurate with the increasing capabilities of our friends. The costs to the United States of the Vietnamization program are considerably less than the costs of direct military involvement, yet they still hold forth the prospects of termination of the conflict on terms acceptable both to the United States and the friendly nations involved.

CAMBODIA PROGRAM

Mr. PASSMAN. If I am not mistaken, last year your request for fiscal year 1972 was $110 million for Cambodia, and I note this year you have programed only $37,100,000 for the same fiscal year. I realize supporting assistance funds were reduced last year, but could you tell us how you were able to reduce the fiscal year 1972 program by such a large amount?

Mr. O'CONNOR. The cut to $37.1 million was made not only because of worldwide cuts in SA funds, but also was rendered more possible by our decision to delay the U.S. contribution to the ESF until fiscal year 1973.

In addition, since in fiscal year 1972 we did not, in fact, use our CIP funds as rapidly as anticipated, we reduced the program to the minimum necessary to carry us through to fiscal year 1973. Because of newness of the CIP in Cambodia and the fact that Cambodian importers were not used to buying from CIP-eligible sources, there was a long period when import demand just did not manifest itself—importers were living off their accumulated stocks from the prehostilities period. When these stocks were drawn down, the pressure of import demand was leveled against the GKR's own foreign exchange. There has been an economic cost to Cambodia in these developments: a lower level of in-country stocks, a depletion of GKR foreign exchange reserves (even after a $20 million cash grant assist from us), and a consumer price hike of over 100 percent.

We are now adopting various measures to divert Cambodian import demand to the CIP, such as preferential rate for U.S. goods, abolition of GSA for most transactions, streamlining administrative procedures, and exclusive lists where necessary.

BREAKDOWN OF REQUEST

Mr. PASSMAN. Please provide for the record a breakdown of the fiscal year 1973 request and indicate each program and the amount which will be allocated to it.

Mr. O'Connor. As shown in our presentation book, the $75 million of supporting assistance is proposed to be used as follows: commodity import program, $55.5 million; U.S. contribution to ESF for current year 1972; $12.5 million; U.S. contribution to ESF for first half of current 1973, $6.25 million; and technical support costs, $750,000.

TOTAL U.S. AID

Mr. Passman. What other U.S. aid is proposed to be programed for Cambodia in fiscal year 1973?

Mr. O'Connor. The military assistance program is proposed for $209.5 million excluding the cost of supply operations reflected in general costs. Excess defense articles are planned at $15.5 million, and we are planning up to $30 million (Public Law 480, title I).

U.S. FUNDS TO CAMBODIA HELP VIETNAMIZATION

Mr. Passman. Could you explain how these funds will help the Vietnamization program?

Mr. O'Connor. Sharing a 550-mile border, Cambodia presents South Vietnam with an exposed western flank, an area from which the NVA/VC operated virtually without impediment beginning in about 1965 up to the allied incursions into these sanctuary areas in May and June 1970. To the extent that the GKR can maintain a viable economy, and field a functioning military establishment, enemy forces still in these border areas will be denied unimpeded movement; some will be diverted to engage the FANK. The threat to South Vietnam eminating from Cambodia will be reduced and the prospects for the success of Vietnamization enhanced. Our military and supporting assistance programs for Cambodia represent the bulk of the funding required to keep the country viable.

ENEMY CONTROL IN CAMBODIA

Mr. Passman. You indicate that the North Vietnamese and Vietcong control roughly one-third of Cambodia's territory. Have Cambodia's Armed Forces been able to reduce the hold that the North Vietnamese and Vietcong have on the country?

Mr. O'Connor. The Cambodian Armed Forces (FANK) have not made significant inroads into the territory held by the enemy since mid-1970, but they have, at the same time, by and large, been able to contain the enemy.

PROBLEMS OF CAMBODIAN ARMED FORCES

Mr. Passman. You also indicate that the armed forces suffer from problems of organization, leadership, and modernization. What is being done to correct these situations?

Mr. O'Connor. The problems of organization encountered by the FANK stem from the enormous expansion, from about 35,000 pre-March 1970, to almost 200,000 now. The FANK leadership is very much aware of these problems and is gradually working out solutions, but this will be a slow process and we do not expect any dramatic

breakthroughs in the forseeable future. Leadership problems are being approached through training undertaken in South Vietnam by ourselves, the South Vietnamese and the Australians and New Zealanders, as well as by training in country. Modernization is gradually being accomplished by the training and equipping of FANK through our MAP program.

CAMBODIA'S ECONOMY

Mr. PASSMAN. Your justifications do not paint a very good picture for the economy of Cambodia. You indicate that production in agriculture has declined, manufacturing output has fallen, and tourism has disappeared. What have the Cambodians done to improve their economy?

Mr. O'CONNOR. The Cambodians have made a determined effort to counter enemy attempts to disrupt the economy. Though the enemy has attempted to interdict the major routes, the Government has mounted an intensive convoy effort designed to bring rice from the northwest part of the conutry to the capital at an average rate of three times per week, to bring imported commodities up Route 4 from the major seaport of Kompong Som, and to keep the Mekong River route open from Vietnam to Phnom Penh. It has other more specialized and irregular convoy operations as required to move products to provincial capitals.

In the economic policy field, the government, on the advice of the IMF, undertook a far-reaching economic stabilization program in October 1971.

Since March 1970 through successive devaluations the riel has been depreciated from 55 to 150 to the dollar. The Government has succeeded in establishing a multilaterial Exchange Support Fund to help finance those foreign exchange requirements that could not be met under bilateral aid programs. Also to conserve foreign exchange, the Cambodian Government has undertaken to reschedule as much of its external debt as possible, particularly with France and Germany. In order to assure maximum domestic output, the Government has, rather courageously in view of the urban political reaction, permitted prices to seek their natural levels, except for a few essential commodities. This is encouraging manufacturing output and production.

Mr. PASSMAN. What does the future hold for Cambodia's economy?

Mr. O'CONNOR. As long as the Vietcong and North Vietnamese are present in Cambodia and continue to harass and disrupt Cambodian lines of communication and attempts at domestic production and exports, we cannot expect any significant improvement. Maximum efforts will have to be made continually merely to counter these disruptions. Even though some limited industrial expansion is going on even in time of war, this is more than offset by the losses in industrial production since the war began in Cambodia. As long as industrial production and exports cannot recover to near their prewar levels, Cambodia will continue to need external assistance with foreign exchange financing if its people are to have the essentials of life.

If peace is achieved in Indochina, the economic outlook for Cambodia is promising. With a settlement or a subsiding of hostilities, commercial traffic would resume its normal pattern, and production and shipments would return to near prehostility levels. Manpower would be released from military service and return to domestic agri-

cultural and industrial pursuits. The need for external assistance to finance essential imports for current consumption would drop off sharply.

THE EXCHANGE SUPPORT FUND

Mr. PASSMAN. On page C–2 of the justifications, you state a multilateral Exchange Support Fund has been established to help finance those foreign exchange requirements which cannot be financed under bilateral aid programs. Would you please explain briefly the operation of this Exchange Support Fund?

Mr. O'CONNOR. The Exchange Support Fund will receive contributions from seven countries plus the Cambodian Government. Under the monitoring of a working group composed of representatives of the donor nations, the Cambodia Central Bank will draw from the Fund to finance its sales of foreign exchange to importers under the new economic reform program. Such funds will also be used to finance certain "invisibles" expenditures of the GKR, and for services in connection with capital projects or technical assistance activities which cannot be met from other sources. It will not be used for payments of debt, capital transfers, military expenditures, and other items reserved for financing by the Cambodian Government's own foreign exchange.

The ESF manager (who has been appointed by the Cambodian National Bank with the concurrence of the donor nations) is responsible for insuring effective administration of the ESF. This manager will report regularly to the working group on all ESF operations. The Cambodian Government and other participating donors to the Fund will rely primarily on the maintenance of a realistic exchange rate (reflecting domestic prices and import demand) to insure that the cost of goods to the importer is reasonable. This will prevent windfall profits since import costs and domestic prices will be kept in line.

Mr. PASSMAN. Would you also indicate what foreign exchange requirements can be financed out of this multilateral Exchange Support Fund which cannot be financed under the bilateral aid programs?

Mr. O'CONNOR. Aid under bilateral import programs such as that of the United States cannot finance all of the Cambodian Government's import requirements. Before the war Cambodia purchased some 3 percent of its commodities from the United States and the transition to the type of program we would like to have, with most imports coming from the United States, must be a gradual one. Even the CIP which currently permits procurement both in the United States and in the lesser developed countries, cannot meet all of these needs at this time. For example, the industrial machinery now being used in Cambodia is predominantly of Japanese, French, Communist Chinese, and West European origin. In view of the scarcity of foreign exchange resources and the restrictions on imports, local machine shops have been doing yeoman work in attempting to fabricate spare parts to keep these machines in operation and reduce the need for further imports of finished products. However, certain key parts cannot be efficiently duplicated and must be obtained from the manufacturer. Such parts would be financed from the Exchange Support Fund. Several other kinds of machinery and equipment from non-U.S. and non-LDC sources would also be examples of items to be financed under the ESF.

78-827 O - 72 - pt. 2 - 19

Mr. PASSMAN. Would you also indicate what other governments are providing contributions to this Exchange Support Fund and in what amounts?

Mr. O'CONNOR. Contributions to the ESF for fiscal year 1972 were Cambodia $15 million ($6.25 million of this from a special drawing on the IMF), United States $12.5 million, Great Britain $520,000, Australia $1 million, Japan $5 million, New Zealand $120,000, Thailand $250,000, and Malaysia $100,000.

Mr. PASSMAN. Are the commodities and services financed by this Exchange Support Fund purchased worldwide?

Mr. O'CONNOR. Yes, except insofar as the Cambodian Government itself may restrict imports from certain sources.

Mr. PASSMAN. Is the U.S. contribution to the Exchange Support Fund tied to the purchase of commodities and services from the United States?

Mr. O'CONNOR. No.

COMMODITY IMPORT PROGRAM

Mr. PASSMAN. I note that you plan to allocate $55.5 million to the commodity import program for Cambodia. Is this entire amount used to purchase commodities from the United States?

Mr. O'CONNOR. No. We anticipate that roughly half of this amount will be used for purchases from the United States and the other half will be used for purchases from the developing countries in the region. The ESF is simply not large enough to finance all the non-U.S. items required for the Cambodian economy. Such bulk items as cement, sugar, and fertilizer as well as items such as POL, of which the United States is a net importer, will be financed from the developing countries' source portion of the CIP.

UNOBLIGATED FUNDS

Mr. PASSMAN. On page C–3 you state that about $55 million of the $70 million provided in 1971 is committed or earmarked. Does this mean that the remaining $15 million is not obligated at this time?

Mr. O'CONNOR. All of the $70 million provided in fiscal year 1971 was obligated during fiscal year 1971. All but $7.2 million of this is now committed against various orders.

Mr. PASSMAN. Could you give us some idea what amount of funds are presently unobligated for Cambodia in supporting assistance?

Mr. O'CONNOR. Of the $37.1 million programed for fiscal year 1972, approximately $16.7 million remains to be obligated. All of the fiscal year 1971 funds are obligated.

CIP FINANCING

Mr. PASSMAN. On page C–3 you state that the Cambodian Government has agreed to a favorable differential rate of exchange for CIP financing of imports from the United States. Would you please explain what you mean by this statement?

Mr. O'CONNOR. On January 17, 1972, the Cambodian Government provided a discount rate from the official exchange rate to those importers under the CIP whose purchases are made in the United States.

This is designed to attract importers to the CIP as a source of financing and to the United States in particular as the source of the commodities imported. For example, the rate of exchange for free dollars is now 150 riels to the dollar; the rate for CIP dollars for imports from the United States is 105 riels—a 30 percent discount.

OTHER AID TO CAMBODIA

Mr. PASSMAN. From where does Cambodia import most of its commodities?

Mr. O'CONNOR. Cambodia traditionally imported most of its commodities from France and Japan. In a second echelon in significantly lower levels, were Communist China, Singapore, Hong Kong, West Germany, and the United States.

Mr. PASSMAN. What other countries are providing aid to Cambodia and what amounts are being provided?

Mr. O'CONNOR. France provided a $22.5 million loan in 1970, prior to the Sihanouk deposition. It was to have been used for the development of the port at Kompong Som as well as for suppliers' credits and other projects to be determined. The GKR has been negotiating with the French Government on new uses for the loan in view of its changed wartime requirements.

Japan has provided $6 million for humanitarian aid through the Japanese Red Cross—$4 million for trucks and other commodities in 1970 and $2 million for rice in September 1971.

Denmark has an outstanding $4 million loan for agriculture, power, transportation, and tourism projects. $1 million has been allocated to highway rollers and the balance will reportedly be used for additional heavy highway equipment.

Thailand, South Vietnam, South Korea, and the Republic of China have also provided assistance (roughly $50,000 each) in military-related soft goods such as uniforms.

For the exchange support fund, as you know, the following countries other than ourselves and the GKR are making cash contributions: Japan, $5 million; New Zealand, $120,000; Thailand, $250,000; Malaysia, $100,000; Australia, $1 million, and U.K. $520,000.

U.S. AID

Mr. PASSMAN. If all the proposals are agreed upon this year, large amounts of U.S. aid will have been provided to Cambodia in the last 3 years. Do you feel the Cambodian Government has the expertise to effectively administer these large sums provided for in the supporting assistance program?

Mr. O'CONNOR. Based on the experience we have gained thus far, we feel that the key agencies involved in the administration of commercial imports do have the experience and the expertise to handle private sector imports. In the final analysis, the level of imports now is lower than it has been in previous years. The government agencies in volved are the ministry of plan, the state import-export trading company (SONEXIM), and the central bank. While officials at these institutions, particularly at the middle levels, don't all have a familiarity with our aid requirements and regulations, AID personnel in Phnom Penh are able to provide help and advice.

Mr. PASSMAN. How does the United States plan to audit the program to be sure the desired results are attained?

Mr. O'CONNOR. Commodities procured under the CIP will be subject to the usual arrival accounting and end-use audits. Transactions will be subjected to the form 11 review in Washington for price and eligibility. Other procedures established in AID over the last few years for guarding against fraud will also apply to Cambodia.

The exchange support fund accounts will be audited by an internationally recognized independent audit firm selected by the working group. This firm will be responsible for assessing the efficient utilization of the ESF funds.

Mr. PASSMAN. What type of commodities will be imported by Cambodia with the funds provided by the United States?

Mr. O'CONNOR. Commodities financed by the United States include petroleum, oil, lubricants, tires, paper, chemicals, machinery and spare parts, cement, transportation equipment, bicycles and parts, construction equipment, electrical fixtures, plastics, and food concentrates. These are the principal categories although any item listed as eligible on AID's "condensed schedule B" may be financed.

NUMBER OF PERSONNEL

Mr. PASSMAN. How many U.S. personnel do you plan to have in Cambodia in fiscal year 1973 to direct the supporting assistance program of $75 million?

Mr. O'CONNOR. We plan to have up to 20 permanent U.S. personnel in Cambodia in fiscal year 1973 to direct the SA program. This includes secretaries, but does not include temporary personnel.

Mr. PASSMAN. Would you please indicate the need for one support position in Bangkok, Thailand, under technical support?

Mr. O'CONNOR. That individual occupies a controller position. The incumbent maintains detailed records on expenditures, including salaries, travel, administrative supplies, furniture, etc. In carrying out this activity he utilizes the large and well-trained finance staff already employed at the Thailand Aid Mission.

CAMBODIAN LEADERSHIP

Mr. PASSMAN. The reason I get concerned about the efficiency of the program in Cambodia is because in the *Evening Star* of April 12, 1972 I read an article concerning Cambodia's economy. It indicated that the government had an inability to provide any clear leadership or sense of direction for the economy. It went on to state that there had been a chaotic structure of overlapping authorities in the economic field. It went on to state that Lon Nol tends to give conflicting orders or to issue orders without proper checking on the facts and coordinating the results. Would you please comment on the Cambodian government's ability to direct their country in an efficient manner?

Mr. O'CONNOR. Until very recently, the principal architects of the Cambodian government's economic program were Vice Premier Sok Chhong and the governor of the Central Bank, Hing Kunthel. Under their leadership, and with the counsel of a resident IMF advisor, the performance of the Cambodian economy has been remarkably good since October of 1971 when an economic reform program was put into

effect. This reform package dealt with domestic interest rates, bank credits, budget expenditures, and, most important, with exchange rates and foreign exchange procedures. Despite the continued increase in money supply resulting from the war effort and the continued harassment of production facilities and economic infrastructure by the enemy, there has been no appreciable price inflation during the past 6 months.

Recently, Vice Premier Sok Chhong left the government, we hope temporarily, for reasons of health. He went to Japan for treatment and has recently visited the U.S. as a private citizen. There has been no replacement for him—nor is it going to be easy to find such an individual for that position. This is probably what led to the pessimistic assessment referred to in the question. However, we are not prepared to accept that assessment. We regret Mr. Sok Chhong's departure from the government, but governor Hing Kunthel has thus far demonstrated that he can influence government decisions in this politically-charged area. The IMF resident advisor continues to occupy his position in Phnom Penh, and the new ministers, along with Marshal Lon Nol, are showing an increasing appreciation of the value of the reform program and the need for continued economic sacrifices on the part of the Cambodian people.

SHORTAGE IN SUPPLEMENTARY ASSISTANCE FOR FISCAL YEAR 1972

Mr. PASSMAN. On page C–2 you indicate that $12,500,000 will be used to make a contribution to the exchange support fund for calendar year 1972. Why are you requesting funds in fiscal year 1973 to supply a contribution in fiscal year 1972?

Mr. O'CONNOR. Funds are being requested for the U.S. contribution to the calendar year 1972 ESF. The U.S. contribution to the ESF for calendar year 1972 is being deferred to July 1972 because of the shortage in supplementary assistance availabilities in fiscal year 1972.

ECONOMIC REFORMS

Mr. PASSMAN. Would you explain the nature of the $20 million cash grant provided in fiscal year 1972?

Mr. O'CONNOR. In the late summer of 1971, the IMF assisted the Khmer Government in developing a comprehensive package of economic reforms. In order to inaugurate the new exchange rate system, which was key to these reforms, the Cambodians and the IMF calculated that the Khmer Government would need foreign exchange reserves of about $35 million in order to permit the orderly release of some $5 million in foreign exchange a month in the first few months of the new system. At that time the Cambodian reserves had dropped to about $15 million, and about half of that amount was already committed or frozen. AID's reimbursements under our initial March 1971 grant were just getting underway, and we anticipated there would be no significant flow of cash until early winter. A source of additional foreign exchange before that time was essential if the Cambodian Government was to undertake the changes in its foreign exchange regime. Since the proposed Exchange Support Fund did not seem likely to materialize until early 1972, we could not count on other possible contributors. Accordingly, we agreed to make available a cash

grant of up to $20 million, of which $10 million would be made available as soon as the reforms were adopted and the remaining $10 million would be released as needed. The initial $10 million was made available on October 29, 1971; the second $10 million was released in March 1972.

PHNOM PENH MISSION

Mr. PASSMAN. On page C–6 of the justifications you indicate that 17 U.S. technicians are proposed in fiscal year 1973. Would you please indicate what these 17 technicians will do in Cambodia?

Mr. O'CONNOR. None of the 17 positions proposed in fiscal year 1973 is for a technician. Our mission in Phnom Penh is the economic section of the embassy and consists of the economic counsellor (who is our principal officer), a controller who also acts as a deputy to the economic counselor, a deputy controller, an arrival accountant officer, four supply officers, two economists, a program officer, and three secretaries. We propose to add three more officers in the arrival accounting/end-use/audit area as the momentum of our program picks up and the need for such personnel is justified.

CAMBODIAN REFUGEE PROGRAM

Mr. PASSMAN. In a General Accounting Office report dated February 2, 1972, it is stated there is no specific U.S. program for assisting refugees in Cambodia. Could you tell us who is administering the refugee program in Cambodia?

Mr. O'CONNOR. Refugee affairs in Cambodia are administered primarily by the Ministry of Social Welfare and the Commissioner General for War Victims. Other programs are administered by voluntary agencies such as the Khmer Red Cross, World Vision, and the World Rehabilitation Fund.

MATERNAL AND CHILD HEALTH PROJECTS

Mr. PASSMAN. I note you plan to program $870,000 for population in this country for fiscal year 1973. Would you please explain this program?

Mr. O'CONNOR. The maternal and child health project in Laos aims to improve the level of health care available to mothers and infants and to introduce family planning information and techniques to those individuals and families who wish them, including refugees. Project assistance includes U.S. advisory services, construction of facilities, commodity support, and training.

LAOS

INCREASE IN RESERVES

Mr. PASSMAN. I note on the general economic data sheet that the official reserves for Laos will increase from $6.2 million in 1970 to $8 million in 1971. How was the increase in official reserves made possible?

Mr. O'CONNOR. The bulk of this increase was due to an allocation to Laos by the International Monetary Fund of Special Drawing Rights (SDR's) in the amount of $1.4 million in January 1971.

ROLE IN INDOCHINA

Mr. PASSMAN. On page A–2 of the justifications you state Laos is one of the poorest and most defenseless nations in the world. However, on page D–1 you indicate that its continued existence as an independent buffer state is crucial to any political stabilization of Indochina. How is it possible to convert such a poor nation into an independent buffer state which will help to stabilize Indochina?

Mr. O'CONNOR. Our current economic assistance program is designed mainly to enable the RIG to cope with the problems involved in resisting sustained North Vietnamese attacks. As long as that resistance is successful, Laos remains a geographic buffer between North Vietnam and the rest of Indochina, including Thailand. This is, as we said, crucial to political stabilization of Indochina. When the aggression in Laos ceases, the Lao and their foreign friends will be able to devote greater effort to developing the country's economy.

Mr. PASSMAN. Could you please tell the committee how much of the land territory of Laos is presently held by Communist forces?

Mr. O'CONNOR. Over half of the territory of Laos is now held or contested by Communist forces. As the committee will recall, the amount of territory controlled by either side fluctuates seasonally. It is during this part of the year, the latter half of the dry season, that the Communist forces are most successful in controlling territory.

REFUGEE ASSISTANCE

Mr. PASSMAN. You indicate that AID is currently providing assistance for Laotian refugees. Is this refugee program coordinated in any way with the other refugee programs found around the world?

Mr. O'CONNOR. The U.N. High Commisioner for refugees has a regional office in Saigon with responsibilities for South Vietnam, Cambodia and Laos. Moreover, the International Committee of the Red Cross works through the Laos National Society in aiding needy people, including refugees. However, the Lao refugee problem is not international in the sense that refugees are crossing national borders. Lao refugees are people who have been displaced from one area of Laos to another.

Mr. PASSMAN. What amount of U.S. assistance is planned for the refugee problem in fiscal year 1973?

Mr. O'CONNOR. We plan about $17.4 million—including the refugee relief project plus those portions of other projects attributable to refugee assistance—plus a Public Law 480 title II program of about $3.5 million.

TOTAL U.S. ASSISTANCE IN FISCAL YEAR 1973

Mr. PASSMAN. Would you please indicate for the record what the total U.S. assistance to Laos will be in fiscal year 1973? Please include all U.S.-financed programs.

Mr. O'CONNOR. Yes, sir. The estimated total bilateral economic assistance obligation for Laos in fiscal year 1973 will be $51.4 million. In addition, AID's regional economic development obligations for Laos will total about $4.4 million ($4 million for the Vientiane Dike, and the balance for miscellaneous smaller activities), and a Public

Law 480 title II program will total about $3.5 million in foodstuffs for refugees.

ASSISTANCE FROM OTHER COUNTRIES

Mr. PASSMAN. Would you also indicate what other countries are providing assistance to Laos and in what amounts?

Mr. O'CONNOR. French aid is about $6 to $7 million annually. The United Kingdom provides about $2.2 million annually. Japanese aid continues to expand somewhat, totaling about $5 million in fiscal year 1970. Australia's aid amounts to about $1.2 million annually. Smaller but significant contributions are made by Germany, Thailand, Canada, The Netherlands, Denmark, New Zealand, and Israel.

Mr. PASSMAN. Could you tell us briefly what multilateral institutions will provide assistance to Laos?

Mr. O'CONNOR. Yes, sir. The Asian Development Bank, in May 1971 agreed to extend a loan of $3.37 million for the purpose of renovating and extending the Vientiane power distribution system. The ADB also has conducted various feasibility studies in Laos. The United Nations development program has a resident representative in Laos, who coordinates various UNDP and World Health Organization technical activities. The UNDP and the Colombo plan have agreed to finance at the Lao National Radio Service a new sound studio which will be used by the Lao Agricultural Service in making tapes for radio announcements.

SUPPLEMENTARY ASSISTANCE PROGRAMS FOR FISCAL YEAR 1973

Mr. PASSMAN. Would you please provide a breakdown of the fiscal year 1973 request for supporting assistance and indicate the programs and what amounts will be allocated to these programs in fiscal year 1973?

Mr. O'CONNOR. Yes, sir.

(The information follows:)

The total supporting assistance request for fiscal year 1973 is $49.8 million as shown below:

	Millions
Stabilization aid	$18.8
Project program	31.0
Agriculture	2.1
Rural economy	3.8
Education	1.5
National roads	2.5
Refugee relief	4.4
Air support	6.7
Public health	2.9
Civil police	.5
Industry	.2
Public administration	1.1
Technical support	5.3

FOREIGN EXCHANGE OPERATIONS FUND

Mr. PASSMAN. On page D–2 you indicate that $18.8 million is requested for the stabilization program for fiscal year 1973 and almost the entire amount will be used to support the Foreign Exchange Op-

erations Fund. Would you please explain what this Foreign Exchange Operations Fund is and its operation?

Mr. O'Connor. The Foreign Exchange Operations Fund (FEOF) is a multilateral mechanism to stabilize the Lao currency (the kip) through the support of an open foreign exchange market.

The fund sells foreign exchange provided by the donor countries (United States, United Kingdom, Japan, Australia, France) for kip, which are retired from circulation either permanently or for limited periods. In this way the fund counteracts the effects of RLG budgetary deficits and other inflationary pressures.

In direct control of demand on FEOF for foreign exchange is maintained by agreed ceilings on the RLG deficit, restraints on private credit, and other measures to reduce currency in circulation.

The FEOF mechanism was recommended by the IMF and began operations on January 1, 1964. It has been effective in maintaining price stability.

Mr. Passman. What other countries are contributing funds to this Foreign Exchange Operations Fund and in what amounts?

Mr. O'Connor. The following is a list of the other donor governments to FEOF, and the amounts they have contributed since FEOF began operations in 1964:

[In millions of U.S. dollars]

	1964	1965	1966	1967	1968	1969	1970	1971	Totals per country
Australia	0.4	0.4	0.8	0.6	0.8	0.72	0.72	0.72	5.16
France	1.7	1.3	1.7	1.7	1.7	1.7	1.7	1.7	13.2
Japan		.5	1.7	1.7	2.1	1.7	2.0	2.3	12.0
United Kingdom	1.7	1.7	1.7	1.7	1.695	1.7	1.7	1.7	13.595
Royal Lao Government		[1] 2.8							2.8
Total per year	3.8	6.7	5.9	5.7	6.295	5.82	6.12	6.42	46.755

[1] Contributed by the RLG under an agreement with AID on the liquidation of a working fund for the U.S. commodity import program.

Mr. Passman. An article in the Evening Star of April 9, 1972, indicated that the United States had told the Laos Government that it is no longer willing to put additional dollars into the Lao Foreign Exchange Operations Fund to cover losses caused by merchant speculation and government overspending. The article went on to say that the government deficit along with the merchant's steady withdrawal of the FEOF dollars to finance, according to the Laos Finance Minister, nonexistent imports, raised the U.S. contribution from $4 million in 1964 to $16.8 million last year. Would you please comment on this situation?

Mr. O'Connor. The donor governments have told the Lao Government that funds available to support the Foreign Exchange Operations Fund (FEOF) are limited and that if it is to avoid serious problems of inflation it must adopt measures that will bring demand on FEOF into line with available resources. The basic problem is that the RLG deficit has been steadily rising, pumping more and more currency into the economy, because of increasing payments to veterans and dependents, and social services. The first step taken by the RLG was to devalue the kip on November 8, 1971 by about 20 percent. By March 1972 it became evident that further action would be required, and on

April 4 the RLG announced the following measures: The RLG would contribute $2 million of its own resources to FEOF during this calendar year; it agreed to new, firm ceilings on inflationary borrowings; it created an Exchange Authorizing Commission in the Ministry of Finance to review foreign exchange purchase applications; it abolished the official rate of 240 kip to $1 and unified the rate at the open market rate of 600 kip to $1. The Exchange Authorizing Commission will insure that purchasers are legal residents of Laos, that they are legitimate importers, travelers, students abroad, etc., and that the purchaser's business and personal taxes have been paid.

Mr. PASSMAN. In a Committee on Government Operations report dated December 8, 1971, entitled "U.S. Economic Assistance for Laos—Stabilization Programs" it was stated that while the FEOF generally accomplished the purpose for which it was established, there was nevertheless a basic fault that would well make it unacceptable for U.S. funding. The report goes on to say that its basic fault is that there are absolutely no controls over the use of foreign exchange obtained from the fund. Through the fund, dollar exchange is available to anyone, Communist and non-Communist alike, for any purpose including capital flight and procurement of nonessential luxury goods from any source, including Communist countries. Would you please comment on this situation?

Mr. O'CONNOR. In answering this question it will be necessary to make a distinction between the operations of FEOF prior to April 4 of this year and after that date when in fact certain controls were imposed. However, for both of these periods it is important to emphasize that FEOF has not been intended to finance a specific list of commodities; it was set up to offset the inflationary effects of the Lao Government deficits caused by the war—by removing from circulation, either permanently or temporarily, the Lao currency that is used to buy foreign exchange for imports or other purposes. Since FEOF was initiated in 1964, control was directed toward limiting the total amount of foreign exchange that would be required to achieve stabilization, and this was done indirectly by negotiating with the Lao Government ceilings on its inflationary deficit operations. This system was largely successful through about the middle of 1971. At that time the Lao Government deficit rose—due to a number of factors, many of them outside of its control—to a level that created a level of foreign exchange demand that the donor governments considered excessive. This deficit trend, plus the accumulated effects of the deficits since 1964, finally led to the devaluation of the kip by about 20 percent on November 8, 1971.

Toward the end of March 1972 it became evident that the November devaluation would by itself be insufficient to control demand on FEOF and the donor governments requested the RLG to consider supplementary measures. On April 4 the RLG chose a series of measures which included setting up a committee to review foreign exchange purchase applications, making a $2 million contribution from its own foreign exchange reserves (largely from IMF SDR allocations), undertaking urgent fiscal measures, and abolishing the separate official rate. The review committee will insure that purchasers of foreign exchange are legal residents of Laos, that they are legitimate businessmen, importers, traveler, students, etc., that they have paid their taxes, and help to insure that import duties will be paid.

Mr. PASSMAN. Would you please tell the committee what types of commodities are financed from this Foreign Exchange Operations Fund and where these commodities are purchased?

Mr. O'CONNOR. The Foreign Exchange Operations Fund is not, strictly speaking, a commodity import financing program; its purpose is to neutralize serious inflationary pressures—particularly very large Lao Government deficit. In order to do this, FEOF supplies foreign exchange to the four commercial banks in Vientiane to meeet the market demand. The foreign exchange thust provided is fungible with the foreign exchange obtained by the banks from other sources, and no distinction as to source is made when the foreign exchange is sold to the public. It is therefore not possible to link a specific FEOF dollar with a specific commodity import.

The major exporters to Laos (1969 data), in order of importance, are the following: Thailand, Japan, United States, France, and West Germany.

PRIVATE U.S. REFUGEE ORGANIZATIONS

Mr. PASSMAN. Does the AID refugee program in Laos receive assistance from private U.S. refugee organizations?

Mr. O'CONNOR. Yes, sir; it does. The World Vision Relief Organization and Catholic Relief Services both provide commodity assistance to Lao refugees through the AID refugee program. In addition, the Thomas A. Dooley Foundation provides medical assistance to refugees.

Mr. PASSMAN. Would you explain briefly what is involved in the U.S. refugee program in Laos?

Mr. O'CONNOR. The United States furnishes refugees with food, clothing, medical care, household utensils, small farm tools and seeds, classrooms and textbooks. It also provides air services for emergency relocation and for delivering supplies to them, and helps refugees resettle and become self-sufficient. This assistance is provided not only through the refugee relief project, but also as important elements of projects that have other purposes as well—for example, public health, education, agriculture, rural development, and air support.

LAOS IMPORTS

Mr. PASSMAN. Where does Laos receive most of her rice from?

Mr. O'CONNOR. Most of it is produced in Laos, but not enough to meet the country's needs. Most of the imported rice comes from neighboring Thailand.

Mr. PASSMAN. You indicate that $608,000 will be needed for the purchase of commodities in the agricultural project. Could you tell us what commodities will be purchased with these funds?

Mr. O'CONNOR. About half of these funds will be used for the purchase of agricultural vehicles, equipment, and spare parts. About one-fourth will finance POL. Of the remaining fourth, most will be used for the purchase of vegetable seeds and demonstration supplies. Small amounts will be used to purchase construction supplies for warehouses, irrigation projects, and fish hatcheries; equipment for irrigation projects; fertilizers and insecticides; survey and training equipment and office supplies.

Mr. PASSMAN. Is the United States able to use the local currency generated by the U.S. commodity import program to pay its expenses connected with the program in Laos?

Mr. O'CONNOR. Yes, local currency which is generated by the U.S. import program is utilized for local currency activities within the USAID program.

INDUSTRY LOAN FUND

Mr. PASSMAN. Would you please explain what the Industry Loan Fund is?

Mr. O'CONNOR. The Industry Loan Fund is a medium term loan program for which AID has provided local currency capital in order to facilitate the import of equipment under the U.S. import program. These funds are administered through the Development Bank of Laos and are utilized for priority industries and mechanization of agriculture.

SIZE OF LAOS MISSION

Mr. PASSMAN. Could you tell the committee how many employees you have stationed in Laos to direct the AID program?

Mr. O'CONNOR. As of March 25, 1972, AID had 298 U.S. employees stationed in Laos, including 30 participating agency and personal services contract employees. In addition there were 46 university and institutional contract U.S. employees.

EXPRESS TRANSPORTATION ORGANIZATION

Mr. PASSMAN. In just about all the projects I note that the Express Transportation Organization is a contractor in just about all cases. Is it not true that this organization is owned by the Thai Government?

Mr. O'CONNOR. Yes, the Express Transportation Organization (ETO) is a Government-owned enterprise. It has a legal monopoly on all in-transit shipment through Thailand. Because the costs of the contract with ETO are associated with all USAID projects, these costs are attributed to each project proportionately.

Mr PASSMAN It certainly looks as though the Thai Government is making quite a bit of money on our transportation contracts. Would you please comment?

Mr. O'CONNOR. In February, USAID Laos estimated that the total payment to ETO for fiscal year 1973 would be $173,587, down from $235,424 estimated for fiscal year 1972. ETO rates are established by Thai law and published in an approved public tariff schedule. However, there have been several reductions in rates in the last decade. The Joint Lao-Thai Committee for Economic Cooperation, which held its first meetings in 1970, is concerning itself with transportation matters among others and has been helpful in this regard.

AGRICULTURE DEVELOPMENT PROJECT

Mr. PASSMAN. On page D–9 in connection with the "Agriculture development project," I note you list $123,000 for contract U.S. technicians in fiscal year 1972. Did you justify this amount last year?

Mr. O'CONNOR. No, Mr. Chairman, we did not. The $123,000 cited for contract technicians were inadvertently included under other costs (contract). The specific contracts were $70,000 for U.S. technicians costs in the fisheries program, $50,000 for a management contract in the agriculture development organization, and $3,000 for a contract

soil scientist to provide soil information for proposed refugee resettlement sites. This year as noted we are showing these costs as technicians in the contract column.

PUBLIC HEALTH PROJECTS

Mr. PASSMAN. On page D–13 in connection with the "Public health development project," I note that you are using Filipino doctors to staff certain medical facilities in Laos. Could you tell us how many Filipino doctors are in Laos?

Mr. O'CONNOR. Under the Operation Brotherhood contract there are 26 Filipino doctors who provide advisory and technical services under the "Public health development project."

Mr. PASSMAN. In connection with the same project, you indicate that you are going to train one medical doctor in Thailand. Does Thailand have the facilities to train medical people?

Mr. O'CONNOR. Yes, Thailand has several good medical schools.

EDUCATION PROJECTS

Mr. PASSMAN. On page D–14 in connection with the "Education development project," I note that you plan to allocate $480,000 to provide a 1-year extension of the University of Hawaii contract that supplies 11 advisors to supervise language training. Doesn't this seem to be a rather excessive cost for each advisor?

Mr. O'CONNOR. The $480,000 covers the salary, allowances, and travel for the advisors in Laos as well as the support staff in Hawaii and overhead charges. The salary, travel, and benefit costs directly associated with the 11 advisors averages less than $35,000 each.

AIR TECHNICAL SUPPORT

Mr. PASSMAN. On page D–18 I note that you increased the fiscal year 1972 program level by $724,000 above what was justified last year for the "Air technical support project." What was the need for this increase?

Mr. O'CONNOR. Because of the exceptionally early and strong military moves by the North Vietnamese during this dry season, both in northern and southern Laos, the USAID has had to anticipate possible new refugee movements requiring air movement and supply. If the situation stabilizes, the USAID may be able to bring air costs down to about the original planning figure.

THAILAND

Mr. PASSMAN. The next country for supporting assistance in this area is Thailand, for which the fiscal year 1973 estimate is $25,600,000, an increase of $10,600,000 above the current fiscal year 1972 program. I also note that you are requesting $2,145,000 for population in Thailand. Would you please explain what type of program will be conducted with these funds.

Mr. O'CONNOR. The U.S. program in Thailand is a program for the delivery of contraceptives and family-planning advice to the Thai people. U.S. support is channeled through the Thai Ministry

of Public Health, which furnishes birth-control pills and services through hospitals, health centers, and midwife facilities. The U.S. funds will provide for participant training in family-planning fields, U.S. consultants to the Thai School of Public Health, three U.S. advisors, and contraceptives and other medical supplies and equipment.

Mr. PASSMAN. What is the need for this large increase?

Mr. O'CONNOR. Lack of fiscal year 1972 funds caused us to defer portions of many desirable programs to fiscal year 1973 or later. For example, the multisector program proposed for $10 million in 1972 was entirely cut out and is now proposed for $7 million in fiscal year 1973.

Mr. PASSMAN. What has been the total aid to Thailand from the United States including all programs?

Mr. O'CONNOR. Including our fiscal year 1972 estimate, $1,715.5 million.

FOREIGN EXCHANGE RESERVE

Mr. PASSMAN. How much does Thailand presently have in her foreign exchange reserve account?

Mr. O'CONNOR. As of December 31, 1971, Thailand's official foreign exchange reserves stood at $877 million.

TOTAL U.S. AID

Mr. PASSMAN. What will be the total U.S. aid proposed for Thailand in fiscal year 1973, considering all programs?

Mr. O'CONNOR. $105.9 million.

OTHER AID TO THAILAND

Mr. PASSMAN. What other countries will provide aid to Thailand in fiscal year 1973, and what amounts will be provided?

Mr. O'CONNOR. Eight other countries are expected to provide assistance to Thailand in fiscal year 1973. Levels of funds actually provided will, of course, depend upon negotiations yet to be carried out, but countries providing grants and loans to Thailand and estimated levels include: Canada, $1.5 million; Australia, $1 million; United Kingdom, $5.75 million; France, $1 million; Israel, $1 million; Netherlands, $.85 million; Japan, $42.5 million ($40 million in loans) and West Germany, $7.7 million.

INSURGENCY

Mr. PASSMAN. On page E–1 you indicate that the insurgents in Thailand have continued to increase in numbers and to strengthen their organizational base. What is being done by the Thais to correct this situation?

Mr. O'CONNOR. The Thai Government is moving to meet the insurgency through three principal programs: their military and police forces and a broad program of rural development. The increasing concern of the Thais is shown by the increased budgetary resources allocated to these programs. The Thai defense expenditures rose from $98 million in fiscal year 1965 to $252 million in fiscal year 1972, the Police budget from $37 million to $82 million, and the Accelerated

Rural Development program from $7 million to $16 million for the same years.

DECREASING EXPORTS

Mr. PASSMAN. On the general economic data sheet you indicate that rice exports have been decreasing for the last 3 years. Would you please tell us why these exports are decreasing.

Mr. O'CONNOR. For the years 1968–70, Thai rice exports remained constant in volume—about a million metric tons—but the price Thailand received for its rice declined year by year, thus accounting for the decline in rice earnings. In 1971, Thai rice shipments increased to 1.6 million metric tons, and despite a continued decline in prices, the rise in volume was sufficient to increase rice earnings to $145 million. The figure of $115 million shown in the Congressional Presentation was an underestimate. Thai rice exports are now reported at $145 million, an increase over 1970.

PUBLIC LAW 480 PROGRAM

Mr. PASSMAN. Is the local currency fund generated from the Public Law 480 program used to provide budget support to the Thai Government?

Mr. O'CONNOR. The local currency generated by the Public Law 480 program will be used by the Thai Bank for Agriculture and Agricultural Cooperatives for relending to farmers and by the Industrial Finance Corporation of Thailand, for relending to industry and agro-businesses. So these uses are not budget support to the government to pay for current governmental expenses.

MOBILE DEVELOPMENT UNITS

Mr. PASSMAN. Would you please explain what the mobile development units are that you mention on page E–3?

Mr. O'CONNOR. Mobile developments units consist of about 100 persons each, under military command but composed of a mix of military and civilian specialists. The units carry out development activities in remote areas not reached by the civil agencies of the Thai Government.

EDUCATION SYSTEM

Mr. PASSMAN. On E–3 you mention that only 50 percent of Thai children in the primary through secondary school-age group are in school. Could you tell us what the Thai Government is doing to improve this situation.

Mr. O'CONNOR. The Thai Government has allotted increasing amounts of its revenues to education over the past decade, but growing security demands on the budget have kept the percentage of budget allocations to education at about 16 percent of the total budget. Moreover, the high rate of population growth has offset RTG efforts to expand primary/secondary education, due to the ever larger number of children coming of school age each year. The Thai Government is making a notable effort to curb its population growth rate, has encouraged the establishment of private schools, and has enlisted United States and other international assistance agencies' help in expanding and improving its education system.

EMPHASIS ON LOCAL LEADERSHIP

Mr. PASSMAN. On page E–3 you state that increased emphasis is being put on local leadership in order that U.S. presence in our aid programs can be lowered. Would you please explain briefly how the U.S. presence will be lowered?

Mr. O'CONNOR. Three new projects will be undertaken which will increase Thai capabilities to plan and carry out their own programs over the future. One project will assist Provincial government authorities to generate more revenues for carrying out their local programs. In addition, U.S. presence will be lowered as a result of two projects for improving Thai planning capabilities in the fields of national economic policy and in agricultural development.

Mr. PASSMAN. If we lower our presence in the aid programs, how are we going to be able to determine if the programs are effective and be able to keep control over our funds?

Mr. O'CONNOR. We would still maintain enough personnel to assure adequate controls. We are very conscious of our responsibility for the funds provided by the Congress and we are continuing to improve our evaluation process.

SUPPORTING ASSISTANCE LOANS IN FISCAL YEAR 1973

Mr. PASSMAN. On page E–4 you indicate that there will be two supporting assistance loans in fiscal year 1973. Would you please indicate what these two loans will be for?

Mr. O'Connor. The two loans proposed are as follows: 1. $2 million for a project development loan which will help the Thai to identify and prepare development projects so that they can be submitted to international aid donors. 2. Five million dollars for agricultural development. Loan funds will be provided to Thailand's bank for agriculture and agricultural cooperatives to help support agricultural diversification and expanded production.

Mr. PASSMAN. Are these loans on the same terms as the regular development loans?

Mr. O'CONNOR. The terms for these two loans are still under discussion; however, as a general rule, we would expect the terms to take into consideration the economic conditions of the borrowing country. In the case of Thailand, the terms might approximate development loan terms.

JAPANESE LOANS

Mr. PASSMAN. On page E–4 you indicate that Japanese loans have reached $12 million in fiscal year 1971. Could you tell us the terms of these loans?

Mr. O'CONNOR. Japanese loans to Thailand are disbursed through two organizations. The Japan Export Import Bank makes loans at an interest rate of 5.75 percent with a 15–18 year repayment including a 5-year grace period. The Overseas Economic Cooperation Fund (OECF) lends at 4.5 percent interest with a 20-year repayment also including a 5-year grace period. We don't have an exact breakout of the $12 million of loans in fiscal year 1971, but preliminary data indicates that each organization provided roughly half.

PARTICIPANT TRAINING

Mr. PASSMAN. On page E–7 you indicate that the number of participants in fiscal year 1973 will increase from 475 in fiscal year 1972 up to 685 projected for fiscal year 1973. Would you please tell us the reason for this large increase in participant training?

Mr. O'CONNOR. We are placing increasing emphasis on training Thais to take over technical and administrative functions for foreign technicians. Sectors showing the largest increases in participants are agriculture, family planning, and rural education.

AID PROJECTS

Mr. PASSMAN. On page E–8 in connection with the agricultural water utilization project I note you plan to program $120,000 for three employees under agreement with the Department of Agriculture. Isn't this a rather high cost per employee?

Mr. O'CONNOR. These costs are not salary alone. The funds must also cover travel, allowances while in Thailand, insurance, health and other benefits, transportation of effects, and so forth.

Mr. PASSMAN. On E–13, in connection with the development of vocational education project, I note you plan to extend this project by 1 year to fiscal year 1973. Would you please explain the need for this extension.

Mr. O'CONNOR. This project provides the Thais with technical assistance for a World Bank project loan for vocational education. The Thais are following an orderly procurement program within established World Bank guidelines, and we currently estimate final commodity deliveries sometime in fiscal year 1973. Thus to provide essential technical support during this period, the time frame of the AID project has been extended by 1 year. You will note however, Mr. Chairman that the total cost has been scaled down from last year's estimate of $4,051,000 to $3,728,000.

Mr. PASSMAN. On page E–15 in connection with the graduate science education project, I note you plan to program $200,000 in fiscal year 1973 for a five-man contract team. Isn't this a rather high cost per contract individual?

Mr. O'CONNOR. No, because it represents more than salary. Under the contract procedure, the cost per technician must include salary, travel (international and domestic), insurance, health and other fringe benefits, family allowances and family transport, transpart of personal belongings, and overhead for the contracting institution.

Mr. PASSMAN. On page E–19 in connection with the national economic policy project, I note that you list $50,000 for fiscal year 1972 for the purchase of commodities. Did you justify this amount last year?

Mr. O'CONNOR. No, we did not. However, the national economic policy project was included in our fiscal year 1972 presentation at the same level as now proposed for implementation in fiscal year 1972. Implementation plans have changed somewhat, and we now propose to purchase the commodity requirements earlier than previously anticipated. The total cost remains as estimated in fiscal year 1972 at $700,000.

Mr. PASSMAN. On page 21 in connection with the mobile development unit planning, engineering and construction project, I note you plan to extend this project by 2 years to fiscal year 1974. You also indicate that the fiscal year 1972 program funds have been increased by $36,000 over what you justified last year, and if I'm not mistaken, the $36,000 you list for participant training was not justified before the committee. Would you please comment on these differences?

Mr. O'CONNOR. Our earlier plan had been to terminate the project since adequate Thai military were not available to staff new units. The return of Thai troops from Vietnam have now made it possible to create new units, the need in the countryside is great, so we now wish to continue our support. You are correct that we now propose $36,000 more for fiscal year 1972 for participant training than we included in last year's presentation to the Congress. The reason for the additional funds requested for training is that there are now additional personnel to be trained. We found this an effective project and are therefore proposing to continue it in light of the increasing insurgency threat.

REGIONAL PROGRAM

Mr. PASSMAN. The next item for supporting assistance in this area is the regional program for which the fiscal year 1973 estimate is $8,400,000, an increase of $8,100,000 above the current fiscal year 1972 program. Would you please explain the need for such a large increase?

Mr. O'CONNOR. Both the supporting assistance level and the technical assistance level are subject to fluctuation depending on the amount of construction undertaken in a given year. In fiscal year 1972, the supporting assistance total was only $300,000 for two small programs. Moreover, there was no major Mekong construction and the bulk of the Mekong studies were funded under technical assistance. In fiscal year 1973, all Mekong and transportation activities under the regional program are proposed for funding with supporting assistance, which includes $4 million for construction of the Vientiane Dike and a $2 million contribution to the operational phase of the World Bank's pioneer projects program. Also included are $1,583,000 for Mekong studies, $600,000 for transportation/communication feasibility studies and $217,000 to complete the regional communication development project in Laos.

Mr. PASSMAN. You also indicate that $13,131,000 is programed for fiscal year 1973 for technical assistance and population. Could you give us some idea what these program funds will cover?

Mr. O'CONNOR. A total of $1,450,000 is proposed in fiscal year 1973 to provide continued support for regional programs in rice, vegetable, and fishery research and development. A total of $3,101,000 is proposed for continuation of cholera research and family planning activities. Seven million-thirty-eight thousand dollars is proposed for support of regional education institutions in Southeast Asia management and labor training programs, and research, and cooperation in the areas of environment and economic planning; and $1,542,000 for regional program support activities.

Mr. PASSMAN. Would you please explain the fiscal year 1973 proposed program for the East Asia regional item?

Mr. O'CONNOR. AID is supporting Asian proposals for cooperative economic and social development involving several countries working

together on common problems. We are also encouraging maximum involvement of other developed nations and international organizations in such programs. Some of the regional programs are funded by supporting assistance and some by technical assistance, depending on the nature and purpose of the activities.

Mr. PASSMAN. I note last year that you did not list any technicians or participants for the East Asia regional program and this year you indicate that there will be need for both technicians and participants. Would you please comment on this situation?

Mr. O'CONNOR. Last year there were only two regional projects in the economic supporting assistance congressional presentation and there was no request for U.S. technicians or participants, since the balance of the fiscal year 1972 regional program was included in the Development Assistance presentation to Congress which did provide for U.S. technicians and participants. The fiscal 1973 security supporting assistance congressional presentation incorporates both the supporting assistance as well as the technical assistance-funded projects and consequently includes requirements for both U.S. technicians and participants.

Mr. PASSMAN. I note that two of the projects listed in the project data sheets for the East Asia regional program were funded last year under the Development Assistance program. Would you please explain why these two projects are now funded under supporting assistance?

Mr. O'CONNOR. Since the U.S. bilateral programs in the four Mekong riparian countries are already financed with supporting assistance funds, it was considered desirable to also use the same category of funding this year for all Mekong activities, including the Mekong Basin Development Planning project. We have also included the Transportation/Communications Feasibility Studies project under the supporting assistance category this year, owing to the nature of the activities involved.

Mr. PASSMAN. I would like to yield to my distinguished friend and very able interrogator from Michigan, Mr. Riegle.

Mr. RIEGLE. Thank you, Mr. Chairman.

FISCAL YEAR 1973 CAMBODIAN SUPPORTING ASSISTANCE REQUEST

Picking up from where we left off, as I look at the numbers, we are talking about an increase not quite a doubling but nearly that—of economic supporting assistance for Cambodia for this coming fiscal year; is that right?

Mr. O'CONNOR. For Cambodia.

The figures, as you see, are $37.1 million in 1972, estimated obligations, and $75 million is our request figure in 1973; that is right, Mr. Riegle.

Mr. RIEGLE. All right. We have talked about this a lot, but in light of what the Chairman just said, I wonder if you could tell me why there is a substantial increase all of a sudden. It is in fact a doubling. There are very few times in my experience on this committee where we have seen the amount for any one country doubled between fiscal years.

I am just wondering if you could speak to that as a percentage increase.

Mr. O'Connfr. I can, Mr. Riegle.

You may remember, in November of 1970 we asked for a supplemental of $70 million. At that time we estimated that that could be spent, or licensed for imports at least hopefully, within the next 6 months, or the remaining part of that fiscal year, actually 8 months.

As it turned out, when the money was appropriated by the Congress, which I believe was finally authorized officially in January, we were not able to work out a program agreement with the Cambodian Government until, initially, for $20 million cash reimbursable grant in March of 1971 and a commodity import program for $50 million, we were not able to work out until May 31, 1971.

One of the reasons is there was a cabinet crisis in Cambodia at that time. Another reason is the ministries were not set up to handle the aid program within the Cambodian Government. So we lost, in effect, virtually all of that fiscal year in terms of putting any money into play, other than the $20 million reimbursable.

Then when we asked in fiscal year 1972 for $110 million, we, as you know, got very severely cut. We have, ourselves, cut back on the amounts that we put into the pipeline because we had the $70 million available to us really in fiscal 1972 rather than in fiscal 1971.

INCREASED ASSISTANCE TO THAILAND

Mr. Riegle. Take Thailand, just for a matter of comparison, because I am troubled even more in certain respects about that, particularly in light of the foreign exchange surplus which they have in excess of $1 billion.

If I read these numbers correctly, we are also thinking in terms of an increase there this year. If I look at your booklet on page E–1, I see security supporting assistance for 1972 estimated at $15 million and proposed 1973, $25.6 million. That again is a substantial percentage increase. It is not quite a doubling, but it is close to a doubling.

Now, what explains this kind of a jump here?

Mr. O'Connor. We had originally requested $40 million for fiscal year 1972, but because of the cuts in appropriations we cut back the program to $15 million. Some of the projects that I described have been postponed or deferred as a result.

So the $25.6 million we are asking for in 1973 is in fact substantially less than we asked for in 1972.

Mr. Riegle. For fiscal 1972 originally you asked for $40 million, and you ended up with $15 million?

Mr. O'Connor. That is right.

Mr. Riegle. Which proves you can live with $15 million?

Mr. O'Connor. I think it proves we can live with it for 1 year. You have to cut down on pipelines, but if you get cut badly——

Mr. Riegle. Why in 1973 are you asking for 25, why not 40?

It seems to me when you were asked to live with substantially less than what you wanted for 1972 that you are trimming your request in 1973.

Mr. O'Connor. The 1973 request for SA is one thing, we are also going to use Public Law 480 in the amount of $15 million, which was not available in 1971 or 1972, Mr. Riegle. That comes out at about the same $40 million.

U.S. COMMITMENTS TO THAILAND

Mr. RIEGLE. There are a lot of people who have been writing recently, people who study the geopolitics of Southeast Asia. They fear that Thailand has the potential to become the next South Vietnam in terms of that being a place where we would feel committed to make a stand. And it is the kind of situation spongy enough that if there were substantial North Vietnamese pressure or other kind of insurgent pressure, the Thais would have to ask for substantial outside help.

Presumably we are the only people around that would supply it. Assuming that the situation there were to take a turn for the worst, what is the potential for Thailand becoming a situation like Vietnam was in the 1960s?

Mr. O'CONNOR. We have no bilateral commitments there, but I would like to have Assistant Secretary Green——

Mr. RIEGLE. You made an important statement when you say we have no commitments there. What do you mean by that?

U.S. COMMITMENTS UNDER SEATO TREATY

Mr. GREEN. We do not mean that.

We have a commitment to Thailand in SEATO, yes.

Mr. RIEGLE. Wait a minute. When you say we have a commitment to Thailand under SEATO, what specifically are you referring to in the SEATO Treaty? A commitment to Thailand to do what?

Mr. GREEN. If a situation arises where the territory of Thailand is invaded, the United States, as well as other signatories, is obligated to act in some manner to meet the common danger in accordance with our constitutional process. In the case of other types of aggression we must only consult with Thailand and other countries in the SEATO Alliance to determine what measures will be taken for the common safety. Neither constitutes an automatic commitment.

Mr. RIEGLE. I am glad you say that; I am glad you say it right. To call that a commitment is not quite accurate.

Mr. GREEN. We call these things commitments, but obviously we have to have the approval of the Congress before any action is taken under these commitments.

CONGRESSIONAL APPROVAL OF TREATY OBLIGATIONS

Mr. RIEGLE. Yes, but sometimes we do, sometimes we do not. That is the way the law reads.

I would say to you, many times there is not the concurrence or the approval of the Congress and I do not mean just with respect to South Vietnam. There was no request for concurrence when the United States went into Cambodia. None was asked for, none was given.

The question of how you define commitments in the executive branch is terribly important because the Congress has been on the tail end of this process.

U.S. MILITARY COMMITMENT UNDER SEATO TREATY

Mr. GREEN. I mean with any country with whom we have a formal military alliance or agreement.

Mr. RIEGLE. And we do not have that in the case of Thailand?

Mr. GREEN. We do.

Mr. RIEGLE. What is the military alliance or military agreement?

Mr. GREEN. Because the Southeast Asia Treaty Organization, set up in 1954, with eight countries as members—two of them are now inactive.

Mr. RIEGLE. The requirement that we act or consult in the event that something disturbs the status quo is not really a military obligation, is it?

Mr. GREEN. It is not an automatic military obligation, but we call it a commitment in the sense we are committed to take some sort of action in accordance with our constitutional processes such as to consult with each other with regard to action.

DEFINITION OF COMMITMENT

Mr. RIEGLE. I do not think you ought to call it a commitment. I think you ought to call it a consultation, but that does not mean anything is going to get expended on anybody's behalf. There is not anything in that treaty that says that.

Mr. GREEN. I think the easy way would be not to call it a commitment. We say we stand by our commitments, and we proceed to list our commitments.

Mr. RIEGLE. That is what troubles me. That is a loose definition of commitment; that is exactly how this country gets pulled into commitments without knowing what they should do or have to do.

Mr. GREEN. The SEATO Treaty is there for everybody to read. The terms of all these agreements are almost all the same.

Our commitment with the Republic of China, for example, is very much the same thing. So it is not automatic in the sense that we have to do it. We promise to act in accordance with our constitutional processes.

Mr. PASSMAN. Will the gentleman yield?

Mr. RIEGLE. Sure.

LEGAL COMMITMENTS UNDER FOREIGN ASSISTANCE

Mr. PASSMAN. The facts are, if we should never again appropriate one dime for foreign aid, we would not violate any legal commitment anywhere on the face of the earth, would we?

Mr. GREEN. A legal commitment, well, no.

Mr. PASSMAN. Wait now, you said that too quickly.

If we never again appropriate one additional dime for foreign aid, we would not violate any legal commitment anywhere on the face of the earth, would we?

Mr. GREEN. I cannot answer for the whole world. I am just talking about my own area.

Mr. PASSMAN. Let me ask Mr. O'Connor.

If we never appropriated another dime for foreign aid, we would not violate any legal commitment, would we?

Mr. O'CONNOR. To the best of my knowledge, that is correct, sir.

Mr. PASSMAN. That is all I want. I thank the gentleman for yielding.

Mr. GREEN. The second time you said legal commitment.

Mr. PASSMAN. I said legal the first time, if I am not mistaken. I thank the gentleman for yielding.

It had better always be that way. You people go out and tell us it is a legal commitment when we have not even conducted hearings, and you might not get any money at all.

POLITICAL-MILITARY OUTLOOK IN THAILAND

Mr. RIEGLE. I would like to have you respond for the record concerning what you think the downside potential is in Thailand in the event that situation were to turn sour. What is the downside risk for the United States that would parallel in any way our pattern in South Vietnam?

Mr. GREEN. I do not know if I can cope with that question.

The situations are somewhat different. In the case of South Vietnam, we are dealing with a divided country. There we do not have any treaty, if you want to call it obligation or whatever term it is, or a treaty relationship, as we do with Thailand. I think Thailand is unlikely to go the route of South Vietnam, if that is what you are saying, or that we would allow ourselves to be sucked into a repetition of what happened in South Vietnam in the case of Thailand.

I gather that is the thrust of your question.

MILITARY CAPABILITY OF THAILAND

Mr. RIEGLE. Yes; I am also wondering what you think their special capabilities are if pressed by either North Vietnam or by more active insurgency in their own country. What is the capacity of Thailand to respond to that kind of a threat without having to turn to us for ever-increasing aid of one kind or another?

Mr. GREEN. That is exactly what we are trying to prevent from arising, the situation such as you depict.

The North Vietnamese could turn more pressure on Thailand. They have already moved halfway or more than halfway, across Laos. They are threatening in Cambodia. But Thailand is pursuing a diplomacy that I think is directed at preventing the North Vietnamese from moving nearer to Thailand or putting more force into Thailand as well as at deterring the enemy from moving closer in Cambodia.

We are definitely interested in the success of that policy.

OFFENSIVE CAPABILITY OF THE NORTH VIETNAMESE

Mr. RIEGLE. You know, as you speak about the movements of the North Vietnamese, it astounds me to watch the North Vietnamese continue to be able to operate in as broad a scope as they do across Southeast Asia; not just from the point of the physical geography involved, but also in terms of the motivation of their troops, all the chain of command problems that go with having people spread out over as broad an area as they do, in addition to supply and logistics problems.

Ho Chi Minh died some time back, so that whatever leadership he offered to maintain the morale and the motivation of those forces is off the scene. We continue to see the United States engaged cer-

tainly from the air, if less on the ground. But we have even seen an expansion of ground activity in the last few weeks.

One wonders how the North Vietnamese, being actually less in number, populationwise, than the South Vietnamese or roughly equivalent, continue to maintain that kind of an offensive capability and that kind of motivation, morale, and unity of purpose in the face of these enormous physical difficulties. And once we think about that, why is it that the South Vietnamese—with all the assistance we have given them, for as long as we fought the major part of the war on their behalf, first physically on the ground with our forces and now in very large measure in the air—why is it that the South Vietnamese, being better equipped, having more of everything to work with, including our support, are less able to cope with this threat and in fact are not equal to it?

TACTICAL MILITARY PROBLEMS IN VIETNAM

Mr. GREEN. Let me answer, first of all, by saying that I do think it is deeply worrisome, and it is impressive; what they are able to do with the relatively small number of people, and the determination that these jungle fighters have shown over the years, the casualties they have sustained, while maintaining their ability to go on and on. It is a deeply worrisome problem.

On the other hand, if you are trying to hold up a country's economy and polity in the face of this type of challenge, you obviously are going to have to have a considerably larger force to cope with it than the indirect invader has. It is just like a law enforcement system; where you are going to have to have an awful lot of policemen to cope with two or three dangerous criminals.

In the case of South Vietnam, the enemy can attack from any quarter, the way it is now doing in a massive across-the-border attack in the DMZ or through Laos or Cambodia; it can concentrate its power at any particular point. That line is going to have to bend, because friendly forces are not going to have the kind of forces to cope with that threat.

Mr. RIEGLE. Yes, but——

Mr. GREEN. Let me finish.

You went on to say that you do not think the South Vietnamese can hack it—because that is what we are trying to achieve. We are trying to achieve a point where they can do it on their own and we can get out, and I think we are close to that point.

ATTACK IN QUANG TRI PROVINCE

You will cite, and you have already cited today the across-the-border attack in Quang Tri province. The fact of the matter is that that much-maligned Third Division, which is, to be sure, not one of the stronger divisions of the South Vietnamese, did back away from this attack but it then stabilized and held.

On April 9th, a day I think will be recorded in the history of this war, which is the Sunday before last, they did stand and fight and knocked out 50 enemy tanks all on their own without air support. They did this on their own in bad weather conditions. So, they have this capability.

FABRICATION OF INFORMATION

Mr. LONG. Without any help from our statisticians?

Mr. GREEN. That is right.

Well—no; these are figures that we have from General Abrams. I consider him to be reliable.

Mr. RIEGLE. You mean he is in the same box in a sense that you are in, that is, he did not go out and count the tanks?

Mr. GREEN. No, I do not question this as a general proposition.

Mr. LONG. I do not know why. I question it. The history of the war is one fabrication after another of what our allies do. I would not trust anything that came out of there by this time.

Mr. GREEN. These are observers on the scene reporting to General Abrams. I have no reason to question it.

Mr. RIEGLE. We had observers on the scene at My Lai, too.

Mr. GREEN. All I can say is, once burned, twice shy. We try to be more objective on these figures.

Mr. RIEGLE. I hope so. I sat on the Armed Services Committee before I came here. I listened to all this stuff and swallowed it. I went home and told my people this stuff and they believed me——

Mr. GREEN. I have the same reasons for wanting to be objective as you have, and we all have. We obviously cannot prevail in a situation where we are going to be taken in by figures. We subject these things to scrutiny as well.

Mr. MCEWEN. I do not want it to appear that the feeling of the committee is all the same, though. I went home with a lot of those McNamara statements and felt like an idiot.

All I have told my people is what I have been told, Mr. Chairman. That is that we are trying to Vietnamize this and we hope it is going to work. Pretty soon we are going to know.

After we heard the Secretary here the other day, my question was, "Who has the most uncommitted reserves?" I want to know that. I think maybe this is going to work, but I have not gone home and treated anybody to any reports, because I have not had any.

Mr. LONG. I have not told anybody about any reports in the last 3 years.

Mr. MCEWEN. I have not had any.

VIETNAMIZATION AND THE NORTH VIETNAMESE INVASION

Mr. LONG. We have been told again and again that Vietnamization has been working. I have been told that every year of the 10 years I have been in the Congress.

Mr. MCEWEN. It may be working. This battle is not over.

Mr. LONG. You are straining awfully hard to be optimistic after all this time. Vietnamization is working, yet we have a great offensive being mounted.

Mr. GREEN. But when they commit 12 out of their 13 divisions into the battle, which they have done today, this is an opportunity to lance that boil.

From the standpoint of the long-range future of South Vietnam, it is probably well that they have the opportunity to deal with this matter now rather than later. I treat these things with skepticism the way you do. I think there is a real chance here now.

In any case, our best interests are served by doing that which gives maximum opportunity for that chance to work out.

BOMBING OF NORTH VIETNAM

Mr. LONG. I read two headlines in tonight's newspaper. One that the bombing is about to be halted, the other is Secretary Laird's statement that anything in the North is open to bombing. One newspaper has one headline, one has another.

Secretary Laird says anything in the North is a fair target for bombing. The other headline says bombing is about to be halted. I have never been so confused in my life as I have over this episode.

TENACITY OF THE NORTH VIETNAMESE

Mr. RIEGLE. I want to make sure the record is clear on one point. I think I misstated what I said earlier. I, too, am not willing to prejudge in any way the capabilities of the South Vietnamese. I think we do not know. My point was, as we look at a comparison of the morale, fighting power, staying power, and so forth over a long period of time, I am amazed at the capability of the North Vietnamese who seem to survive the American bombing, the death of their leader, and a lot of other things.

Mr. GREEN. I am, too, I acknowledge that I think that is a very worrisome factor.

Mr. RIEGLE. My point is this: The concern I have is over the future of what is possible in South Vietnam. I think expectations have been developed, consciously and unconsciously, of the ability of the South Vietnamese to perform.

What concerns me at this point is that we not build up a hope for them or for ourselves which is not realistic in the light of either the past history or in terms of where things are today, but that is not to prejudge the outcome of the current situation.

Mr. GREEN. I accept that.

I think we have to be careful. That is why I am not trying to make predictions. But to me your concern comes down to a point where you feel the North Vietnamese have this terrific drive and you question whether the South has it when we leave, can they, therefore, cope with it?

My answer to that is——

SOUTH VIETNAMESE COMMITMENT

Mr. RIEGLE. Let me just stop you there to qualify it a bit more. That is based on a record of serving on this committee now for 5 years. There is testimony that goes back over that 5 years to the prior administration containing a history of documented corruption, a lack of discipline, and a lack of things in South Vietnam which illustrate a lack of commitment by the South Vietnamese. I am not just talking about people in military uniform, but I am also talking about commercial interests, business types, government leaders, and lots of others.

SOUTH VIETNAM ELECTIONS

We went through a situation in South Vietnam last year where we had a one-man election, which was chagrinning many people here. I do not think anybody in the United States took any comfort in that, including the President of the United States.

We hoped for a competition of some kind, but the competition ended up being eliminated. So we had a one-man race.

Mr. GREEN. I appeared in testimony before the House Foreign Affairs Committee and explained our views on this.

Mr. RIEGLE. Yes. It is troubling.

Mr. GREEN. On the other hand, it was preceded by elections for the Senate and the House that were fair and free elections by all international observers' standards and according to their comments afterwards. This particular uncontested election came about for a number of reasons that were unfortunate, but I would not regard that to be the standard for Vietnam. I would not hold that up and condemn Vietnam for the lack of any type of electoral process, because it just is not so.

RIGHT OF DUE PROCESS IN SOUTH VIETNAM

Mr. RIEGLE. I would not want to draw that inference. This is all as a background to the point that I raised in the first place. If I am not mistaken, is not Mr. Dzu in prison?

Mr. GREEN. He gets out on May 1.

Mr. RIEGLE. I hope he gets out on May 1. He has been there a long time; has he not?

Mr. GREEN. He has.

As you know, he was there for reasons other than political reasons. Each one of these things has an explanation, Mr. Riegle. We can go into it.

Mr. RIEGLE. I am sure it has 10 explanations; they change from time to time; I have heard different explanations given to this same thing.

Mr. GREEN. It depends on whom you are talking about.

Mr. RIEGLE. If someone is picked up as a VC suspect at this time, does he have any right of due process even roughly equivalent to what we have in this country?

Mr. GREEN. Yes.

Mr. RIEGLE. Be very careful on this point, because if we put it on the record I am going to use it. I am talking about legal due process.

U.S. PURPOSE IN VIETNAM

Mr. GREEN. Not according to our standards, no.

Mr. RIEGLE. What I am getting at is this: The kind of democracy that we are used to and which is so ingrained in our way of life is not readily going to be stimulated or created in Southeast Asia. We are chasing something we are not going to accomplish probably in any of our lifetimes for lots of reasons. If you want to respond, go ahead.

Mr. GREEN. You make it sound as though our purpose in South Vietnam is to try to set up some particular kind of democracy or some particular standard of justice. As I see it, our purpose is to get out in a way that the South Vietnamese people can hack it, or put it in more delicate language, under conditions where they can have a government

of their own choosing. We do not expect there is going to be any lasting peace or justice in Southeast Asia, if each one of those countries in Indochina is under the Lao Doug Party control. It would be in continual conflict, which would be contrary to our security and the security of the world.

POLITICAL SITUATION IN SOUTH VIETNAM

Mr. RIEGLE. This does not even raise the question of what happens if you live in South Vietnam and you do not like the people in North Vietnam and that leadership there or if you do not like President Thieu and his people.

If you are in that situation, you do not have much freedom of anything. If you want to publish a newspaper and say Thieu is a second-rate leader who should be thrown out, I gather those are not the kinds of things one can do there in a free way.

Mr. GREEN. It is all relative.

In North Vietnam, the people go out in the streets or do not go out in accordance with what the neighborhood councils or someone else tells them.

The South Vietnamese do not want that system in their country, I do not blame them. We are not entering judgments as to whether this country is more democratic than that one. I am saying with regard to South Vietnam, we are trying to get out. We have a record of achievement in the last 2 or 3 years that is pretty outstanding. The Chairman alluded to it.

THE NIXON DOCTRINE

I would add one or two more things. I would mention the Nixon doctrine, which I think comes close to the point you were perhaps approaching. These countries can do far better coping on their own, but they have to have the tools with which to do it. We must not move in and take over the job from them.

I think we made that mistake in the past. I think we have learned from the past. I do not think we are going to do that again. That is why in Cambodia we do not have American forces, advisers, we have a ceiling of 200. We only have 158 Americans there. We have other restrictions like the Cooper-Church amendment. We live with it.

In fact, I agree with the Cooper-Church amendment, it is perfectly sound. We live with it. We have learned a lot. We are not going to make those mistakes.

Under the Nixon doctrine, we have reduced our forces in Southeast Asia by over 500,000 men. It is not just Vietnamization, there are also these other reductions.

The strongest force is nationalism. The spark of nationalism is an important thing to engender. They do it on their own, they have a feeling of responsibility, a feel of confidence that comes from their own accomplishment, not from ours. We are learning these things.

What we are doing in effect is moving from a position of overinvolvement, the type of overinvolvement that was brought out so well in the inaugural address of John Kennedy: that we will do anything anywhere in the world. That is the type of spirit to which I refer. I am not in any way condemning it, because it was lofty in its purpose

and it was worthy as an objective, but it was wrong in terms of the realities of dealing with Asians.

What we are trying not to do is move into a position of underinvolvement or stark isolationism. We have seen what happens when you go on that course.

The Nixon doctrine is to bring it somewhere midway between the extremes and bring down the expenditures commensurately. This committee serves a specific purpose in that regard. We strive together to bring the cost down, hold it down and get every country to carry its own share of the responsibility. In that way, we are going to have stability and constancy of purpose in Southeast Asia.

U.S. RESIDUAL MILITARY FORCE IN VIETNAM

Mr. RIEGLE. I think it well to have that statement. I do not want to take up all the time that is left here. One of the concerns that a lot of people have is that as people look down the road through the rest of the year 1972 and beyond, some foresee a possibility that an effort would be made to continue to reduce the American troop levels in South Vietnam, maybe to a residual force level of 25,000 or 30,000 troops plus air power, and military and economic support to the South Vietnamese.

On the basis of having wound down the war—continued the air war in a sense, but having brought out the American manpower with the exception of the residual force—that condition would hold and there would be sort of a rough equilibrium through the balance of this year, through the Presidential campaign and the election. Then we would be in the next year.

Assuming this administration is reelected—and partisan politics have no bearing on the point I am trying to make—there would be another 4-year period in which to resolve the rest of the issues in South Vietnam: The prisoner return, getting rid of the residual force, the whole question of what sort of system you want to try to help develop in South Vietnam, and so forth.

FUTURE U.S. POLICY IN SOUTHEAST ASIA

I am wondering what you foresee, in light of what you have said, in terms of a policy in Southeast Asia, South Vietnam specifically, with respect to the war in 1973 and 1974.

What is your own expectation?

Mr. GREEN. My own expectation is that provided we get the prisoners of war back, and this is a big if, I would think that we could complete the Vietnamization program and take out our forces, that there would be a commensurate rise initially in the amount of supporting assistance that we might have to provide, but after several years that could come down, I think. In any case, the war involvement costs would end completely.

Now there is one big caveat, because I do not want to leave a lot of glittering promises. That has to do with Cambodia and Laos. It is obviously better to bring this war to an end through a negotiated settlement. We should do everything we can conceivably do to have a negotiated settlement and bring an end to the war in all of Indochina. I would not rule out the possibility of a negotiated settlement. If we do not get that, if they are not willing to negotiate, then I think we have

to look for a solution through Vietnamization. In any case, we will get out, but we do not want to get out under conditions that would entail a legacy of wars and we continue to have problems in Laos and Cambodia, where we would still face the same old problems.

Mr. RIEGLE. Secretary Laird expressed a judgment a week ago in this subcommittee room that as long as the Russians were prepared to offer material support to the North Vietnamese and as long as they kept their same basic feeling about these issues, then they could continue to apply this war pressure indefinitely for a period of years. I think he used 4, 5, 6, 7, 8 years.

In other words, they can do this indefinitely. They have the manpower pool. If they decide that they want to play the game their way, they have the resources from the Russians and they can continue on.

It seems to me that what you are saying reinforces that. That is, unless there is a negotiated settlement, conflict of one kind or another is probably what is going to be there for the foreseeable future.

Mr. GREEN. But of course, with our involvement relatively less.

U.S. POLICY TOWARDS CHINA

There is one other thing I would also like to get on the record. That is, we are also dealing with another policy. You and I have been talking about the Nixon Doctrine, Vietnamization, the war in Vietnam.

The other policy has to do with openings for peace, the efforts we have made with the People's Republic of China, to maintain a dialog, from which we have gained important perceptions. I feel this gets at the grass roots of these problems. I feel our relation with the People's Republic of China in turn will help us having more satisfactory relationships with the Soviet Union, as well.

I do feel that this is something that should not be lost sight of as we discuss all these issues.

COALITION GOVERNMENT IN VIETNAM

Mr. RIEGLE. As a person who is investing part of your life in this problem, who must have thought about it, who lives with it over the years, could you accept at this point the concept of some form of coalition government in South Vietnam?

Mr. GREEN. If that were what the people wanted.

Mr. RIEGLE. It may well be. Any time you try to take a referendum of 17 million people in a situation as topsy-turvy as this one is, there is no way to know what the people want.

FLEXIBLE POLICY ON ELECTIONS

Mr. GREEN. We have never said that the only way you are going to resolve this issue is by elections. What we have said is that this should be done in accordance with the wishes of the people of South Vietnam. We have never said it had to be done through elections. It so happens that our experience has been that an election is the right way to determine the people's will. But there may be other ways to do it. We have never hidebound ourselves to that word "elections".

Mr. RIEGLE. Let's say we can get around the question of elections and groups could get together. Let's assume somehow you find representa-

tives who can represent different viewpoints and they could sit down and think about how you might distribute the power, the responsibilities of a government among these different groups, and so forth.

Would that be a viable way to end this thing at this point?

Mr. GREEN. Here most Americans have lost sight of the fact that the Liberation Front, or Vietcong, have been unwilling to talk directly to the South Vietnamese Government. President Thieu offered to talk with them in the summer of 1969 and that offer has been outstanding ever since. But consistently, the Vietcong, or Liberation Front, has refused to talk directly with the Government in Saigon.

How are you going to reach the kind of conclusion you are talking about?

Mr. RIEGLE. Why is that?

Mr. GREEN. Because they are trying to demean that government in every way possible. They would want to talk to us reasoning that in that way the South Vietnamese Government would become worried, less sure of itself, thinking maybe we were going to stab them in the back. It is tactical, of course.

Mr. RIEGLE. It seems to me if I were the North Vietnamese or the Viet Cong, I would also want to talk to the Americans.

Mr. GREEN. We are perfectly willing to talk. We have had secret negotiations and all the rest. I am making the point because you asked about some kind of political solution and that is an intimate matter among the South Vietnamese people.

VIET CONG PARTICIPATION IN NEGOTIATIONS

Mr. RIEGLE. Would we be prepared to accept direct Viet Cong participation in a local government in order to end the war and get the prisoners back?

Mr. GREEN. If that is what they are willing to accept——

Mr. RIEGLE. They are 17 million people. If the "they" is President Thieu, the answer is obviously no. Who is the they?"

Mr. GREEN. They can sit down and talk about these matters and work out some conclusion.

Mr. RIEGLE. Who is "they?"

Mr. GREEN. The South Vietnamese representatives of the different factions.

In the eight point proposal that President Nixon put forward January 25 of this year——

Mr. RIEGLE. It seems to me that from President Thieu's point of view he would not want a change. Why is that to his advantage?

In other words, it seems to me as long as he can continue to maintain the situation as it is today—where he is the boss, he is in power, he has the United States that he can call in for help any time he wants to with respect to airpower and economic and military support—where is the incentive for him to negotiate a deal less favorable than he has at the present time?

Mr. GREEN. He seems to have most of the people behind him.

PRESIDENT THIEU'S POSITION ON THE NATIONAL ELECTION

Mr. RIEGLE. Now wait a minute. Maybe he does, maybe he does not. He decided not to run the risk of any direct competition in the last election.

Mr. GREEN. I still stand by that remark. I think most of the South Vietnamese would support President Thieu and most of our observers would agree with me. The South Vietnamese look to leadership, they need leadership, they welcome his leadership for the most part. Of course there are lots of criticisms. Nevertheless, he supplied the leadership badly needed in that country and I think most people regard him as the leader.

Mr. RIEGLE. Why would he have been so foolish as to not get the mandate of the people?

Mr. GREEN. I think it was partly due to misjudgments. Thieu wanted to avoid a three-way contest. We are always talking about the desirability of a two-way contest in this country. He wanted to avoid a three-way contest. Why? Because he heard so many Americans criticizing him because he had a plurality, not a majority of the votes.

In fact, he had 35 percent of the votes when there were 11 candidates standing, and you are not going to get much higher percentage than that when you have 11 candidates standing. He wanted to reduce it to two. He thought he could have an election running only against Big Minh. Then Vice President Ky decided to run and he involved himself in some tactics to see if he could not discourage that from occurring. Ky then pulled out of the race.

Big Minh did not want to face President Thieu alone. So he dropped out of the race. Thus he was left with an uncontested election. It had to do with that kind of politicking, it had nothing to do with the proposition that President Thieu tried to run everybody out so he could win an election. That is far from the truth, in fact the absolute opposite of the truth.

Mr. RIEGLE. I am still thinking that he had the opportunity to get a mandate from the people and in fact did not seek it.

I do not want to pursue this at great length because these two fellows want to get in the act.

Mr. GREEN. I would like to take exception to those remarks.

Mr. RIEGLE. Feel free to add to the record.

Mr. GREEN. No, I do not want to add a great deal to the discussion, but it was not that kind of action he was taking.

Mr. RIEGLE. In any case, I have some additional questions. I appreciate the colloquy we have had here.

AID TO EUROPE SINCE WORLD WAR II

Would you enumerate for the committee the per capita aid we have given to these Southeast Asian countries to date in the various functional categories of assistance such as education, medicine, public services, and so forth. Also would you compare these dollar volumes of aid with the economic and supporting assistance we gave to Europe after World War II?

Mr. O'CONNOR. We'll be glad to gather this information and supply it for the record.

(The information follows:)

POST-WAR RELIEF AND MARSHALL PLAN ECONOMIC AID TO WESTERN EUROPE FY 1946-52

	(1)	(2) ($ Millions)	(3)	(4)	(5)	(6)
	Economic Cooperation Administration & Mutual Security Agency	PL 480	Other Concessional Economic Aid *	Total	Population 1952 (Millions)	Per Capita Aid ($) (4) ÷ (5)
Austria	677.8	1.8	328.1	1,007.7	7.0	$144
Belgium/ Luxemburg	559.3	--	32.1	591.4	9.0	66
Denmark	273.0	--	1.0	274.0	4.3	64
Finland	--	.1	26.6	26.7	4.1	7
France	2,713.6	1.0	709.1	3,423.7	42.3	81
Germany	1,390.6	17.5	3,836.2	5,244.3	48.7	108
Iceland	29.3	--	--	29.3	.1	293
Ireland	147.5	--	--	147.5	3.0	49
Italy	1,508.8	8.1	1,171.0	2,687.9	47.4	57
Netherlands	982.1	--	36.0	1,018.1	10.4	98
Norway	255.3	--	25.0	280.3	3.3	85
Portugal	51.2	--	--	51.2	8.5	6
Spain	52.7	.1	--	52.8	28.3	2
Sweden	107.3	--	2.1	109.4	7.1	15
United Kingdom	3,189.8	.2	3,836.9	7,026.9	50.7	139
Europe Regional	407.0	--	--	407.0	--	--
Total	12,345.3	28.8	10,004.1	22,378.2	274.2	$ 82

Total per capita aid, average per year of assistance (7 yrs.): $11.71

* including UNRRA

ECONOMIC AID TO SA COUNTRIES IN SOUTHEAST ASIA FY 1946-71

	(1)	(2) ($ Millions)	(3)	(4)		
	AID & Predecessor Agencies	PL 480	Other Concessional Economic Aid	Total	Mid-1971 Population (Millions)	Per Capita AID ($) (4) ÷ (5)
Cambodia	321.6	9.3	--	330.9	7.0	$ 47
Laos	732.6	9.6	--	742.2	3.0	247
Thailand	551.7	8.0	23.0 *	582.7	38.7	15
Vietnam	4,369.8	1,024.6	--	5,394.4	18.7	288
Indochina Undistributed (Vietnam, Cambodia & Laos prior to partition)	825.6	--	--	825.6	28.7	29
Total	6,801.3	1,051.5	23.0	7,875.8	67.4	117

Total per capita aid, average per year of assistance (26 yrs.): $4.50

* Represents surplus property credits and Peace Corps assistance.

TOTAL PER CAPITA ASSISTANCE TO SA COUNTRIES IN SOUTHEAST ASIA
FY 1946-71, BY FUNCTIONAL CATEGORIES

1.	AID and Predecessor Agencies	
	Agriculture	$ 3.51
	Industry	.47
	Transportation	2.22
	Labor	.12
	Health & Sanitation	5.38
	Education	2.11
	Public Works	5.27
	Public Administration	.59
	Public Safety	4.10
	Community Development	3.51
	General & Miscellaneous	15.78
	Non-project Assistance	57.91
2.	PL 480	15.68
3.	Other Concessional Economic Aid	.35
	Total	$ 117.00

SA/IR/DP/EIR:WJSherwin, TMKraczkiewicz:4/24/72

LOST AID ASSISTANCE IN SOUTHEAST ASIA

Mr. RIEGLE. Of the total economic supporting assistance that we have poured into Laos, Cambodia, Thailand, and Vietnam, what percentage of the facilities and equipment do you estimate has been annually destroyed as a result of your efforts to rebuild a country during a time of war? In other words, how often do we find ourselves building the same school, constructing the same hospital, or installing the same water system?

Mr. O'CONNOR. I will have to answer that question country by country, since our experience has not been the same in each.

In Laos the most significant losses have been in AID projects involving hospitals, dispensaries, bridges, construction equipment and vehicles. In the 3 fiscal years through 1972 we have suffered damage or loss of an average of about $600,000 per year; this does not include facilities now under enemy control, the status of which is unknown.

Thus far in Cambodia, since we resumed assistance in 1971, we have not built any physical facilities. We are helping finance the importation of some commodities and equipment needed for improvements to Phonom Penh port facilities and for repairs to main highways and bridges. Our program in Cambodia contains no plans for the construction of schools, hospitals, or similar structures.

Our losses in Thailand have been minimal; three items of AID financed construction equipment have been destroyed in the past year by insurgents. Some small items of AID-financed police equipment, radios principally, have been lost in insurgent attacks on village police stations in recent months. The stations themselves were built and financed by the Thai government.

In Vietnam the percentage of AID supplied facilities and equipment destroyed as a result of the war is small. Major AID financed facilities, water and electrical systems or hospitals, are generally located in populated urban areas and are not as exposed to damage by military action. Some minor damage does occasionally occur to public buildings, hamlet schools and dispensaries for example, but the cost of repairs is comparatively low and represents only a fraction of a percent of our annual AID support to Vietnam.

DEVELOPMENT ASSISTANCE FROM AUSTRALIA AND JAPAN TO SOUTHEAST ASIA

Mr. RIEGLE. Could you show graphically what the trend has been in the level of supporting and economic assistance contributed to Laos, Cambodia, Thailand and Vietnam by its neighbors?

Mr. O'CONNOR. As these countries as well as their immediate neighbors are all in need of assistance themselves, mutual economic aid has been modest and largely confined to humanitarian assistance. I shall be glad to supply a table showing what aid has been extended to them by developed countries in the Pacific region.

(The information follows:)

[Commitments, millions of dollars]

	Australia	Japan	Total
Aid from—			
Cambodia:			
1967	1.9		1.9
1968	2.1		2.1
1969	2.4	2.8	5.2
1970	1.6	5.5	7.1
1971 [1]	1.9	7.2	9.1
Laos:			
1967	1.5	2.7	4.2
1968		3.2	3.2
1969	1.1	4.7	5.8
1970	1.2	3.5	4.7
1971 [1]	1.0	2.7	3.7
Thailand:			
1967	4.2		4.2
1968	2.3	2.8	5.1
1969	10.0	34.1	44.1
1970	7.7	11.0	18.7
1971 [1]	8.2	12.0	20.2
Vietnam:			
1967	5.6		5.6
1968	5.3		5.3
1969	6.8	1.7	8.5
1970	2.8	2.0	4.8
1971 [1]	1.8	40.8	42.6
1971 (estimate) [1]			
Total:			
1967	13.2	2.7	15.9
1968	9.7	6.0	15.7
1969	20.3	43.3	63.6
1970	13.3	22.0	35.3
1971 [1]	12.9	62.7	75.6

[1] AID estimate, subject to revision.

Source: Development Assistance Committee, OECD.

Mr. RIEGLE. Are countries such as Australia, Japan, Taiwan, and Korea contributing any more effort than they were 5 years ago?

Mr. O'CONNOR. Yes, particularly Japan. Japan has made aid commitments of some $40 million to South Vietnam in 1971, an amount which exceeds aid from all non-U.S. sources combined in any prior year.

ECONOMIC BENEFITS IN SOUTHEAST ASIA

Mr. RIEGLE. This war in Southeast Asia must have benefited the economies of many countries in Asia such as Korea, Japan and Taiwan. Could you describe to the committee the impact the war has had on the economies of these or any other countries in that part of the world?

Mr. O'CONNOR. Without question a number of countries in Asia have received an additional stimulus to their economic growth from such war-related receipts as U.S. expenditures for the buildup and increased use of base facilities throughout East Asia, R. & R. expenditures of U.S. troops, and increased exports to Vietnam. However, for the countries of East Asia, other than Vietnam itself, this stimulus has been relatively small in the past 8 years compared to the growth attributable to the increase in internally generated savings and the rise in foreign exchange earnings unrelated to Vietnam.

Mr. RIEGLE. More specifically, of the $150 billion that we have spent in Vietnam and the adjacent countries, how much money has found its way into the treasuries of the neighboring countries?

Mr. O'CONNOR. Since 1964, east Asian countries have netted on average about $1 billion annually from expenditures directly related to

the buildup of U.S. forces in Vietnam and neighboring countries. The principal beneficiaries have been Japan, Korea, Thailand, Taiwan, and the Philippines. These outflows peaked at about $1.4 billion in 1968–69 and have since declined with the withdrawal of U.S. forces from Vietnam.

AID REQUEST FOR VIETNAM

Mr. RIEGLE. Normally one would measure the economic development progress in a country by the reduced rate of outside assistance. The value of our aid to Southeast Asia and especially to Vietnam is being sharply increased, thus indicating a greater level of dependency rather than self-sufficiency. For example, your request for funds for fiscal year 1973 totals $585 million, up $200 million from the estimated expenditures for fiscal year 1972 of $385 million. Needless to say, this is a significant increase and leads one to question whether Vietnam, for example, is more self-supporting.

Mr. O'CONNOR. The AID request for Vietnam in fiscal year 1972 was $565 million compared with $585 million for fiscal year 1973. Due to deep cuts in appropriations for supporting assistance in fiscal year 1972 the Vietnam program was reduced to $385 million. We were able to sustain our effort in Vietnam with minimal dislocation of our program due mainly to the greater-than-estimated purchase of piasters on the part of DOD and military personnel, with much more of the latter going through official channels due to the more favorable exchange rate. This spending, which transfers dollars to the government of Vietnam, permitted that government to maintain a high level of imports and thereby blunt the continued pressure on prices. Despite this windfall, we had to reduce the project program by $18 million and postpone our final contribution of $15 million to land reform.

There is no evidence that in fiscal year 1973 U.S. military spending will remain at this high level. In fact, all signs point in the opposite direction, and, as we indicated last year in our presentation to Congress, we foresee fiscal year 1973 being the peak year for U.S. economic assistance. We still believe that barring unexpected military or economic reverses, we can reduce the total aid request for Vietnam in fiscal year 1974 with gradual significant reductions in subsequent years as the military situation stabilizes and as South Vietnam increases its domestic output and others increase their assistance.

CURRENT RED OFFENSIVE ECONOMIC EFFECT

Mr. RIEGLE. Does not the current enemy offensive demonstrate how fragile the pacification program is and how quickly the enemy can dissipate years of economic development work? Creating untold destruction, causing thousands of people to be homeless, and resetting the people's psychology back to 1968 must leave one to question your program objectives and the feasibility of developing a country's economy while a war is going on.

Mr. O'CONNOR. An enemy offensive of the magnitude of that which Vietnam is presently enduring undoubtedly will have an effect on Vietnam's economy and on the government's programs in areas under attack. The extent of the damage will depend on the duration of the offensive. We believe that the Vietnamese have the capacity for recovery when the fighting subsides.

SAIGON'S INDIFFERENCE TO WAR

Mr. RIEGLE. I understand that the indifference of the people in Saigon to the current enemy offensive is reminiscent of the attitude in that capital during Tet and in 1962. Without a will on the part of the general populace to win the military war, how do you expect to win the economic war?

Mr. O'CONNOR. We do not believe that the people of Saigon are indifferent to the enemy offensive. According to reports from the Embassy, the population does not show signs of alarm and seems to be fairly confident of the armed forces' ability to repel the offensive. We do not interpret this attitude as an absence of the will to win.

MULTILATERAL AID

Mr. RIEGLE. At what point can we start to look to the multilateral organizations to take over some of these AID responsibilities and to help these countries in their economic development plans?

Mr. O'CONNOR. Once a settlement is reached in the area, we expect the multilateral organizations to become more active donors to Cambodia, Laos, and Vietnam, as they already have in Thailand which is outside the direct Indochina war theater.

Mr. RIEGLE. Isn't it about time that the World Bank, the Asian Development Bank, and the United Nations stepped in here and evaluated each country's programs on a purely business basis, thus giving the United States some relief?

Mr. O'CONNOR. Yes, we think so. The Asian Development Bank has made some loans to Cambodia, Laos, and Vietnam, and the World Bank is becoming much more involved in the Mekong program. The U.N. has continued its program in these countries. In Thailand, these organizations are expected to supply about half of the $1.2 billion in external aid required for Thailand's third 5-year development plan which begins in 1972 and ends in 1976.

Mr. RIEGLE. I will yield back at this point.

BASIC POLICIES UNDERLYING SECURITY ASSISTANCE

Mr. SHRIVER. Mr. Green, first I want to compliment you upon this very fine statement, and commend you for the work that you have been doing.

Some of my questions may have been asked either when I was down voting or before I returned to the committee. But you can go ahead and repeat the answers in the event they were.

Would you tell us how you view the basic policies that underlie your very substantial request, for security assistance?

Mr. GREEN. I think the basic policies that are reflected in our security requests are the basic policies of the Nixon doctrine and what I have called the opening toward peace, an effort to deal with the basic issue of ending the confrontation and the dangers that have characterized the problems of East Asia for the last 20 years of more. The Nixon doctrine is basically a doctrine of shared responsibility, which means that we are asking that every country that we are helping to do its absolute utmost for its own on its own.

We would not be expected to come in and give them any types of military assistance or get involved in trying to resolve their internal insurgency problems, unless we are convinced they were doing everything they could, maximizing their self-efforts. We have also taken into consideration that the situation in East Asia, in contrast to what it was some 15 or 20 years ago, has lately improved; that these countries can do more, should do more on their own. They want to do more. Meanwhile the forces in East Asia have increased from 1 million to 2 million roughly; they have better equipment, more training, so that they can cope with these problems more on their own.

We are going to take full advantage of all that under the Nixon doctrine.

We recognize nationalism to be the strongest force in the area, which means people do want to do on their own and they will do it more effectively when they are on their own.

Our involvement should be the minimum, in those terms.

DIRECTION OF SUPPORTING ASSISTANCE PROGRAM IN THAILAND

Mr. SHRIVER. Some of these were discussed earlier when the chairman was inquiring about them. Some of the programs look to me like the old programs of bilateral aid that, for instance, Thailand could be doing on its own. There is $25.5 million in there for projects that look to me to be very similar to the old projects of bilateral assistance, economic development, rather than propping up the government, what I have always thought of as supporting assistance.

Mr. O'CONNOR. I think, sir, you are quite right that normally supporting assistance has had a more direct input into straight budgetary support for a very large economic burden of a very large military organization. That is the typical case in Laos, it is the typical case in Vietnam. It happens to be the typical case in both Jordan and Israel. Thailand has always been a somewhat different situation. Thailand has some substantial resources of its own. Where it has the real problem is that it has in the north and northeast a highly undeveloped country; the average income up there is I believe about a $90 a year. In that area there has been a very real growth of counterinsurgency. In that area we have used two weapons, the weapon of trying to strengthen the security and police forces and the economic rationale, to try to get the people up there to realize that the government cares and is doing something for them.

So you are quite correct, it is not the usual supporting assistance program. It is a mix.

Mr. SHRIVER. I can understand that kind of a program. For example, the police program, through the years that we have put in quite a lot of money and I feel it is money well spent.

Some of these programs are just ordinary economic development programs as we have in South America; such as rural education, graduate science education.

Mr. O'CONNOR. I agree with you, sir, they are like some of the economic development programs.

THAILAND AND THE NIXON DOCTRINE

Mr. SHRIVER. As pointed out by Mr. Passman, this is a country that maybe could do a little more by itself under the Nixon doctrine.

Mr. GREEN. Yes. I think it can do more. We certainly are working in that direction. There are a number of factors here that complicate it a great deal. One is the war in Vietnam, the need for the bases that we have in Thailand, the problems that this creates for Thailand, internal problems, the fact that the North Vietnamese are moving across Laos in the direction of Thailand, and the fact of the war in Cambodia itself, which is hard on the borders of Thailand.

All of this is attended by an increasing security problem in Thailand. The number of insurgents is not high, but nevertheless it takes quite a lot of men and a lot of manpower and effort to cope with it. It is scattered all around the country, though largely in the north. To cope with this problem which is multifaceted and has some serious psychological overtones, Thailand does need help. The help we are giving is of limited nature, but nevertheless it is considered very crucial in all senses of the word by the Thais.

We are very hopeful that with the scaling down of the war in Vietnam, if there is a negotiated settlement in Indochina, most of these problems would disappear. So that what happens in Indochina is going to have a great deal to do with what happens in Thailand.

EFFECT OF CHINA POLICY ON SUPPORTING ASSISTANCE

Mr. SHRIVER. You mentioned your having been in mainland China.

Mr. GREEN. Yes.

Mr. SHRIVER. Now that the President has opened up full discussion with the government of mainland China, does this have any effect on our assistance program particularly in Asia?

Mr. GREEN. No, not in the short run.

In the longer run it hopefully would have a very definite impact, but right now it seems to me that if we are going to make a success of this opening for peace or whatever you want to call the policy, we are going to have to be pretty steady with our purposes, we are going to have to have mutual confidence, we and our friends, if we are going to take advantage of this opening.

Right now would be the worst time in terms of seeking some fruits from the President's visit to Peking and Moscow for us to be slashing aid or support for our friends, undermining mutual confidence in the area. Therefore, I feel they are very definitely interrelated.

If, on the other hand, we can have a degree of mutual confidence, if there can be enough in the way of constancy of purpose on our side and on their side, I think there could be some fruitful results from improved interrelationships between the great powers that we are now seeing.

ASIAN SUPPORT FOR CHINA POLICY

Already I feel, as a result of the Peking trip, we have some interesting and promising vistas to follow up on. I am not just saying that to impress. I really feel it. I visited all of the 13 countries in East Asia, except Burma, and I am sure that our policies toward the Peoples' Republic of China and the Soviet Union command almost complete support in the area.

Obviously in the case of the Republic of China there are some definite reservations with regard to the Peoples' Republic of China.

Young people in Asia as elsewhere have been turned off by two decades or more of cold war, tension, confrontation. They are looking for some basic attack on the problem of peace in the area. I found that the countries that most welcomed the President's initiatives toward China were those countries most exposed.

Prince Souvanna was very positive in his reactions toward the President's initiatives toward China. He and others see this driving at the real roots of insurgency in the area, if there can be a better understanding between Washington and Peking.

By having a better relationship between Washington and Peking, we have a better opportunity of having more productive relations with the Soviet Union. That all relates to the problem of Southeast Asia where you have great power interests that clash. I do not think that any of the great powers should have a predominant portion in the area.

When the countries of the area become stronger, they hope in time to have a nonalined group of countries. And I believe that the Soviet Union and China may also. As you know Razak and other leaders in Southeast Asia are recommending that this is the course they should be taking in the long run.

NONALINEMENT AS A POLICY FOR SOUTHEAST ASIA

If we have a negotiated settlement in Indochina, I think there is a real prospect for a group of nonalined countries in Southeast Asia, with no one of the great powers having a predominant presence or dominance in the area.

This is what we are working for.

Mr. SHRIVER. This is what you visualize?

Mr. GREEN. This is an achievable goal, we are not just proceeding on hope. There is enough promise and offer of achievement here that I think it is something we should work very hard for.

I feel without having adequate military assistance, without being constant in our purpose, there is no hope of realizing this at all.

If I could say something off the record here.

Mr. SHRIVER. All right.

(Discussion off the record.)

Mr. SHRIVER. Back on the record.

ACCOMPLISHMENTS OF THE NIXON DOCTRINE

You have been in a number of those countries in Southeast Asia. You are probably as well aware of our image over there as anyone, but what do you think so far has been accomplished by what we call the Nixon doctrine?

Mr. GREEN. A great deal has been accomplished, Mr. Shriver. I could put it in terms of the reduction of American forces in East Asia; and of the enormous savings involved; it is very hard to say how many billions of dollars have been saved under the Nixon doctrine.

If you include Vietnamization, I think it fair to say roughly $22 billion a year has been saved under the Nixon doctrine.

American casualties have gone way down. The couutries are doing more on their own. It gives them that do-it-yourself spirit which we are trying to spark. It means that by making this reduction on the

borders of China we have convinced China that we do not have any designs against China, and it has created a setting in which we can have a better relationship with the People's Republic of China. It has been very instrumental in setting the stage for improving our relations, not only with the People's Republic of China but also with the Soviet Union.

Finally, I feel that the Nixon doctrine has probably been instrumental in preventing, and I would hope this was true, in preventing the United States from swinging from a position of overinvolvement to a position of underinvolvement.

It seems to me historically this has been our greatest sin in our foreign affairs, for we let this damned pendulum swing from one extreme to the other. With it comes unrest, instability, and war. If we can prevent that and bring it down to a median position and hold it where we know and our friends and our enemies know where we stand, then we can have a dialog for the peace that I am talking about, this offers the best hope for peace in the world.

Mr. SHRIVER. That is our goal.

Mr. GREEN. The Nixon doctrine is very central to all of that.

FUTURE OF MILITARY ASSISTANCE

Mr. SHRIVER. Earlier in our testimony this afternoon, it has been emphasized that the American people are getting pretty tired of putting out money in foreign assistance, military assistance, year after year.

The question is: In your judgment does this have to go on, on, on? What relief is there in sight, especially as this relates to Asia?

Mr. GREEN. I want you to know this is the question I put to myself again and again and again. I want to see us pursue policies that cope with that very question and I think we are doing so now.

As I cited the figures of reduced costs to the American taxpayer, involvement in wars, insurgencies, the Vietnam conflict and all the rest of it, when we took out one division in Korea last year under the Nixon doctrine, we saved the American taxpayers about $300 million a year by that one action. It seems to me President Nixon is pursuing policies designed to cope with that key question that you asked me. At the same time we are not creating a security gap, we are not just turning our backs on the situation and walking away, but we are carefully preparing the situation in such a way that our Asian friends can handle it on their own, not all overnight, but increasingly. That is what is happening.

We know, as I keep saying again and again, that nationalism is the strong force. If people do things on their own, they can achieve a lot more. They cannot do it if we do it for them. They want to do it on their own. They have the increasing capability to do it. Our policies must always be to try to touch the quick of that nationalism, that feeling of do-it-yourself. That is the way we then answer your question. Why do we just have to go on year after year shelling it out?

How do we get out of it?

I think we are addressing that question.

Mr. SHRIVER. Thank you, Mr. Green.

FUTURE OF SUPPORTING ASSISTANCE

Mr. O'CONNOR. Could I add to the economic side?

Mr. Riegle asked that same question in a number of forms, how long do we have to go on here? On the economic side, the fact of the matter is, Vietnam and Cambodia were both, by Asian standards, wealthy countries. Until the war came along, they had been exporting, productive nations, peopled with artisans, a group which increased their well-being. I think if there could be some reasonable degree of security to break down this very heavy burden of military establishment that these countries have to maintain and these countries could get back to a situation where they would be self-sufficient.

In our programs and planning, we are trying to make some projections on a 5-year basis ahead. Those projections are in fact declining. Why are they declining? They are made on the assumption that there is going to be some reasonable degree of security.

As a matter of fact, in Vietnam there whole pace of economic turnover is very markedly quicker. Their revenue is going up, their economic activity and production are going up. We think that can continue if there is enough security to allow it.

ASSISTANCE FROM JAPAN

The Japanese are now another source of income for these countries. This last year they committed themselves to an estimated $41 million of official development assistance loans on relatively concessional terms.

Is that enough from Japan? No, sir. We would like to see them do more, but it is a great change when you consider their reluctance last year. We think that is going to double in 1972. I mention that because you are entitled to think that the Japanese are more cautious about wanting to put their money in there than Uncle Sam is.

INCREASED ASSISTANCE FROM OTHER COUNTRIES

The Cambodia economy is a more difficult case. It is more disrupted. Nevertheless, I think improvement is possible there. As we go forward I think you are going to see the economies of these countries producing more tax revenue. At the same time that you get more security, you are going to see more bilateral aid coming in from Japan, Germany, Australia, and the like.

So I think U.S. aid will be able to go down, but the flow of resources to those countries will stay even as the other donors' share goes up.

LAOS FOREIGN EXCHANGE OPERATIONS

Mr. SHRIVER. You mention the other donors to the Laos Foreign Exchange Operations Fund, I have read that these other donors have lost their enthusiasm. Would you comment on that, and insert into the record how much these other countries have contributed for each of the past 3 years to this fund?

Again, how do the terms of our contributions to this fund differ from the terms of these other countries?

Mr. O'CONNOR. As to the enthusiasm of the other donor governments, I can only say that none of them has dropped out and it appears that all of them will continue to contribute through this calendar year. We are expecting a further increase in the Japanese contribution, raising it from $2.3 million of last year to $2.6 for this year.

The terms of the contributions differ among the donors in the manner and degree that the local currency proceeds can be utilized by the donor government. According to the calendar year 1971 agreements—the calendar year 1972 agreements have not been signed yet—the British and Australians have the right to use 10 percent of the kip proceeds from their contribution for purposes agreed with the Royal Lao Government, after the completion of a 1 year period from the date of payment of the contribution into the fund. The Japanese have a similar right for 10 percent of the proceeds from their contribution, but they have exercised this right only to a relatively small degree. The French in 1971 agreed to freeze the proceeds from a prior year contribution, but reserved the right to spend the proceeds from the current year. The United States also had what amounted to the right to receive for any part of its FEOF contribution kip at the official rate.

We are presently examining how this procedure should be changed in view of the unification of the rate on April 4.

The contributions of the other countries for the past 3 years are as follows:

[In U.S. millions]

	1969	1970	1971	Totals
Australia	0.72	0.72	0.72	2.16
France	1.7	1.7	1.7	5.1
Japan	1.7	2.0	2.3	6.0
United Kingdom	1.7	1.7	1.7	5.1
Total	5.82	6.12	6.42	18.36

REFUGEE RELIEF

Mr. SHRIVER. About $15 million of your Laos program is for refugee relief. I think it might help you sell this program if you would publicize these humanitarian aspects a little more. Would you like to tell us about them?

Mr. O'CONNOR. Yes, sir. As I pointed out in my earlier response to Chairman Passman, the AID refugee relief program provides basic necessities (food, clothing, medical care, etc.) and air support to assist refugees in relocating and becoming self-sufficient. Our fiscal year 1973 program will total about $17.4 million in project funds (refugee relief, public health, air support, etc.) plus about $3.5 million in Public Law 480 title II foodstuffs.

COMMUNIST INSURGENCY

Mr. SHRIVER. You say that the Communist insurgency in Thailand "appears to be growing in strength." Would you elaborate on that?

Mr. O'CONNOR. This conclusion is based on intelligence reports showing an increase in total numbers of armed insurgents and a sharp rise in incidents occurring last year. Current estimates place total armed insurgent strength at 5,000, excluding the approximately 1,500 in the

far south who are controlled by the Malaysian Communist Party. This figure represents a 25-percent increase in the past year. Thai official, police, and military casualties in 1971 amounted to 1,500 a 50-percent increase over 1970's figure. There were also 350 civilian assassination and kidnapping incidents, twice the total for the previous year.

ECONOMIC DEVELOPMENT

Mr. SHRIVER. You say increasing emphasis in your Thailand program will be directed toward economic development rather than basic security-oriented programs of prior years. Why, then, do you not shift these efforts to the regular economic development requests such as development loans and technical assistance?

Mr. O'CONNOR. We are certainly considering ways of moving the Thailand program increasingly to a program of technical assistance and economic development which might be funded from technical assistance and development loans. At present, however, the basic justification for the Thailand program is the need to support Thai efforts in the security field.

SUPPORTING ASSISTANCE ON A LOAN BASIS

Mr. SHRIVER. You mention that $7 million of the Thailand supporting assistance program will be on a loan basis. How much worldwide of the S.A. request will be used on a loan basis? What are the terms of these loans?

Mr. O'CONNOR. The two loans proposed for Thailand are the only loans proposed for supporting assistance financing in fiscal year 1973. The terms for these two loans are still under discussion, however, we would expect to provide terms which take into consideration the economic conditions of the borrowing country.

THAILAND'S EXPORTS

Mr. SHRIVER. You mention Thailand's "considerable potential for agricultural export production." What are these exports? Where do they sell most of these exports, or where do they anticipate selling them?

Do these exports compete with existing or potential U.S. agricultural exports? In Japan, for example.

Mr. O'CONNOR. Thailand's major agricultural export is rice, and Thailand quite rightly wishes to reduce its dependence on this export by diversifying agricultural production. The agricultural products which the Thai are considering expanding production of for export include corn, soybeans, shrimp, rubber, mung beans, and tapioca. Some of these, corn and soybeans, for example, would go to markets such as Japan where they would be in competition with U.S. exports. Others, however, would not compete with U.S. exports.

COSTS FOR ISRAELI IMMIGRANTS

Mr. SHRIVER. You have commented on Israel's increasing foreign exchange costs of resettling new immigrants, many of whom are coming from the Soviet Union. Tell us more about these costs and how they have increased recently.

Mr. O'CONNOR. Yes, sir. Last year there were approximately 40,000 immigrants to Israel. There could be as much as a 50-percent increase in 1972 depending upon the Soviet Jews permitted to leave the Soviet Union. (Soviet Jews do not bring personal holdings of foreign currency.) In settling the immigrants, there are foreign exchange costs for capital equipment to create new jobs and for new housing construction. In addition, during the first year, the immigrant is allowed to purchase certain durable goods duty free. Simply the addition of large numbers of people creates inflationary pressures which the Israeli Government wants to be able to check. This requires foreign exchange reserves.

U.S. DIPLOMATIC RELATIONS WITH ARAB NATIONS

Mr. SHRIVER. Which Arab countries besides Jordan still maintain regular diplomatic relations with the United States?

Mr. O'CONNOR. Mr. Shriver, here is a list indicating the status of U.S. diplomatic relations with the Arab nations, which I will with the Chairman's permission insert in the record.

(The information follows:)

U.S. DIPLOMATIC POSTS IN ARAB NATIONS

FOREIGN SERVICE LIST—FEBRUARY, 1972

Algeria—U.S. Interests Section.
Bahrain—Embassy.
Egypt—U.S. Interests Section.
Iraq—Embassy (Temporarily closed).
Jordan—Embassy.
Kuwait—Embassy.
Lebanon—Embassy.
Libya—Embassy.
Morocco—Embassy.
Oman—Consulate (Office maintained at Dhahran).
Qatar—Embassy (No office maintained).
Saudi Arabia—Embassy.
Sudan—U.S. Interests Section.
Syria—Embassy (Temporarily closed).
Tunisia—Embassy.
Yemen People's Republic (Aden)—Embassy (Temporarily closed).
Yemen Arab Republic (San'a)—Embassy (Temporarily closed).

EAST ASIA REGIONAL PROGRAM

Mr. SHRIVER. I know we covered the East Asia regional program a couple of days ago, but I think it is important to point out for the record that at the time we are having to cut back in worthwhile health and education and pollution control programs here at home, you are proposing new projects for the East Asia region which have an estimated total cost of $15,650,000. Most of these projects, if needed at all, should be completely funded by the countries involved. Would you care to comment?

Mr. O'CONNOR. We are very conscious of the limitations on funds and only propose new projects for the East Asia regional program, or any other program, when we are convinced that the projects are worthwhile and our help is needed. In the new projects in the regional program, such as the proposed Mekong Basin activities, we are in almost

all cases one of many participants; and the host countries always contribute what they can. We think the regional projects represent a way to pool resources and cut costs and at the same time achieve worthwhile development objectives that strengthen the region as a whole. With our limited funds we have to make choices, and we only propose new programs when we are convinced they are good ones.

U.S. PERSONNEL CUTS IN EAST ASIA

Mr. SHRIVER. Mr. Green, you say we have withdrawn 20,000 troops from Korea and 40,000 more from Thailand, Japan, and the Philippines. Would you break down the figures for these last three countries, and tell us what you anticipate in the future in this regard?

Mr. GREEN. The breakdown of the other military reduction figures is as follows:

Thailand	16,000
Philippines	9,000
Japan	12,000

As for the future, other than manpower adjustments in Vietnam-related support activities, I would not expect major changes in fiscal year 1973 Asian force deployments.

Mr. SHRIVER. You also say you have cut back the civilian staff in East Asia by 25 percent. Elaborate on that.

Mr. GREEN. As a result of the so-called BALPA and OPRED reductions which amounted to approximately 10 percent each, and the current 5-percent reduction, the civilian staffs in the East Asia area have been reduced by approximately 25 percent since July 1, 1966.

REDUCTION IN DEFENSE EXPENDITURES

Mr. SHRIVER. I believe your observation—that we have reduced our annual overall defense expenditures in the Indochinese states by about $20 billion should receive more publicity. Over what time period is that? What do you expect in regard to further reductions in this figure?

Mr. GREEN. This reduction covers the period from fiscal year 1968 through fiscal year 1972. As our withdrawals continue, I would expect further significant reductions.

REACTION TO PRESIDENT'S PEKING TRIP

Mr. SHRIVER. You have mentioned your meetings with Asian leaders following the President's trip to the People's Republic of China. Would you be more specific about your conversations with these leaders? What do you anticipate in the way of changes in foreign policies on the part of these countries as a result of the Peking trip?

Mr. GREEN. Initial East Asian government reaction to the President's trip, before I undertook my own followup trip through the area, was generally favorable and for the most part recognized the Peking visit as a first step toward reduction of tensions in the area. There was, however, considerable interest and understandably some doubt and concern about what was said and agreed in Peking. I reviewed with Asian leaders what transpired in Peking and the meaning of the Shanghai communique. My assurances that the United States had not

altered its commitments in East Asia in the course of the Peking trip and that no secret deals were struck in Peking were appreciated, and official East Asian government press releases and statements by leaders themselves following my visit in each capital confirm that my assurances were believed. We do not anticipate changes in the foreign policies of these countries as a result of the Peking trip. At the same time it is clear that governments in East Asia continue to be concerned about the will of the United States to live up to its commitments and to supply necessary aid and assistance in the future. While accepting the President's trip to Peking as a first step toward reduction of tension, most countries I visited indicated they will be watching closely the evolution of U.S. Asian policy and the new relationship between the United States and China to see if the assurances given are borne out by actual developments.

SUPPORTING ASSISTANCE AND U.S. COMMODITIES

Mr. SHRIVER. I believe this should be directed to Mr. O'Connor. There have been comments about the hesitancy of AID to tie the commodity import programs financed under this appropriation to more U.S. purchase requirements. Can you tell us what percent of the total commodities financed under this supporting assistance item were purchased from the United States in fiscal years 1970 and 1971, and what is anticipated in 1972 and 1973?

Mr. O'CONNOR. U.S. source procurement accounted for 80.9 percent and 81.7 percent of the import licenses issued in fiscal year 1970 and fiscal year 1971 under the Laos and Vietnam commodity import programs. Procurement actions taken in fiscal year 1971 under the $50 million Cambodia commodity import program signed in May 1971 were negligible. We expect that U.S. procurement will be a smaller portion in fiscal year 1972 and fiscal year 1973 because up to half of the Cambodian commodity import program can be used for purchases in lower-income countries.

Mr. SHRIVER. Would you favor more stringent controls along this line?

Mr. O'CONNOR. In principle, yes. But in Cambodia, economic stability depends on expediting the flow of imported goods. We have thus relaxed U.S. purchase requirements.

MILITARY SPENDING IN THAILAND

Mr. SHRIVER. Can you show for the record the decrease in U.S. military spending in Thailand which is mentioned on page A–2 of the justifications, or would that be classified? That would help justify this program to our taxpayers if you could show it.

Mr. O'CONNOR. U.S. military expenditures in Thailand are as follows (fiscal years):

	In millions
1967	$248
1968	291
1969	292
1970	246
1971	199

OTHER COUNTRIES CONTRIBUTION TO ISRAEL

Mr. SHRIVER. What other countries are contributing financial or military support for Israel? Give the total on that.

Mr. O'CONNOR. Well, Germany has been making development loans of about $40 million annually on concessionary terms since about 1966. Germany also makes restitution payments to individuals. These are estimated at about $245 million in 1971. There are no other governments giving substantial financial assistance to Israel as far as we know. Israeli military procurement from the United Kingdom and Western Europe is not covered by credits similar in type to those provided by the United States.

Mr. SHRIVER. What are the estimates of private financial assistance which Israel has received from abroad during each of the past 3 fiscal years?

Mr. O'CONNOR. The amount is approximately $490 million for 1970. However, I'll provide details for the record.

(The information follows:)

Import of Capital from Private Sources and Foreign Investment in Israel
($Million)

	1968	1969	1970
Unilateral Transfers (total)	305.0	334.0	439.5
Personal Transfers (total)	140.6	161.4	179.8
In Cash	130.8	156.3	175.2
Immigrants	30.5	39.6	55.1
Others	100.3	119.1	120.1
In Kind	9.8	5.1	4.6
Institutional Transfers (total)	164.4	172.6	259.7
In Cash	162.6	172.4	256.9
In Kind	1.8	2.2	2.8
Investment in Israel by			
Nonresidents (total net)	26.6	46.0	54.0
In Foreign Currency	-1.5	7.3	11.7
Investments	31.2	41.0	39.5
Investments Repatriated	-32.7	-33.7	-27.8
In Israeli Currency (from Blocked accounts)	2.6	-0.5	-0.7
In Independence Bonds	7.1	4.7	4.8
In Kind	14.4	29.3	33.0
Total	27.6	40.8	48.8
Reinvestment of Profits	4.0	5.2	5.2
Foreign Deposits with commerical banks			168.6
with Bank of Israel			2.7

From: Bank of Israel Annual Report 1970

Mr. PASSMAN. Thank you.
Mr. McEwen?
Mr. MCEWEN. No questions.
Mr. PASSMAN. We will adjourn the committee until tomorrow at 1 o'clock.

WEDNESDAY, APRIL 19, 1972.

VIETNAM—SUPPORTING ASSISTANCE

WITNESSES

HON. ROBERT H. NOOTER, DEPUTY COORDINATOR FOR SUPPORTING ASSISTANCE, AGENCY FOR INTERNATIONAL DEVELOPMENT
ANDREW WESTWOOD, DEPUTY DIRECTOR, OFFICE OF PROGRAMS (VIETNAM), BUREAU FOR SUPPORTING ASSISTANCE, AGENCY FOR INTERNATIONAL DEVELOPMENT
GEORGE NEWMAN, ACTING COORDINATOR OF SECURITY ASSISTANCE, OFFICE OF THE UNDER SECRETARY, DEPARTMENT OF STATE
LAURIN B. ASKEW, DIRECTOR OF THE VIETNAM WORKING GROUP, BUREAU OF EAST ASIAN AND PACIFIC AFFAIRS, DEPARTMENT OF STATE
LT. COL. GEORGE W. PATRICK III, U.S. ARMY, ASSISTANT FOR VIETNAM TASK FORCE, OFFICE OF ASSISTANT SECRETARY OF DEFENSE (ISA)
ALLAN R. FURMAN, DEPUTY DIRECTOR, OFFICE OF LEGISLATIVE AFFAIRS, AGENCY FOR INTERNATIONAL DEVELOPMENT
MAJ. LAWRENCE D. DOFF, ASSISTANT FOR VIETNAM, VIETNAM TASK FORCE, OFFICE OF ASSISTANT SECRETARY OF DEFENSE (ISA)

Mr. PASSMAN. The committee will come to order.
We shall take up this afternoon the budget request for supporting assistance applicable to Vietnam for fiscal year 1973.
We have as witnesses the Hon. Robert H. Nooter, Deputy Coordinator for Supporting Assistance, Agency for International Development, accompanied by supporting witnesses, whose names will be spread upon the record.
We assume, Mr. Nooter, that you have a statement that you would like to make to the committee supporting the justifications for the supporting assistance program for Vietnam, is that correct?
Mr. NOOTER. Yes, Mr. Chairman.

GENERAL STATEMENT

Mr. Chairman, members of the committee:
I appreciate this opportunity to appear before this committee today to present the fiscal 1973 security supporting assistance program for Vietnam of $585 million.

PROGRAM OBJECTIVES

The objectives of the economic program in Vietnam remain essentially the same as last year, except for a shift in emphasis to longer term economic development so that U.S. economic assistance can eventually be phased out. In addition, our economic support will continue to make it possible for the Government of Vietnam to take over the military burden of the war; will be used to maintain economic stability; will assist the Government of Vietnam in caring for refugees and war victims; and will provide support for the pacification program.

The proposals you have before you were formulated before the recent invasion of South Vietnam by the North Vietnamese. However, at this time, the proposed program which you are considering still appears to be appropriate. The economic life of the country does not appear to have been appreciably affected by these recent events, and we are hopeful that any deterioration in security will be of short duration.

PROGRESS TO DATE

In nearly every major field, substantial progress was made during 1971.

Stabilization.—This was as especially good year for keeping prices down and achieving monetary reforms. Despite a sizable devaluation of the piaster in November and other measures which increased the price of imports, retail prices as a whole rose by only 14 percent during the year as compared to an average increase of over 30 percent over the past 4 years, thereby making 1971 the most stable year since 1964. In addition, time and savings deposits in banks more than doubled and domestic tax collections showed their first significant increase in real terms in several years (15 percent). Other important financial policy measures were taken during the year which will place the economy on a more realistic and competitive footing. For example, interest rates have roughly doubled from the previous artificially low level. Existing tariffs were replaced by a simplified single schedule of four rates, import regulations were greatly simplified, and subsidies for various key commodities were either eliminated or significantly reduced.

These reforms have resulted in a system of exchange rates, tariffs, import licenses, credits for domestic production, and fiscal procedures which are conducive to economic growth and development.

I do not wish to leave you with the impression that monetary stabilization has been permanently achieved. There are still clouds on the horizon: Resources devoted to military purposes are still a very large proportion of total resources, foreign exchange earnings from U.S. expenditures will definitely go down in 1972, and exports over the past year have only recently begun to rise. These factors mean that we must continue to supply adequate resources to insure the maintenance of stability during this critical period when the results of Vietnamization are being given their most severe test.

Land reform.—Implementation of the new program which became law in the spring of 1970 swung into high gear in 1971. By the end of the year new titles had been issued for over 1 million acres of rice land to more than 325,000 former tenant farmers. The rate of transfer has continued in 1972 and at present over half the total area encompassed

by the program (2.5 million acres) has been transferred. Also, over 23,000 compensation claims by former landowners have been met by payments in cash and bonds.

Agriculture.—Rice production increased and two new high-yielding rice varieties were successfully introduced. Pork and poultry production rose to the point where imports for the civilian economy are no longer needed. Seventeen new rural banks were established with resources increasing from just under 200 million piasters to over 1 billion. The amount of funds loaned to farmers from these private banks rose over 300 percent, while the number of farmers receiving loans jumped from 3,000 to nearly 9,000.

Industry.—During 1971, 52 separate industrial entities applied for over $40 million of foreign exchange for the purchase of capital equipment. Total investment in these 52 enterprises is estimated at the equivalent of $67 million. An important factor in helping industrial expansion was the AID-supported industrial development center, which during the year was reorganized into the industrial development bank. It is serving industrialists by provinding medium term investment funds.

The production of logs was up 75 percent over 1970, representing 25 percent of the total volume of manufacturing and 15 percent of exports. Four plywood plants applied for foreign exchange to expand their facilities, while in another important area, the fish catch rose over 20 percent and exceeded one-half million tons. Several long-range trawlers were purchased and nearly 200 tons of shrimp were exported. All this is small in relation to the country's need for greater exports, but it is a beginning, and in such fields as forest and fish products there are ready markets.

Health.—Total admissions to hospitals rose in 1971, but the number of patients who were casualties of the war dropped from over 4,000 a month in 1970 to 3,400. The number of Vietnamese doctors and nurses graduating from AID-assisted medical institutions reached an all-time high of 226 and 717 respectively. The National Institute of Public Health began its first 3-year course for public health technicians and a sanitary-hamlet program was begun in over 130 hamlets. Family planning activities were considerably accelerated with good progress being made in establishing planning clinics in each province. For the first time, in-country training courses for local physicians were held and 40 physicians completed the course. Population courses were initiated at the medical schools in Saigon, Hue, and at the National Institute of Public Health.

War Victims.—Programs to help refugees and other welfare cases are planned and handled by the ministry of social welfare with support from AID and CORDS. During 1971 nearly 500,000 refugees were paid allowances under the return-to-village program and another 200,000 were paid a 6-month rice allowance, a housing construction allowance and given 10 sheets of aluminum roofing to permit them to build houses in secure areas. Until the recent incursion into South Vietnam by North Vietnamese forces, many more refugees were being resettled than were being generated. The caseload was down from a high of over 3 million in 1968 to less than 500,000 before the new offensive. The recent uprooting of civilians around the DMZ and elsewhere will place an additional strain on Vietnamese resources during 1972, but the ministry of social welfare has an improved organization and

is managing to provide temporary shelter and food to the new refugees in an adequate manner.

Narcotics.—Much attention has been focused on this problem over the past year in Vietnam. The problem there is one of control rather than production. Heroin until recently has been in plentiful supply, mainly in response to the demands of U.S. troops. This opium derivative is illegally brought into the country through busy civilian and military airports, small coastal ports, and various river crossings at international boundaries. During 1971, President Thieu initiated an antinarcotics campaign and gave it a very high priority. A special commission for the eradication of drugs and smuggling was established and police procedures have been tightened at likely ports of entry. In 1971 over 270 pounds of heroin and 1,000 pounds of opium were confiscated and more than 6,000 arrests were made. Several high officials were sentenced, including a lower house deputy. Under AID's public safety and customs program over 1,000 investigators were trained in the art of spoting and apprehending those who transported and pushed hard drugs. Much remains to be done, but the Vietnamese have made a good start at dealing with a very difficult problem.

Economic Development Planning.—During 1971, the government of Vietnam began seriously to concern itself with the problems of longer range development, including the necessary organizational structure. In June, President Thieu established a ministry of national planning and development headed by a vigorous young American-trained Vietnamese. This staff is now seeking to prepare a national development plan, which will serve as a guide for both public sector capital investment decisions and for the setting of overall economic goals. Planning staffs in nearly all ministries have been strengthened and some, including agriculture and public works, have already produced multiyear plans. Prior training in the United States and third countries for Vietnamese planners began to pay off as these people returned to take up positions in the new ministry or in the planning offices of other ministries. In November, in addition to the announced monetary reforms, the President established an economic development fund which will supply medium term capital through intermediate credit institutions to private investors for investment in industry, agriculture and agrobusiness. An initial contribution has been pledged by President Thieu in an amount of 10 billion piasters ($27 million), and it is hoped other donors will follow suit. During the year, AID completed a series of long-range studies involving telecommunications, electric power and transportation. In toto these various actions have set the stage for some real progress in 1972 on behalf of long-range development.

FISCAL YEAR 1973 PROGRAM

[In millions of dollars]

Econom c support ng ass stance	Fiscal year 1971 actual	Fiscal year 1972 requested	Fiscal year 1972 estimate	Fiscal year 1973 proposed
Commercial import program (CIP)	266	310	313	376
Economic support fund		150		50
Land reform	15	15		15
Economic development fund				75
Project program	96	90	72	69
Total	377	565	385	58

The request for fiscal year 1973 is only slightly more than that requested for fiscal year 1972. It is considerably more, however, than we received as a result of congressional actions which cut supporting assistance funds by nearly 30 percent. The cut in the Vietnam program was accommodated by eliminating the Economic Support Fund, the final land reform contribution, and a reduction of the project program.

The principal factor which permitted our reduced assistance to successfully contain inflationary pressures was the higher than expected purchases of piasters by both the Department of Defense and by individual U.S. soldiers for their personal use. For fiscal year 1973 there is no likelihood that the fortuitous circumstances regarding DOD and personal spending will be repeated. Pressures on prices, however, will remain great due to large military outlays by the Government of Vietnam and the additional costs of rehabilitating those recently made homeless by the North Vietnam offensive. Total imports, therefore, will have to remain close to the 1971 level if monetary stabilization is to be maintained.

In order to help assure this objective we are requesting new funds for the commercial import program of $376 million and $50 for an Economic Support Fund (ESF) to offset, in part, the losses of foreign exchange the Government will sustain as DOD spending drops significantly. As compared with our request to Congress last year, we are able to program more for CIP, which is tied to U.S. procurement, and less for the ESF, which constitutes free dollars for the Government, because during 1971 we were able to shift more import items to tied procurement.

To complete our assistance to stabilization, we plan to utilize surplus agricultural commodities under Public Law 480, title I to the fullest extent possible. We anticipate a title I program in fiscal year 1973 of $125 million.

ECONOMIC DEVELOPMENT FUND (EDF)

Both we and the Vietnamese recognize that the high levels of economic assistance which the United States has provided to Vietnam over the last several years cannot go on forever. The key to phasing down our assistance lies in economic growth so that Vietnam can meet the aspirations of its people while moving toward economic self-sufficiency. The important changes in economic policy which have been put into effect during the past year and one-half have now set the stage for that growth, and it is time that we start to direct an increasing share of our assistance in a manner which will accelerate development.

Following up on actions taken by the Government of Vietnam in 1971 and described previously, we are requesting $75 million for an Economic Development Fund which will (1) support the already established Vietnamese Economic Development Fund for private investors, and (2) contribute to public infrastructure projects which in turn provide ancillary services in support of private development. Of this amount, $50 million will be made available for private investment and $25 million for public development projects. The former will be utilized under an agreement with the Governor of Vietnam whereby we will make a contribution to the Vietnamese Economic Development Fund under stated terms and conditions. The Vietnamese

will loan moneys from the fund to qualified credit institutions such as the Industrial Development Bank and the Agricultural Development Bank, which in turn will make loans to individual businessmen and farmers. There has been considerable interest shown by private investors in this fund since the President's announcement of it last fall. Specifically, there appears to be interest in borrowing funds for farm equipment, cold storage facilities, fishing boats, textiles and food processing.

On the public side the AID dollars will be used to fund the costs of specific public sectors projects. In fiscal year 1973 the fund will finance municipal water systems, a hydroelectric powerplant, electric power feasibility studies, fishing port improvement, and a bridge on the principal route from Saigon to the Delta.

FISCAL YEAR 1973 PROJECT PROGRAM

In fiscal year 1973 the project program will drop from $72 million in fiscal year 1972 to $69 million in fiscal year 1973 as the Vietnamese take over more operational responsibility for these activities. This reduction would be even sharper except that A.I.D. will take over support for the maintenance of the primary highway network which DOD has been providing for the past several years.

AID's first priority in fiscal year 1973 and thereafter will be the correcting of the serious imbalance in Vietnam's foreign trade. Therefore, we intend to place even more emphasis on agriculture and industry in order to help develop products which can be produced in quality and quantity for either export or as import substitutes. In education the Vietnamese are already shouldering most of the burden; AID's efforts will be confined to completing a few activities in higher education and winding up the degree scholarship program. Our formerly extensive effort in logistics is scheduled to phase down to a single project in fiscal year 1973. AID's input into public administration will remain about the same in terms of money and numbers, but the focus will be more on development planning and budgeting, and somewhat less on local government where over the past few years thousands of local officials have been trained.

Three areas of relatively heavy expenditures remain, in public health, public safety, and public works. In the health field, where our annual expenses once were as high as $27 million, we have gradually been reducing our contribution until it now stands at just over $9 million. Given the continuing need to help care for civilian casualties plus the need to assure a certain level of protection against contagious diseases and also to complete a medical education program so that Vietnam can supply its own requirements for well-trained doctors and nurses, we must continue to support public health activities at a fairly high level until the Vietnamese can completely take them over. Regarding our support for the national police through our public safety program, we view this as insurance against internal instability after the external threat has been met and the Vietnamese enter a period of rehabilitation and readjustment. In the field of public works we are budgeting for support to the national highways where AID is making preparations to assist the Vietnamese in maintaining a network of roads and bridges expanded during the war, essential both for security and economic development. The Vietnamese Directorate

of Highways will need considerable advice in developing an organization capable of keeping the roads in shape.

Other activities under the project program are being reduced or phased out in fiscal year 1973. By comparison with last year, for example, we are requesting funds for eight fewer projects. There is one project, however, where we show a relatively large reduction which may have to be increased because of events which transpired after the program was developed. With the thousands of persons being made homeless because of the North Vietnamese invasion, it is not clear at present that we can confine our contribution to the refugee program to the $1 million presently programed. We shall make every effort, however, to help the Ministry of Social Welfare provide adequate assistance to these unfortunate people within the funding limits presently requested.

Our request includes $15 million for a final contribution to the Land Reform program. At the time the program started in 1968, we estimated that approximately $40 million would be required to absorb the additional demand for imports created by the cash payments made to landowners. We contributed $10 million in fiscal year 1969 and $15 million in fiscal year 1971. The final tranche of $15 million will complete our contributions to this highly successful program which will ultimately involve the transfer of over 2.5 million acres and provide ownership to nearly 750,000 former tenants.

Finally, other funds are being requested in fiscal year 1973 for a program to combat the smuggling of narcotics into Vietnam, and also for a program to expand the present modest family planning program. Under the former we seek $500,000 for public safety and customs advisors who will train Vietnamese in the detection and confiscation of heroin. Under an existing project we hope to expand our efforts in population planning by training Vietnamese and supplying 19 additional clinics, bringing the total to 50 in 1972.

U.S. PERSONNEL

By the end of fiscal year 1973 Americans working for AID in Vietnam will be fewer in number than at any time since 1966. The direct employment of U.S. nationals reached a peak in 1968 of 2,150. By the end of June 1973 this figure will have been reduced to slightly over 800. U.S. contract personnel reached a high of 787 in 1969 and will decline to 182 by the end of fiscal year 1973.

ASSISTANCE FROM OTHER DONORS

Over the years nearly 50 nations have provided some form of assistance to South Vietnam. In monetary terms the total has been small compared with the U.S. contribution. Last year, however, total aid from other nations and international institutions jumped from $38 million in 1970 to $78 million in 1971. Slightly over 50 percent of the funds in 1971 were provided by Japan, with Germany, France, Australia, Canada, and the United Kingdom also contributing. The Asian Development Bank made its second loan ($2.5 million) in 1971 while the UN Agencies offered assistance for a variety of projects. This is an encouraging sign. We shall do everything possible to foster the continuation of this trend.

FUTURE AID LEVELS

We expect that future supporting assistance levels can be gradually reduced after fiscal year 1973. The economic policies which the Government of Vietnam has set in motion during the past year have laid a sound basis for future progress. Also, reductions in U.S. assistance will be hastened if assistance from other donors continues to increase, as it did last year.

JUSTIFICATION MATERIAL

Mr. PASSMAN. Thank you for your statement. We will insert certain justifications in the record at this point.

(The material follows:)

VIETNAM

PROGRAM SUMMARY (In millions of dollars)			
	FY 1971 Actual	FY 1972 Estimated	FY 1973 Proposed
Security Supporting Assistance	376.6	385.0	585.0
Population	(*)	(.3)	(.3)
Total	(376.6)	(385.3)	(585.3)

* Population program of $.2 million funded from Supporting Assistance

SUPPORTING ASSISTANCE
PROGRAM SUMMARY
(millions of dollars)

	FY 1971 Actual	FY 1972 Estimated	FY 1973 Proposed
Commercial Import Program	266.0	313.0	376.0
Economic Support Fund	-	-	50.0
Economic Development Fund	-	-	75.0
Land Reform	15.0	-	15.0
Project Program	95.6	72.0	69.0
Program Support Costs	*	*	*
Total	376.6	385.0	585.0

* These costs are shown as Supporting Assistance Interregional Costs and Administrative Transfer Costs.

OBJECTIVES OF U. S. ASSISTANCE

Within the context of overall U. S. objectives in Vietnam, A.I.D.'s goals are:

-- to help Vietnam to develop its economy in a manner which will lead to eventual economic self-sufficiency;

-- to facilitate Vietnamization by helping the Government of Vietnam to bear the increased costs of the war;

-- to help prevent run-away inflation and severe economic dislocations; and

-- to assist the Government of Vietnam in caring for refugees, civilian causalties and other war victims.

ECONOMIC SETTING

During CY 1971 there was measurable progress both in economic stabilization and in the numerous project activities receiving A.I.D. assistance. Although A.I.D. continued to play a prominent role in stabilization, its other activities in the technical, logistics and war relief fields diminished as the Government of Vietnam assumed more responsibilities. A.I.D. funding of projects dropped by 23% over FY 1970 and A.I.D. personnel stationed in Vietnam were reduced by 13%.

THE ECONOMY: 1971 was marked by further progress in stabilization efforts and the emergence of development as a high priority. The October 1970 reforms were followed by further reform measures in November 1971. The success of these efforts is attested to by the fact that even after the introduction of the November reforms, including exchange rate devaluation, the retail price index for Saigon rose only 14% during CY 1971 as compared to increases of more than 30% annually experienced during the previous four-year period.

The November reforms were the most far reaching and fundamental ever attempted by South Vietnam. A substantial exchange rate devaluation combined with a revised tariff schedule increased the average cost of imports by almost 20%. The increase in the exchange rate should also make exports more competitive, which is essential for long-term self-sufficiency, and special regulations to encourage export growth are being developed.

The Vietnamese President supported the reform measures fully and noted that a new investment law would be submitted to the National Assembly to give special incentives and guarantees for private investments, Vietnamese and foreign alike, and that obstacles to investment and production would be eliminated. He stated that the aims of the new reforms are the development of the economy, the expansion of exports, and the eventual elimination of foreign financial assistance. These are to be accomplished through a more efficient use of resources, by a greater reliance upon the initiative of the private sector, and by a reduction of government administrative controls.

LAND REFORM: On March 26, 1970, the government passed a Land-to-the-Tiller law under which tenant farmers will receive title to the rice lands which they are farming. The area affected will be about 2.5 million acres and will involve approximately 700,000 tenants and 75,000 landowners. The former landowners will be reimbursed by a 20 percent cash payment plus bonds which may be redeemed in equal annual installments over an 8 year period. The purpose of this law, which should virtually eliminate tenancy on rice lands, is to give rural Vietnamese an increased commitment to the defense of their country, as well as provide them with a fairer share of the economic benefits of their own labor. The government plans to implement the program over a 3-year period.

The program got off to a fast start in 1970. The government developed administrative machinery for implementation and trained approximately 4,000 Vietnamese in land registration procedures. By the end of 1971, new titles had been issued for approximately 1,145,000 acres of rice land to over 325,000 new owners (former tenant farmers). Titles have now been issued for approximately 1,300,000 acres to over 438,000 tenant farmers. Substantial payments to former landowners

began in the fall of 1971 and will be accelerated. By December 1971, some 13,000 compensation payments had been made.

Reaction among new owners has been enthusiastic thus far, and the rapid pace of distribution encourages us to believe that the program will make a substantial contribution to the future security and political stability of Vietnam.

AGRICULTURE: Significant progress was made in the field of agriculture during 1971. In addition to increased rice production, Vietnamese agricultural researchers demonstrated the practicality of two new strains of high-yield, high-quality rice. These strains are rapidly replacing the IR-8 and IR-5 varieties formerly imported from the Philippines. Pork and poultry production have increased to the point where imports are no longer required with the exception of some canned products for the Vietnamese army. Considerable progress was made in getting credit to the farmers: 22 private rural banks have been established, loans to farmers more than doubled, and savings and deposits rose nearly 400%. In terms of sector planning, the Ministry of Agriculture developed a 5-year plan. The plan received a thorough critique by an A.I.D.-sponsored team of U. S. experts and is now being refined and transformed into an annual course of action.

PACIFICATION: The Pacification and Community Development Program of 1971 made substantial progress. A responsive political atmosphere is evolving with the strengthening of village and provincial governments as effective channels of political and administrative activities. Also, economic standards have been advanced through the increased emphasis on programs of self-development.

The processes of political development started in 1967

with local elections for village and hamlet representatives, later extended to include provincial and municipal councils. All of the provinces and municipal councils now have elected bodies and 98% of hamlet chiefs and village councils are popularly elected. There is evidence of an increasing level of voter turnout and of larger numbers of candidates running for each office as reelections are being held. These self-governing bodies are assuming progressively greater responsibility. To further this development the Central Government has submitted to the National Assembly legislation granting greater autonomy to local government and has proposed a simplified uniform tax system designed eventually to make local government independent of national subsidies.

While the Central Government continues to finance the Rural Public Works program, it is essentially administered by province and village authorities. This program was designed to encourage social and economic self-development at the village level. In 1972, the villages are being required to furnish one-third of the cost of these projects. By 1974, the villages must support the total cost of these projects from village tax revenues.

WAR VICTIMS: Of the 3.8 million persons registered as refugees since 1965, 1.9 million have now returned to their original villages and 1.8 million have received benefits for resettlement elsewhere. Preparations were made for the voluntary resettlement of refugees from economically non-viable refugee sites in Military Regions I and II to rural areas further south, where the displaced families can resume their normal agricultural pursuits. The first such voluntary relocation was carried out in January 1972, when 1400 refugees were moved from Ha Tan in Quant Tri Province, just below the Demilitarized Zone, to a large rural area in Phuoc Tuy Province in MR III.

The continuing progress made by the government in the implementation of the joint use of military and civilian hospital facilities and personnel has enabled the phase-out of U. S. military supported medical teams to proceed on schedule. Significant progress was also achieved by the government in the production of prosthetic and orthotic devices at the facilities of the National Rehabilitation Institute. Production in 1971 was 10,584 as compared to 7,135 in 1970. These accomplishments reflect the concerted effort being made toward Vietnamization of the medical care program.

PROPOSED A.I.D. PROGRAM

FY 1973 Stabilization Assistance

	FY 1971 Actual	FY 1972 Estimated	FY 1973 Proposed
Commercial Import Program	266	313	376
Economic Support Fund	-	-	50
(PL 480 Title I) *	(110)	(115)	(125)

*Figures are on a shipment basis.

Vietnamization of both the war and the economy can only be accomplished with an adequate level of economic assistance. As the South Vietnamese take on more of the fighting, they divert more resources from internal production to military expenditure. Beyond this the nation's foreign exchange earnings, from the purchase of piasters by U. S. military forces, are declining as our forces are withdrawn. Since these earnings now finance a large share of the imports necessary to offset the shift in domestic resources to the Vietnamese military effort, this loss must be compensated to prevent the economic situation from deteriorating. Economic assistance, by providing the external resources to help maintain relative price stability and adequate levels of personal consumption for the Vietnamese, and by permitting increased investment and production, is a vital aspect of Vietnamization, especially at this

time when economic development is being given increased priority.

Economic assistance in the form of imported commodities is also an important element in creating the climate necessary for economic reconstruction and growth, without which Vietnam's move toward economic self-sufficiency would not be possible. The country's economic potential is great, both in terms of its rich agricultural lands and the vitality and resourcefulness of its people. Moreover, the economic reforms which the government initiated over the past year are designed to accelerate private investment, production, and exports. Success of this program will depend in considerable measure upon the level of external resources made available to the country over the next few years.

Several changes in U.S. economic aid are proposed in order to fulfill the multiple role of supporting South Vietnam's ability to take on an increasing share of the military burden, maintain price stability, and rebuild and expand the Vietnamese economy. First, the Commercial Import Program (CIP) will be increased from $313 million in FY 1972 to $376 million in FY 1973. As in prior years, the CIP will be used to finance essential imports such as 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 helping to meet Vietnam's resource requirements and thereby to hold inflation in check and permit essential development activities to be carried out.

PL 480 Title I commodities will be used to the maximum extent possible. Shipments of cotton, edible oils and tobacco will be increased, although rice shipments will continue to decrease.

In FY 1972, $150 million of U.S. assistance to finance imports was proposed to be provided through an Economic Support Fund (ESF). The ESF was designed to offset the rapid decline in estimated FY 1972 Department of Defense

(DOD) expenditures and personal accommodation piaster purchases in Vietnam as a result of accelerated troop withdrawals. Because of the reduction in the FY 1972 Supporting Assistance request, it was necessary to postpone implementation of this portion of the program.

However, $50 million is proposed for the ESF in FY 1973. The funds will be obligated in an agreement between the United States and the Government of Vietnam. Under the terms of the agreement, releases from the fund will be determined by Vietnam's resource needs in carrying out stabilization and economic development programs while Vietnam assumes increased military responsibilities. Periodic reviews will be held to evaluate government economic policies and programs. The funds will be made available for the unrestricted purchase of goods and services, the same basis on which U.S. dollars are now made available when used to purchase piasters.

PL 480 Program

	FY 1971	FY 1972	FY 1973
	(In Millions of Dollars)		
Title I (Sales)	110	115	125
Title II (Grants)	10	5	5
Total	120	120	130

(Note: All figures are on a shipment basis.)

PL 480 Title I commodities are sold on the local market and, like CIP goods, generate local currency proceeds, most of which help to defray the piaster costs of the war. In FY 1973, the program will consist mainly of items such as corn, cotton, SCM, NFDM, soybean oil, tobacco and wheat.

PL 480 Title II grant food is used mainly to improve nutrition and health for pre-school and school-age children, to support social and economic development

through self-help efforts on the part of the Vietnamese, to sustain Vietnamese whose normal patterns of livelihood are temporarily disrupted by war, and to assist those needy Vietnamese who, as a result of the war, disease, or other factors, are unable to provide for their basic food needs.

Economic Development Fund

	FY 1971 Actual	FY 1972 Estimated	FY 1973 Proposed
Economic Development Fund	-	-	75

In further support of recent government reforms and in acknowledgment of the Government's desire to achieve greater economic growth, $75 million is proposed for an Economic Development Fund in FY 1973. The money will be used (1) for support of intermediate credit institutions for lending to private investors for approved investments and (2) for a variety of infrastructure development projects to be undertaken by the Government.

Private Sector Development ($50 Million)

The government will make loans, backed by dollars, in piasters to qualified intermediate credit institutions (ICI's) such as the Industrial Development Bank, the Agricultural Development Bank, SOFIDIV, Credit Commercial, etc., for medium term credit to local investors. Interest has been shown in farm equipment, cold storage, fishing boats, textiles, food processing. On March 1 the Economic Development Fund was established with an initial capitalization of 10 billion piasters. It is hoped that the establishment of this fund and the U.S. contribution will encourage other nations and organizations to do likewise.

Public Sector Development ($25 Million)

On the public side, proposals are expected for municipal

water and power systems, air transport, fishing ports and bridges. There are at least three public sector projects which are either on-going and should be expanded or have had sufficient feasibility and design work accomplished so that they are ready for implementation. A project data sheet has been included for the entire Economic Development Fund.

FY 1973 Project Assistance

	FY 1971 Actual	FY 1972 Estimated	FY 1973 Proposed
Agriculture	7.3	4.9	5.2
Education	4.6	3.2	2.3
Industry - Labor	1.8	1.5	1.1
Logistics	4.0	2.3	1.2
Public Administration	3.1	3.9	3.8
Public Health	19.6	12.4	9.4
Public Works (Engineering)	8.5 1/	5.5	15.8
Rural Development	2.4	.5	.5
Refugees (War Victims)	3.8	1.7	1.0
Public Safety	9.5	8.8	6.8
Technical Support	29.8	26.9	22.2
Miscellaneous	1.2	.7	.0
Total	95.6	72.3	69.3
Land Reform	15.0	-	15.0

1/ Includes projects formerly listed under Urban Development

The project program will continue to decline in FY 1973, although at a somewhat slower rate than last year, since A.I.D. will finance certain activities formerly funded by DOD. This additional requirement falls in the public works sector and is discussed below along with details of each major sector. Without this addition,

VIETNAM

A.I.D.'s project program would have declined 22% to a total of $58 million.

In Agriculture the emphasis will continue to be on crop production and the increasing need to expand irrigation. A.I.D.'s efforts on behalf of animal production will be less in FY 1973, because of the progress being made by the Vietnamese in raising poultry and swine. The slight overall increase in funds for agriculture in FY 1973 over FY 1972 reflects some increase in efforts to search for new crops in order to diversify a predominantly one-crop (rice) culture, to increase productivity through the expanded use of irrigation, and to help insure the flow of agricultural production through better marketing methods. We hope to do this while employing approximately the same number of Americans as in FY 1972.

In the field of Education the emphasis will continue to be on higher education, but with a general reduction of funds in all areas as the Vietnamese become more capable of meeting their needs in this sector. By FY 1973 A.I.D. assistance in secondary education will be completed, and during the year assistance to vocational education will phase out. The scholarship program is winding down, as are some of A.I.D.'s activities in the field of specialized higher education (engineering and agriculture). By FY 1974 a small advisory staff will concentrate on education planning and higher education.

In the fields of Industry and Labor assistance will continue on a slightly reduced level as compared with FY 1972. This should not be taken as a sign that progress is adequate in these areas. Greater progress is needed, especially in the industrial field and, consequently, A.I.D. support is proposed for a Vietnamese Development Fund which will make loans through intermediate credit institutions for private industrial undertakings. (See above ; Economic Development Fund.) Technical assistance for FY 1973 is proposed for the new Develop-

ment Fund, the intermediate credit institutions, and for manpower planning and trade union activities through a contract with the Asian-American Free Labor Institute.

In Public Administration A.I.D. will continue to support approximately the same number of activities undertaken in FY 1972, and at about the same level of funding. These include training of local government officials, training and upgrading of central government officials, improvement of customs and tax collections administration and management, better statistical services, and installation of long-range development planning capabilities at various levels of government.

The Vietnamese capacity to meet their own health needs continues to expand as over 200 doctors and 200 nurses and other medical personnel are graduating annually. As a result, A.I.D. assistance in the field of Public Health will be reduced by at least 25% in FY 1973. This sector still remains large, however, primarily because of the continuation of an extensive program of medical and dental education, performed under contract by the American Medical Association and American Dental Association respectively, and the continued need to fund substantial amounts of medical supplies and equipment for all public hospitals and clinics. By FY 1975 the medical education program will be virtually completed, and by that time we plan to have transferred most of the funding of medical supplies to the Vietnamese. A.I.D.'s program in FY 1973 continues assistance for civilian war casualties, for the National Rehabilitation Centers, and for the Children's Medical Relief International.

In Logistics by FY 1973 separate projects for assistance to ports, warehouses and maintenance will be concluded. There will remain an advisory staff to assist the Vietnamese Central Logistics Office and to help control the flow of supplies for all A.I.D.-funded programs.

As noted above, only in the field of Engineering and

VIETNAM

Public Works is there a significant increase over FY 1972. This is occasioned solely by assistance to national highway maintenance formerly funded by DOD. Over the years, DOD has helped build and maintain a vast network of roads throughout South Vietnam, important to the military effort and as lines of communications. As U.S. forces are withdrawn, this road network will continue to be of major importance to both the Army of the Republic of Vietnam and the civilian economy. Maintenance of the road network at present is more than the government can technically, financially or organizationally shoulder by itself. In order to preserve the extensive U.S. investment in this important asset, A.I.D proposes to contribute equipment, both new and excess, as well as technical assistance, in order to help the Director of Highways develop the capability to cope with the problem. It may take as long as four years of declining A.I.D. assistance to develop the Government's capacity to handle this on its own. The remainder of the funds for this sector will be needed to complete projects involving electric power, rural water, and dredging, with all except dredging to be terminated by June 30, 1973.

Under Rural Development, a program in which A.I.D. contributes personnel and training funds to the Civil Operations and Rural Development Support (CORDS) program, A.I.D. will continue to provide a few technicians and to finance about 50 short-term participants.

Another major A.I.D. contribution to pacification is the Public Safety program. In FY 1973 this program will continue at a reduced level with 22% fewer funds and 30% fewer Americans. This program assists the National Police in maintaining and operating a nationwide police telecommunications system, in training a police force of over 100,000 men, and in operating and improving 42 correctional centers.

A.I.D., also under CORDS, supports the Government Refugee Relief Program with supplies and advisors. A.I.D.'s direct-hire personnel will drop from 35 to 15 in FY 1973 as the Vietnamese continue to take over an increasing portion of the program; supplies and contracts with voluntary agencies will become negligible from a funding viewpoint, with the Government of Vietnam assuming virtually full responsibility.

The level of Technical Support projects which assist all USAID and CORDS projects in terms of personnel and common use commodities will be reduced significantly in FY 1973 as the number of U.S. personnel in the project program declines. The funding level will fall 25% and personnel will drop 27%. These funds provide administrative and management support to all A.I.D. people working on the project program, including the expenses of maintaining their families in safehaven posts.

NON-U.S. ECONOMIC AID

The Vietnamese and the United States have encouraged other nations to assist Vietnam with its foreign exchange requirements. Some additional financing is beginning to come forward in the form of project assistance, and we are continuing to encourage other countries to do more. In CY 1971 other foreign assistance reached a total of $78 million, more than double the amount contributed in 1970. Bilateral assistance from other nations was $68 million in 1971, while international institutional aid was approximately $10 million. The Government recently formed a committee of all foreign representatives and appropriate international agencies in Vietnam which now meets monthly, under the direction of the recently established Planning Ministry, to discuss priority projects and financial requirements. President Thieu has requested financial contributions from outside sources to the new Economic Development Fund. However, based on our experience in Korea and elsewhere, other

funds are most apt to be forthcoming when security has been largely restored and when a start has been made toward viable economic development.

REIMBURSEMENTS FROM THE DEPARTMENT OF DEFENSE (DOD)

DOD will continue to reimburse A.I.D. for certain activities directly related to the military effort. Basically, DOD uses the services of certain A.I.D. employees and A.I.D.'s organizational capabilities in Vietnam to assist it in such fields as national highways, public safety and the defector program known as Chieu Hoi. In FY 1971 these reimbursements totaled $67 million. In FY 1972 they were an estimated $59 million. In FY 1973, in keeping with greatly reduced U.S. force levels, DOD will cut back these activities to about $12 million.

U.S. PERSONNEL

The reduction in the total number of American employees stationed in Vietnam is continuing. During FY 1971, the manpower ceiling was reduced from 1,830 to 1,646. We are now planning a further reduction to 1,133 during FY 1972, and to 822 in FY 1973. The Vietnam staff in Washington is also being reduced steadily with a target of 150 at the end of FY 1972 as compared to 460 in FY 1968.

Country: VIETNAM

SUMMARY OF PROGRAM BY FUNCTION

(Dollar Amounts in Thousands)

TABLE II

Category	Actual FY 1971				Estimate FY 1972				Proposed FY 1973			
	Total	Tech. Assist.	Supp. Assist.	Population	Total	Tech. Assist.	Supp. Assist.	Population	Total	Tech. Assist.	Supp. Assist.	Population
Development Loan Program		XXX	XXX	XXX		XXX	XXX	XXX		XXX	XXX	XXX
Programs Other than Devel. Loan												
Project Assistance												
U.S. Technicians	59,485		59,420	65	50,526		50,437	89	49,232		49,129	103
Participants	4,108		4,035	73	3,902		3,795	107	3,301		3,225	76
Commodities	24,317		24,221	96	13,682		13,553	129	13,978		13,811	167
Other Costs a/.	22,764		22,760	4	4,215		4,215	-	17,835		17,835	-
Total Project Assistance b/.	110,674		110,436	238	72,325		72,000	325	84,346		84,000	346
Method of Financing												
Project Assistance												
Direct A.I.D.	87,799		87,561	238	58,139		57,841	298	65,231		64,920	311
Other Agency	4,449		4,449	-	3,835		3,808	27	3,423		3,388	35
Contract	18,426		18,426		10,351		10,351	-	15,692		15,692	-
Economic Support Fund	-		-	-	-		-	-	50,000		50,000	-
Economic Dev. Fund	-		-	-	-		-	-	75,000		75,000	-
Program Assistance	265,981		265,981	-	313,000		313,000	-	376,000		376,000	-
Total Other than Devel. Loan	376,655		376,417	238	385,325		385,000	325	585,346		585,000	346
Total Assistance c/.	376,655	XXX	XXX	XXX	385,325	XXX	XXX	XXX	585,346	XXX	XXX	XXX

NUMBER OF U.S. TECHNICIANS (Program Overseas)

TYPE OF TECHNICIAN	On Duty At Close of Year		
	Actual FY 1971	Estimate FY 1972	Proposed FY 1973
A.I.D. employed	1,248	1,003	745
Participating agency	108	95	53
Contractor technicians	293	233	182
Total	1,649	1,331	980

NUMBER OF PARTICIPANTS

TYPE OF PARTICIPANT	Programmed During Year		
	Actual FY 1971	Estimate FY 1972	Proposed FY 1973
Non-contract	1,039	1,136	1,092
Contract	-	-	-
Total	1,039	1,136	1,092

SUMMARY OF PROGRAM BY FUNCTION

a/ Includes $15.0 million for Land Reform "Land to the Tiller Program" in FY 1971 and FY 1973.

b/ Figures exclude DOD funding.

c/ Excludes approximately $4 million per annum of transfers to Administrative Expenses in accordance with Section 610 (b) of the Foreign Assistance Act. Also excludes program support which will be shown as Supporting Assistance Interregional costs in FY 1971, FY 1972 and FY 1973.

Mr. PASSMAN. We will now ask some questions.

FISCAL YEAR 1973 REQUEST

As I check the record, it would appear that your fiscal year 1973 estimate for supporting assistance for Vietnam is $585 million; is that correct?

Mr. NOOTER. That is correct.

Mr. PASSMAN. That is $200 million more than the amount allocated to this same program last year, is it not?

Mr. NOOTER. That is correct.

Mr. PASSMAN. I would assume, Mr. Nooter that you have a workable program going under your supporting assistance for Vietnam, do you not?

Mr. NOOTER. Yes, we do.

Mr. PASSMAN. I think we have always agreed, supported by Dr. Hannah and many others, that there is an asking price and a taking price.

I would assume, borrowing that expression from Dr. Hannah, we are now dealing with your asking price.

Mr. NOOTER. We are dealing with our request, yes, sir.

Mr. PASSMAN. I know. The request is one thing. You can always say "request". Do you remember Dr. Hannah's direct response to my question: "This is the asking price, we will arrive at the taking price subsequently." Do you remember that answer?

Mr. NOOTER. I do remember that exchange.

Mr. PASSMAN. That is why I ask that question; this is your asking price at this time?

Mr. NOOTER. That is correct.

Mr. PASSMAN. Thank you very much.

What did you request last year for this area?

Mr. NOOTER. We requested $565 million for Vietnam last year.

Mr. PASSMAN. $565 million. Your actual program is $180 million less than your asking price last year, but you were very fair in saying that you do have a workable program.

Mr. NOOTER. Yes, sir.

Mr. PASSMAN. You are very fair about that. Of course that demonstrates, as we all know, that we are dealing with a guessing game. It is one of the things we have to contend with, knowing there is an asking price and the taking price is always substantially below the askng price.

We understand that is one of the facts of life. We have to make the record on that score.

Mr. NOOTER. Mr. Chairman, if I could——

Mr. PASSMAN. Sure.

Mr. NOOTER. There are some good and valid reasons for these differences and for the request this year.

Mr. PASSMAN. I am sure there must have been some good reasons, or they appeared to be good, for submitting this inflated request last year. I am sure all this request is considered valid at the time it is presented to the committee.

It follows, nevertheless, that this subcommittee has reduced the for-

eign assistance program for the last 17 years 21 percent, or some $13 billion below the asking price.

In arriving at the taking price, we still overfund programs. We would not think there is anything more sacred about your program than all the others.

LONGER TERM DEVELOPMENT OF VIETNAM

On page 1 of your statement you state, and I quote:

> The objectives of the economic program in Vietnam remain essentially the same as last year except for a shift in emphasis to longer term economic development so that U.S. economic assistance can eventually be phased out.

Now what do you mean, "shift in emphasis to longer term economic development"?

Mr. NOOTER. Mr. Chairman, if we are to reduce the economic burden that we have been bearing in Vietnam during its efforts in the war, Vietnam is going to have to have economic growth which will permit it to take on these burdens and permit our aid to phase out.

We have been working to get the Vietnamese economy moving so that it can take on that burden. By economic growth we mean that the Vietnamese economy must become more productive, to produce the things that they now need to import so they will not have to be financed by us or imported from the outside.

VIETNAMESE STANDARD OF LIVING

Mr. PASSMAN. I believe that the Indochina area has had a civilization there for some 4,000 years, have they not?

Mr. NOOTER. Yes, they have.

Mr. PASSMAN. And over the 4,000 years one generation after another has become accustomed to a certain standard of living, have they not?

Mr. NOOTER. Yes, that is true.

Mr. PASSMAN. I think if we look at our country, we are only about 183 years old, if we look at the date the Constitution was adopted.

Mr. NOOTER. That is correct.

Mr. PASSMAN. Where did we ever get it in our minds that we must go out in the world and train these people to expect caviar, pink champage, and steaks and get them accustomed to a standard of living that they have not enjoyed during the past 4,000 years and one they cannot possibly maintain in subsequent years?

Do you not recognize that that is the predicament we have put these people in by pouring all this money into that country?

Mr. NOOTER. The standard of living in Vietnam is still very modest.

Mr. PASSMAN. Modest by whose standards?

Mr. NOOTER. The average per capita income is $175. This is certainly modest in terms of other countries around the world.

Mr. PASSMAN. But do you not have to associate that $175 with what it would buy? Per capita income of $175 will give you a good living in certain areas of the world. That is one of the oldest misnomers that always pops up in these examinations, the per capita income.

Now if you use per capita income or a standard, you have to take a second look and see what it will provide, is that true?

Mr. NOOTER. That is true.

Mr. PASSMAN. You have to relate it to something, but it follows, nevertheless, that these people are enjoying luxuries that they did not even dream of 25 years ago. It was decided that South Vietnam should have a TV program, so we set up one neighborhood TV as an experiment. We had the broadcasting facilities in an airplane, I believe, flying around. Do you remember that?

Today, TV's are just about as common in Saigon as in Washington, are they not?

Mr. NOOTER. Not that common, but there are some.

Mr. PASSMAN. Do we not just actually have thousands of TV sets in that area?

Mr. NOOTER. I think there are probably thousands of TV sets in that area.

Mr. PASSMAN. That is a lot of TV sets when you compare it with a city the size of Saigon.

I give that example to point out that we are helping these people to expect something that they cannot have in the future unless we continue pouring our resources into that country.

PURPOSE OF U.S. AID

Mr. NOOTER. Our aid, Mr. Chairman, is principally to help the Vietnamese carry on the war and is not for the purpose of raising their standard of living. I think that should be pointed out for the record.

Mr. PASSMAN. Point anything out you want for the record. I know this land reform program you people got started out there on the premise that you are pumping this money into Vietnam only to hold down inflation. Unfortunately, you people got by with that program. I think it was wrong. To check inflation in Vietnam, you created inflation in the United States.

By that process we are slowly but surely pricing ourselves out of the world market, and we are slowly but surely continuing to increase our balance of payments deficit. It has reached the point now to where we have a deficit in our balance of trade. We actually have about a $2 billion trade deficit, the first one that we have had since 1888, notwithstanding that situation, the requests for foreign aid grows and grows. This year it is reaching frightening proportions.

Every agency that we have heard so far, every arm of the aid program has a greatly increased request. On top of that, they have just about tripled what they want in the multilateral organizations.

Most of the questions we are going to ask as in past years, are going to be very direct, but we must do it because the U.S. economic situation is growing worse.

Under the rules by which we are proceeding, each member is entitled to consume 5 minutes before the detailed examination proceeds.

Now, a clever witness can take a 10-second question and give a 7-minute answer. So when you answer the question, remember we are operating under the 5-minute rule.

Mr. NOOTER. We will abide by that.

Mr. PASSMAN. I will yield to Mr. Shriver at this time.

Mr. SHRIVER. Thank you, Mr. Chairman.

Before I get into your statement and the justifications, I would like to have your reactions to a report released December 16, 1971, by the House Committee on Government Operations, entitled "Vietnam and the Hidden U.S. Subsidy."

Are you familiar with that report?

Mr. NOOTER. Yes, I am.

VIETNAM'S RATE OF EXCHANGE

Mr. SHRIVER. The committee recommended that our Government immediately negotiate with the government of Vietnam a unified rate of exchange encompassing the official and accommodation rates to be set realistically, and as soon as possible or near the free market level.

Do you agree with that recommendation?

Mr. NOOTER. Yes, and it has been implemented.

Mr. SHRIVER. What has been done?

Mr. NOOTER. The rate for official U.S. purchases of piasters, mainly by the Defense Department, but by some other U.S. agencies as well, was changed to the highest legal rate. It is now 410 piasters to the dollar. This is something that we had been working toward for as much as a year and a half.

As soon as it was possible within the budget limitations and the exchange rules in Vietnam, we did act with the Vietnamese. The U.S. now receives the highest rate and it will continue to receive that rate, including any upward adjustment in response to market conditions.

EFFECT ON U.S. BALANCE OF PAYMENTS

Mr. SHRIVER. The report then recommends that the State Department determine the extent to which the present unrealistic official rate of exchange has contributed to United States balance of payments deficit and its cost to the American taxpayer, and that the information should be sent to Congress as soon as possible. Have those figures been compiled?

Mr. NOOTER. The only information we were able to obtain on that was a Treasury Department estimate of total balance of payment effects for the year 1970, I believe. That information was forwarded to the committee.

Mr. SHRIVER. This committee?

Mr. NOOTER. No, to the Government Operations Committee. There is an extremely complicated calculation including one that was done for 1970 by a large group of people.

Mr. SHRIVER. Could you not summarize it for the record then?

Mr. NOOTER. Yes. Briefly——

Mr. SHRIVER. Not now. You can do it for the record.

Mr. NOOTER. All right.

(The information follows:)

AID procurement is almost totally of U.S. origin. That part which is purchased from third countries is purchased with tied letters of credit. Thus, there is no net effect of this program on the U.S. balance of payments. Moreover, the local currency expenditures of the AID operation in Vietnam are financed from counterpart generations through the export of U.S. goods as noted above, under CIP and Public Law 480 programs. The major U.S. balance of payments impact from Vietnam programs therefore comes from the Department of Defense expenditures related to the war. With regard to the overall effects on the U.S. balance of

payments, Assistant Secretary of the Treasury Rossides testified before the U.S. Government Operations Committee on August 5, 1971 as follows:

"Although it is difficult to make a clear-cut distinction between expenditures relating to Southeast Asia support and other increases, it is estimated that in fiscal year 1970 roughly 1.5 billion of total direct U.S. defense balance of payments expenditures of about $5 billion were associated with the Vietnam war.

"It is necessary to emphasize that figures on U.S. defense balance of payments costs of Southeast Asia are estimates. Accounting records are not maintained to determine the amounts of expenditures that are Southeast Asia related.

"The expenditure estimate of $1.5 billion would encompass all of the categories of DOD expenditures entering the international balance of payments to include expenditures by U.S. military, civilians and dependents (including expenditures for goods and services by nonappropriated fund activities), employment of local nationals, procurement of equipment, construction costs, procurements of materials and supplies, including petroleum operation and maintenance costs, and other miscellaneous payments. In this respect, it is estimated that approximately one-third of the $1.5 billion in estimated SEA expenditures would be expenditures related to personal spending by U.S. personnel and the remaining two-thirds associated with other expenditures of the nature outlined above.

"The above SEA cost estimate is based on direct DOD balance of payments expenditures. In addition, it may be expected that there are indirect effects which would impact on the U.S. payments position; however, there is considerable question as to what the dollar amounts might be. Attempts to measure indirect effects generally lead to such a wide range of estimates as to seriously question the validity of any single estimate."

EFFECT OF CURRENT NORTH VIETNAM INVASION ON SOUTH VIETNAM ECONOMY

Mr. SHRIVER. You briefly mentioned the current North Vietnamese invasion of the south in your statement and you express the belief that the economic effects will not be serious. How do you explain that estimate?

Mr. NOOTER. I believe I conditioned that. The economic effects will depend on how long the offensive by the north goes on, and how far it extends around the country. So far the effects have not been very substantial. Rubber production in Binh Lon Province has been affected; obviously here has been disruption in the northern part of the country. But the main economic life of the country in the populated areas has not yet been disturbed in serious fashions.

Mr. SHRIVER. You have not changed any of the viewpoints as presented in your justifications for recommended programs as a result of this offensive and you do not anticipate any?

Mr. NOOTER. Not at this time, not unless the situation changes substantially.

Mr. SHRIVER. I note my 5 minutes have been taken and I thank you, Mr. Chairman.

SUCCESS OF VIETNAMIZATION PROGRAM

Mr. PASSMAN. Let me say for the record, each member of this subcommittee is an individual within himself. He has his own ideas. We always respect the views of the other members, but we are very free to express our own views.

I think the President is doing a tremendous job winding down the war in Vietnam. I never gambled on numbers, but I am fascinated by numbers and figures. When he assumed command, there were 549,000 troops in Vietnam; the troop level will be down to about 69,000 on May 1. That action indicates he is concluding the war. I think he made

a courageous decision when he indicated to the Communists to the north, that they violated every agreement that was made and they were going to try to create a blood bath among the remaining U.S. troops and the United States was not going to allow it.

He called their bluff and started increasing the air strikes. I think it was the right decision. We will take a brief recess to go answer the bells.

(Recess.)

ANTI-NARCOTICS CAMPAIGN IN VIETNAM

Mr. PASSMAN. The committee will come to order.

On page 7 of your statement, starting with the second sentence, "During 1971, President Thieu initiated an antinarcotics campaign and gave it a very high priority. A special Commission for the Eradication of Drugs and Smuggling was established and police procedures have been tightened at likely ports of entry. In 1971 over 270 pounds of heroin and 1,000 pounds of opium were confiscated and more than 6,000 arrests were made. Several high officials were sentenced, including a house deputy."

What is the situation there now on this drug matter?

Mr. NOOTER. It is better, but it still leaves something to be desired. I am not going to say drugs are not available to U.S. troops remaining in Vietnam, but the situation is beginning to be brought under control. There is still a lot of work to be done. The Vietnamese are making an effort. Vice President Ky has special powers in this whole field and he is trying to bring his prestige to bear on the problems.

Mr. PASSMAN. What are the usual sentences when a man is convicted of trafficking in dope in Vietnam?

Mr. NOOTER. In the case of the deputy who was sentenced, he received a 7-year sentence.

Mr. PASSMAN. Suspended from the House?

Mr. NOOTER. Yes, he is suspended from the House.

Mr. PASSMAN. Now, were any high-ranking military officers convicted?

Mr. NOOTER. Not to my knowledge.

Are you aware of any?

Mr. ASKEW. No, I am not.

VIETNAM EXCHANGE REVISION

Mr. PASSMAN. On page 9 of your statement, you say:

> The principal factor which permitted our reduced assistance to successfully contain inflationary pressures was the higher than expected purchases of piasters by both the Department of Defense and by individual U.S. soldiers for their personal use.

What created this increase in the purchase of the piasters?

Mr. NOOTER. The Vietnam exchange revisions that took place over the past year and a half gave our soldiers a much more favorable rate of exchange. Their personal spending then increased far more than we had estimated that it would.

The Defense Department official expenditures also proved higher than we estimated. This is what permitted us to get by last year in spite of the cut made in economic aid.

Now we do not see that——

Mr. PASSMAN. Have you not had cuts every year?

Mr. NOOTER. Yes, we have.

Mr. PASSMAN. And you have gotten by very nicely, even though you predicted doom?

Mr. NOOTER. Well, we did get by this year, but it has been very tight.

Mr. PASSMAN. You said you had a satisfactory program.

Mr. NOOTER. That is correct.

Mr. PASSMAN. And of course you have to give some reason why it is satisfactory after we cut over $200 million out of the total program.

VIETNAM REFUGEE RELIEF PROGRAM

Now on page 14 of your statement, you state:

> With the thousands of persons being made homeless because of the North Vietnamese invasion, it is not clear at present that we can confine our contribution to the refuge program to the $1 million presently programed.

I would think the South Vietnamese would take care of their own refugees.

Mr. NOOTER. They are taking care of them by themselves to a very large extent. So far we do not know that we will need any more AID money in this year. We will need some more money for Public Law 480 title II food for these refugees, but that is not in this request.

Mr. PASSMAN. Do they attempt to utilize the services of these refugees once they have gone south?

Mr. NOOTER. Utilize?

Mr. PASSMAN. I am talking about using them as a labor force.

Mr. NOOTER. The first effort is to feed them and provide them with the basic necessities. If they remain refugees long enough and are not able to return to their homes, then the Vietnamese Government tries to help them try to find some sort of work or livelihood.

On the whole, they have not used refugees in work gangs.

Mr. PASSMAN. They have a scarcity, do they not, of laborers in the rice fields and in other areas?

Mr. NOOTER. In some cases that would be true.

Mr. PASSMAN. Perhaps some refugees are living off handouts from either a foreign government or the local government, and they may be living better than they did when they worked for a living and they are reluctant to go back to their original homes or places of employment.

Do you not find that to be true?

Mr. ASKEW. Yes, Mr. Chairman. However, most of the refugees I have seen are women and children or old people. There are very few able-bodied men among them, because they are already in the Army or they have been caught up in the war in some other way.

Then of course, when the refugees cannot return to their homes right away, the government does start to try to find land for them to settle on. There are a few very interesting programs of this sort going on right now, one in Binh Tuy Province.

Mr. PASSMAN. I am looking at the Washington Post of Sunday, April 16, 1972, and it says:

"Tens of thousands of these people have been stagnating in camps in Quangtri Province since U.S. Marines forcibly moved them in 1967."

Now why did the Marines have to forcefully move them? Did they become accustomed to these stipends and commodities and just did not want to return to their homes?

Mr. NOOTER. No, sir. Some of these people were moved out of the demilitarized zone, in order to clear that area.

On the whole, the refugees consistently do wish to return to their homes. That is their first preference. Sometimes it is hard to get them to resettle in some other area, because they prefer to wait to see if they cannot get back to their original homes.

EMPLOYMENT OF REFUGEES IN VIETNAM

Mr. PASSMAN. They are not working for a living?

Mr. NOOTER. Many of them find employment. Some of them work at U.S. bases, at our own installations. This is particularly around Danang. Some of the refugees have moved into the southern part of the country, some of them wait until they can return to their own home areas.

Mr. PASSMAN. But the gentleman supported my statement that in a lot of instances these refugees, when they get into these camps, they are able to rest, the food is good, and they like it better than they do working for a living.

We experience that in our own country. You have millions of people who no longer work for a living in the United States. Some are so lazy they can hardly dress themselves in the morning.

We have the welfare programs. They can put up a few dollars, and get a large quantity of food stamps. They are living as good as I am but not working as hard.

You should not get these people accustomed to surviving on these U.S. dollars.

Another quote from the same article:

GAO REPORT ON VIETNAMESE REFUGEES

The GAO report, the fourth in a series of war-related problems in Indochina—charged that payments to which war victims were entitled were not always made promptly, facilities for refugees were often inadequate and many sites "were stereotyped" and not designed to meet specific needs. We observed that schools were built and that wells were dug, yet the one overriding need of most of the refugees has not been provided: * * * land to farm.

Will you explain that?

Mr. NOOTER. I think the reference in the last instance is to the problems of adequate land to farm and to employment. On the whole, the rations for Vietnamese refugees are quite austere. We think they are adequate but not luxurious by any means. They are time limited, to a 6 months' period. After that refugees do have to fend for themselves. We are aware that otherwise they might tend to stay on the dole indefinitely, but that is not the case in Vietnam.

Mr. PASSMAN. Off the record.

(Discussion off the record.)

Mr. PASSMAN. I want to yield to the distinguished gentleman from Maine, Mr. Hathaway.

OTHER DONOR ASSISTANCE TO VIETNAM

Mr. HATHAWAY. Thank you, Mr. Chairman.

I was concerned about the other countries that you are trying to get to participate in our effort in South Vietnam.

You made the general statement that we should do everything possible to foster the continuation of this trend. What is "everything possible" that you are doing?

Mr. NOOTER. Well, the Vietnamese Ministry of Planning now has monthly meetings with representatives of other countries, as well as the Asian Development Bank, to talk about aid requirements and to coordinate the aid that is being provided or planned by other donors.

They are also working now on a development plan which will attempt to set priorities for different projects. This is one of the things which most countries find necessary in order to schedule aid and make it available. Both the Vietnamese and we have had many, many conversations with the Japanese, who have been doing much more this year in South Vietnam. Their contribution in 1971, in that calendar year, is something slightly over $40 million, a large increase from any previous year.

Mr. HATHAWAY. Are we getting more countries involved or just the same countries giving more?

Mr. NOOTER. There have always been a large number of countries involved, mainly through small amounts of humanitarian aid. Now the Japanese are doing more and a few other countries, such as Australia and Germany are beginning to do a little more.

The Asian Development Bank has begun to make loans to Vietnam. The World Bank has not yet begun doing business there, but hopefully, if the security situation were to improve, the World Bank would be a big addition to the list.

FUTURE SUPPORTING ASSISTANCE LEVELS FOR VIETNAM

Mr. HATHAWAY. You also mention that you expect future supporting levels to be reduced——

Mr. NOOTER. That is correct.

Mr. HATHAWAY. —after this fiscal year. Can you be a little more definite?

Do you mean over 100 years, 10, or what?

Mr. NOOTER. Much depends on the security requirements and the military strength levels which Vietnam will need to support. On the basis of a lot of assumptions, we think our supporting assistance level can begin going down gradually after this year. It will not be able to go down sharply, unless there is a major improvement in the military situation, but it can begin to go down gradually.

I hate to give a final date, but I would just note that when Korea began taking this course and really got its economy going in the early 1960's, after 7 or 8 years we were able to phase out supporting assistance.

Mr. HATHAWAY. I see.

Thank you very much, Mr. Chairman.

Mr. PASSMAN. Thank you, Mr. Hathaway.

COMPARISON OF PROGRAM IN VIETNAM

Mr. Nooter, would you provide for the record a table showing the actual fiscal 1971 program, the fiscal 1972 program, and the estimated program for 1973 showing the amount to be allocated to the five separate programs?

Mr. NOOTER. We will provide that for the record.

(The information follows:)

FISCAL YEAR 1973 SUPPORTING ASSISTANCE REQUEST—VIETNAM

[In millions of dollars]

	Fiscal year 1971 actual	Fiscal year 1972 estimated	Fiscal year 1973 proposed
Commercial import program	266.0	313	376
Economic support fund			50
Economic development fund			75
Land reform	15.0		15
Project program	95.6	72	69
Total	376.6	385	585

ASIAN DEVELOPMENT BANK LOANS

Mr. PASSMAN. Is Vietnam eligible for grants or concessionary loans out of the Asian Development Bank?

Mr. NOOTER. Yes, they are.

Mr. PASSMAN. Have they obtained any funds from the Asian Development Bank?

Mr. NOOTER. They have obtained two loans during the last 2 years for $2.5 million each.

Mr. PASSMAN. Of course in the Asian Development Bank, we are the largest or one of the largest contributors to that institution, are we not?

Mr. NOOTER. I believe the Japanese may be a larger contributor than we are.

Mr. PASSMAN. Is that so?

Mr. NOOTER. Let me get that for the record.

(The information follows:)

The United States and Japan each have contributed equal amounts, $200 million, or 20 percent of the total $1 billion ordinary capital resources of the Asian Development Bank.

Mr. PASSMAN. They may be as large, but not larger.

Mr. NEWMAN. That is right.

Mr. PASSMAN. Of course they automatically become the recipients almost overnight because there is a Japanese president of the Asian Development Bank, is that not correct?

Mr. NEWMAN. That is correct.

Mr. PASSMAN. He is so arrogant, he would not even give the U.S. Director information to which he was entitled. Did you know that?

Mr. NOOTER. No.

Mr. PASSMAN. Vietnam does participate in the Asian Development Bank?

Mr. NOOTER. Yes, they do.

Mr. PASSMAN. Now, is Vietnam eligible for any of these other spigots?

Mr. NOOTER. Vietnam receives Public Law 480 food commodities.

AID–DOD REALINEMENT EXPENDITURES IN VIETNAM

There is also a portion of the Defense Department expenditures which relate to both military and economic aid.

Mr. PASSMAN. That was my next question.

What is the total economic assistance provided by and through the Defense Department? Use the fiscal year 1972 estimate.

Mr. NOOTER. First let me qualify this, because these are things which are financed by the Department of Defense, because of their military significance.

Mr. PASSMAN. I know that. Everything has a military significance as long as we are at war out there.

Mr. NOOTER. That is correct.

The total amount of the items which are called part of the AID–DOD realinement is $70.2 million in fiscal year 1972. That includes funding for maintenance of the primary highway network, certain air transportation costs for the pacification program, and certain medical supplies.

Mr. PASSMAN. A good deal of the pacification program is economic aid?

Mr. NOOTER. It is a combination of civilian and military aid.

Mr. PASSMAN. So what you are listing is identical with some of the things that you do under supporting assistance, are they not?

Mr. NOOTER. Yes. I was starting to say, Mr. Chairman, that we attempt to divide the costs of certain things such as medical supplies between the civilian and the military, based on what we think is a fair pro rata share.

Mr. PASSMAN. I am not quarreling with the way you do it. I want the record to show that these things are the same things that you fund out of supporting assistance.

Mr. NOOTER. Some are things that we also fund out of supporting assistance.

Mr. PASSMAN. Right.

U.S. MILITARY ASSISTANCE TO VIETNAM

In addition to that, you have for Vietnam the military assistance program?

Mr. NOOTER. That is correct.

Mr. PASSMAN. This program was previously funded by this committee, but presently it is funded by the Defense Department, is that right?

Mr. NOOTER. That is correct.

COMPARISON OF FISCAL YEAR 1972 AND FISCAL YEAR 1973

Mr. PASSMAN. Now would you try at this point in the record to prepare a recapitulation table showing the total amount of aid, the

estimate for fiscal 1972 and your projections for fiscal 1973 with all of the spigots included for one grand total?

Mr. NOOTER. We will provide you with a table on that.

(The information follows:)

TOTAL U.S. ASSISTANCE TO VIETNAM

[In millions of dollars]

	Fiscal year—	
	1972	1973
Supporting assistance	385.0	585.0
Public Law 480:		
Title I	115.0	125.0
Title II	5.0	5.0
Total economic	505.0	715.0
Military assistance—service funded	1,844.1	1,561.5
Total U.S. direct assistance	2,349.1	2,276.5

Mr. PASSMAN. Would you also provide a table at this point in the record of the unliquidated funds in all of these categories, in the pipeline, to be disbursed subsequently.

Mr. NOOTER. Yes, we can provide that also.

(The information follows:)

ESTIMATED "PIPELINE"—SUPPORTING ASSISTANCE AND PUBLIC LAW 480

Supporting Assistance:

Estimated funds to be obligated but not finally disbursed as of June 30, 1972 are $369.2 million.

Public Law 480:

Estimated agreements less shipments as of June 30, 1972 are $8 million.

SUPPORTING ASSISTANCE PIPELINE IN VIETNAM

Mr. PASSMAN. Would you give us some kind of an estimate at this time of what undisbursed funds you have in this one item, supporting assistance?

Mr. NOOTER. The AID pipeline usually runs equivalent to a 12-months requirement.

Mr. PASSMAN. What is the 12 months requirement?

Mr. NOOTER. The amount we have used in fiscal 1972 is $385 million. It takes about that long for the funds to work their way through the system.

Mr. PASSMAN. I understand that. I merely want the amount.

Mr. NOOTER. The pipeline we estimate as of June 30, 1972 would be $369 million.

Mr. PASSMAN. So that in the event Congress should decide that you will receive no more money, you could not fund any new projects but you would have just about a year's supply of money for Vietnam?

Mr. NOOTER. No, sir. If by that you mean could we——

Mr. PASSMAN. I mean if you made disbursements at the same level for 1 year as if you had in past years.

Mr. NOOTER. The system would break down much sooner than that.

SUPPORTING ASSISTANCE PIPELINE

Mr. PASSMAN. I am sure. But you said your annual expenditures are $385 million. You have a 1-year lead time. You had $369 million in the pipeline. Regardless of how bad it may break down, money-wise you could disburse just about the same amount of money from the pipeline as you would be disbursing if you were loading the pipeline with new funds. Is that true?

Mr. NOOTER. The Vietnamese economic system would break down within the first month or two.

Mr. PASSMAN. Let us say it broke down in 2 days. It follows nevertheless that if you have an annual expenditure of $385 million, and you will have undisbursed funds of $369 million, you could make disbursements at about the same level dollar-wise even if you did not get a new appropriation.

Mr. NOOTER. Yes, actual disbursements in dollars could go on for the next year.

Mr. PASSMAN. You are speculating, you don't know whether the program would break down or not.

Mr. NOOTER. But I think it is important to know that if the program were not funded with new funds for a year the Vietnam system would have long since broken down.

Mr. PASSMAN. How do you know it would? Those people lived for a long time before we moved in with this program.

Mr. NOOTER. Because the monetary and inflationary effects would be felt at the beginning of the year and not at the end when our last dollar is disbursed.

Mr. PASSMAN. Let them make a new start. Crop yields are perhaps greater now than in the past 40 years. Is that right?

Mr. NOOTER. Yes.

Mr. PASSMAN. So they should be able to supply their own food needs now when you consider what the yields were in past years. They don't need to receive all these funds.

Mr. NOOTER. But the Vietnamese would not be able to maintain their armed forces.

Mr. PASSMAN. If a person loses his job, he has to adjust his standard of living.

These people will get along long after Mr. Nooter and Mr. Passman have passed on.

PROPOSED FISCAL YEAR 1973 PROJECTS

Would you supply for the record a list of projects you propose to initiate in fiscal year 1973 showing the name of the project, the 1973 estimate, the estimated total cost, and the final year of completion?

Mr. NOOTER. We will furnish that.

(The information follows:)

NEW PROJECTS PROPOSED FOR FISCAL YEAR 1973

[Dollars in thousands]

Name	Fiscal year 1973	Estimated total cost	Final year
Highway advisory assistance	$12,457	$36,657	1978
Vietnam Engineering & Construction Co	1,500	3,097	1976

ESTIMATE OF DEOBLIGATED FUNDS

Mr. PASSMAN. Please also furnish for the record a table showing the projects that have been funded out of deobligated funds covering a 5-year period, the last one being the fiscal year 1973 estimate.

Also show the amount of deobligation during that same period.

Mr. NOOTER. We could give you an estimate of the deobligation for 1973.

GENERAL POOL OF DEOBLIGATED FUNDS

Mr. Chairman, I do not believe we earmarked funding of projects that come from deobligated funds. Those go into the general pool of supporting assistance funds.

Mr. PASSMAN. I want to show for the record that you have substantial deobligated funds and you feed that back into the program in the form of budget support, do you not?

Mr. NOOTER. Not necesasrily for budget support. These deobligations are taken into account when we make our request for new funds. The estimated amount to be deobligated is deducted from the program requirement, to arive at our request for new funds.

Mr. PASSMAN. They are not earmarked to any specific fund?

Mr. NOOTER. They go into the general pool.

Mr. PASSMAN. They are not earmarked to any specific fund?

Mr. NOOTER. They are earmarked for the appropriation account from which they came, but are not earmarked for a particular country or program.

Mr. PASSMAN. You have a general pool of funds which are not allocated to any particular project?

Mr. NOOTER. For example, suppose AID received $550 million of new appropriations for supporting assistance in this fiscal year. Added to that are some $30 million worth of deobligated funds for a total amount of $580 million, which is divided up among the various requirements.

Mr. PASSMAN. You give each of these programs a little stipend, a little lift.

Mr. NOOTER. This is taken into account when we make our request to you for the new funds.

Mr. PASSMAN. You say that and I know you believe it but I don't. That is just one of the old responses. "If you had not given us the right to use unobligated or deobligated funds our requests would have been higher." This is what they all say.

Mr. NOOTER. Yes, sir.

Mr. PASSMAN. What I am trying to find out specifically is what you spend the deobligated funds for.

Mr. NOOTER. Let me see what we can get for the record. I would point to the program request book which, on the opening page, shows total program request for supporting assistance.

Mr. PASSMAN. I know that but you have not said specifically what projects you have funded with it.

Mr. NOOTER. Let us see what we can provide for the record, Mr. Chairman.

(The information follows:)

Vietnam deobligations—fiscal years 1969–73

Fiscal year:	
1969	$54,634,000
1970	56,230,000
1971	17,869,000
1972 (estimated)	26,000,000
1973 (estimated)	20,000,000

Vietnam use of deobligated funds

Fiscal year:	
1969	None
1970 commercial import program	$22,500,000
1971 commercial import program	21,531,000
1972	None anticipated
1973:	
$3.6 million transfer to administrative funds under section 610(b) of the Foreign Assistance Act. (Expanded Vietnam Administration.)	

Mr. PASSMAN. You are not saying these funds are turned over to the Vietnamese Government as a lump sum in a big kitty to draw from?

Mr. NOOTER. Not at all. By a pool I meant——

Mr. PASSMAN. Can you substantiate your dollar request connected with a specific project or with a particular program whether it is for commodities or a public works program?

ECONOMIC SUPPORT FUND

Mr. NOOTER. The only exception to that would be one part of our stabilization request this year which is called the Economic Support Fund.

Mr. PASSMAN. What is that?

Mr. NOOTER. That would provide for cash transfers to the Vietnamese Government.

Mr. PASSMAN. What we refer to as direct budget support?

Mr. NOOTER. That is correct. That is to ease the consequences of the reduction in Defense Department spending in Vietnam as the Defense Department withdraws and no longer makes dollars available through the purchase of piasters for its local cost requirements in Vietnam.

PARTICIPANTS FOR VIETNAM PROGRAM

Mr. PASSMAN. How many participants are programed for Vietnam in fiscal year 1973 and what is the average cost per participant and how does this cost per participant compare to the last 5 years? Also, how many of these participants will be trained in the United States and how many in third countries?

Mr. NOOTER. 1,092 are programed for fiscal year 1973. The average cost per participant is $3,000. The average cost is down from previous years. It is about $3,400 in this fiscal year, 1972, was some $3,900 in fiscal year 1971, and was $4,400 in fiscal year 1968. These average costs, of course, can mislead. They are coming down because we are funding more participants for shorter periods of time—a few months each—and fewer for long term academic training of a year or more. Our costs for academic training in the United States have been increasing steadily, as tuition costs have risen. The average cost for academic

training is over $6,000 excluding travel from Vietnam, and varies with each college or university, of course.

Of the 1,092 participants for which funds are requested for fiscal year 1973, 602 are planned for training in the United States, 490 for training in third countries.

U.S. EMPLOYEES IN VIETNAM

Mr. PASSMAN. Also on page B–8 you indicate that the total number of American employees stationed in Vietnam is declining. Would you please list for the record the total American personnel stationed in Vietnam for the last 5 years?

Mr. NOOTER. Certainly. The total number of American personnel stationed in Vietnam, including direct hire, PASA, details from other agencies, and personal services contracts, peaked at 2,149 in January 1968. From that point, the total has declined steadily as follows:

	Amount
June 30, 1968 (actual)	1,994
June 30, 1969 (actual)	1,929
June 30, 1970 (actual)	1,527
June 30, 1971 (actual)	1,333
June 30, 1972 (planned)	1,133
June 30, 1973 (planned)	822

Mr. PASSMAN. How many U.S. Government employees are presently located in Vietnam in connection with programs administered by the Agency for International Development (AID)?

Mr. NOOTER. Today, about 1,270 direct-hire and participating agency employees. This stood at 1,356 at the beginning of this fiscal year and will be down to 1,098 this June.

OTHER NATIONS ASSISTANCE TO VIETNAM

Mr. PASSMAN. What amounts of assistance are other nations providing to South Vietnam on a yearly basis?

Mr. NOOTER. In 1971, other donors provided $78 million, of which $47.8 million was in grants and $30.3 million in loans. This is more than double the total, grants and loans, of $36 million in 1970.

Mr. PASSMAN. What has been the total aid provided to Vietnam from the international organizations over the years?

Mr. NOOTER. Some $20 million through 1971, from U.N. programs and, more recently, the Asian Development Bank.

THIRD-COUNTRY TECHNICIANS

Mr. PASSMAN. Are you proposing to use any third-country technicians this year and if so, how many and from what countries?

Mr. NOOTER. We do plan to use third-country personnel during fiscal year 1973, although the number will reduce substantially during the year. Direct-hire TCN's will reduce from 44 on June 30, 1972 to 31 by June 30, 1973. Of these, 90 percent are Filipinos and the remainder of five other nationalities (Korean, Chinese, French, Indian, and Thai). The number of contract personnel will decline from an estimated 303 to 39 Korean and British nationals during the same period.

U.S. ASSISTANCE IN VIETNAM

Mr. PASSMAN. What has been the total U.S. assistance to Vietnam since the beginning of our aid effort from all sources?

Mr. NOOTER. Total economic assistance from AID and its predecessors, from 1954 through the end of this fiscal year, 1972, is $4.76 billion. The comparable total for Public Law 480 is $1.08 billion. The military assistance program in the earlier years of this period provided $1.48 billion and in more recent years military assistance funded out of armed services budgets has been $10.05 billion. That would give a military assistance total for the period 1954–72 of $11.53 billion.

Mr. PASSMAN. What have been the total defense expenditures in Vietnam since the beginning of our defense effort from all sources?

Mr. NOOTER. The total military cost of the war since 1965 is estimated to be some $134 billion.

Mr. PASSMAN. What is the total proposed fiscal year 1973 U.S. assistance amount for South Vietnam from all sources? Please break it down into each spigot.

Mr. NOOTER. The AID request for fiscal year 1973 is $585 million for supporting assistance, $500,000 in narcotics program funding and $300,000 in population program funding. Public Law 480, from Department of Agriculture funds, is expected to be $130 million.

CONTROL OVER FUNDS

Mr. PASSMAN. It certainly appears that the United States is just turning a great deal of money over to the Vietnamese Government to finance certain projects and commodities without much control by the U.S. Government. Would you please comment on this situation?

Mr. NOOTER. It is true we are spending a great deal of money in Vietnam, but we do not actually turn over the dollars to the government of Vietnam. The major funding item, the commercial import program, is really a line of credit which permits Vietnamese importers to pay in piasters for dollars which are ultimately disbursed to U.S. suppliers. These funds are controlled by AID at virtually all points of the transaction, from determining which items we will finance, through a study of local market requirements, a preaudit of the suppliers and final spot checks upon arrival of the goods. In addition, our project activities are closely monitored using standard AID procedures. I have already explained how we plan to control the new economic development fund and the economic support fund.

VIETNAM TAXES

Mr. PASSMAN. Does the U.S. Government pay any taxes to the Government of Vietnam for any reason?

Mr. NOOTER. No; all project-related goods come in duty and tax free and our people pay no income tax to the Government of Vietnam. The goods under the commercial import program are charged full duties, but these are paid by Vietnamese importers.

INFLATION IN VIETNAM

Mr. PASSMAN. What is the present rate of inflation in Vietnam?

Mr. NOOTER. The rate of inflation in the first 3 months of 1972 was 4.2 percent or 16.8 percent on an annual basis.

ILLEGAL CURRENCY EXCHANGE

Mr. PASSMAN. Is there still a large illegal market dealing in currency exchange?

Mr. NOOTER. It has shrunk. The legal exchange rate was increased to 410 piasters to the dollar which, among other things, reduced the incentive to resort to illegal currency dealings.

ADMINISTRATIVE AND PROGRAM SUPPORT COSTS

Mr. PASSMAN. On page A–5 you indicate the Vietnam totals for supporting assistance do not include administrative and program support costs resulting from the expanded Vietnam program. Would you please explain what these costs are and how much is involved which is in addition to the funds requested?

Mr. NOOTER. These items are part of our supporting assistance request. We have changed the way we present them. In previous years, we showed them under the Vietnam section of the congressional presentation books, and as part of the total request for Vietnam. Now that we have a Supporting Assistance Bureau, with Vietnam programs as one part, in AID, it seemed more useful to show them as part of the overall supporting assistance request.

The program support and interregional activities items, at the bottom of page A–5, for which we propose $23.4 million for fiscal year 1973, includes the program support costs attributable to the Vietnam as well as other supporting assistance programs.

Section 610(b) of the Foreign Assistance Act permits the transfer of up to $9 million of supporting assistance to administrative funding, to meet the expanded costs of administering our large Vietnam program. We transferred $4.7 million in fiscal year 1970, $3.6 million in fiscal year 1971 and a like amount this year. We propose to transfer $3.6 million in fiscal year 1973, from estimated recoveries, as shown on page A–4.

REFUGEE PROBLEMS

Mr. PASSMAN. According to a Washington Post news article of February 6, 1972, U.S. officials have hushed up the deaths of 350 Vietnamese refugees and Saigon officials have robbed thousands of their meager welfare benefits. The article goes on to say that the public health problems became so acute that 350 refugees died of exposure, malnutrition, tuberculosis, and pneumonia. Would you please comment on this situation in Vietnam.

Mr. NOOTER. We have asked the mission to undertake a complete investigation, which is presently underway. A complete response will have to await its conclusion. However, from what we do know, it appears that this situation resulted from the enforced relocation of Montagnard tribal groups, ostensibly to provide them more security from enemy action. These relocations were carried out in late 1971

and early 1972 by order of the Vietnamese commanding general of military region II, over the objections of U.S. authorities. The deaths resulting from disease and malnutrition occurred shortly after the relocation. Since the United States had no part in these enforced relocations, and since the relocation areas were inaccessible or precariously insecure, the situation did not become known to U.S. officials until several weeks after the people had been moved, by which time about 350 people had died. Once the situation became known, prompt remedial actions were taken, and by April the situation was in hand.

MISUSE OF FUNDS

Mr. PASSMAN. In another Washington Post article dated March 23, 1972, it was stated that South Vietnamese Minister of Defense had submitted his resignation and five of his closest aides had been fired in a potential scandal involving the possible misuse of millions of dollars in the serviceman's fund. Would you please comment on this situation?

Mr. NOOTER. The news story is essentially correct. I would add that President Thieu has instructed that the money in the fund be returned to the soldiers from whom it was collected. One can stress, as the press has, that there was a potential for scandal here. I think it proper to also stress that the Government of Vietnam has moved with some vigor to nip this potential.

EXCHANGE RATES

Mr. PASSMAN. Could you tell us what the official exchange rate is in Vietnam at the present time?

Mr. NOOTER. Although Vietnam has a complex, multiple exchange rate system, the simple answer is 410 piasters to the dollar, as of the 1st of March this year. Most transactions, including official purchases by the U.S. Government and personal purchases by our troops, are at this rate.

Mr. PASSMAN. What is the present exchange rate on the black market for piasters?

Mr. NOOTER. The rate as of April 10, 1972, was 444 piasters to the dollar. This, I would note, is only somewhat above the new legal rate of 410 to the dollar.

LAND REFORM PROGRAM

Mr. PASSMAN. In an article from the *Christian Science Monitor* dated April 1, 1972, there is an indication that the land reform program in Vietnam still faces many obstacles. The article states that in the central lowlands the program has gotten virtually nowhere. Land is scarce, and in numerous cases landlords have intimidated tenant farmers and defrauded them on the benefits of the program. They also state that another problem is that tradition-bound tenants and sharecroppers who are deeply mistrustful of the Government, hesitate to apply for land titles. Would you please comment on this situation?

Mr. NOOTER. It is true, Mr. Chairman, that there are still obstacles to be faced before this massive land reform program is completed. I would like to point out, however, with regard to the article in ques-

tion, that when they cite the central lowlands they are referring to an area where there is very little tenanted rice land available for transfer. Actually, over 80 percent of the total land-to-the-tiller program is in the delta. Regarding the other allegations, there have been rumors but we have no real evidence of any extensive landlord intimidation or tenant hesitancy to apply for titles.

Mr. PASSMAN. Last year you requested $15 million for the land reform program in fiscal year 1972, and this year I note that no funds were allocated for this program in the current fiscal year. Would you please tell the committee why this program was not funded in fiscal year 1972 as requested?

Mr. NOOTER. In fiscal year 1972 the amount requested for Vietnam was cut by one-third. Over 80 percent of the reduced amount was required to fund the economic stabilization program. The remainder was utilized for a variety of high priority projects involving care for war victims, public safety, public works, and increases in domestic production. There simply were not enough funds to allot $15 million to land reform this year. The transfer of land under the program is going forward at an accelerated rate in fiscal year 1972 so that the need for these funds is even more urgent in fiscal year 1973 in order to soften the inflationary impact of transfers made in fiscal year 1972.

Mr. PASSMAN. On page B–19 in connection with the land reform project I note you state that $15 million represents the third and final tranche of U.S. financial assistance needed to help cushion the inflationary effect of the piaster payments that the Government of Vietnam will be making to former landowners. If this is the final payment that the United States will make, why do you estimate the scheduled final obligation date to be fiscal year 1975?

Mr. NOOTER. Although the $15 million requested for fiscal year 1973 represents the final tranche in terms of AID funds to combat the inflationary effects of payment under the land-to-the-tiller program, there is an element of technical assistance and participants in the land reform project and these are not scheduled to be phased out until fiscal year 1975.

FUTURE AID DECREASE

Mr. PASSMAN. On page B–1 you indicate you have been successful in having the Government of Vietnam assume more responsibility. You go on to point out that AID funding of projects dropped by 23 percent over fiscal year 1970 and AID personnel stationed in Vietnam were reduced by 13 percent. It is nice to know that your project funding has decreased, but you are still requesting a $200 million increase over the fiscal year 1972 program. When can we expect the request for total funds to decrease?

Mr. NOOTER. As I mentioned last year and again in my opening statement, I see fiscal year 1973 as a peak year for AID assistance to Vietnam. This is because expenditures on the war will remain high and as a result inflationary pressures will be strong. Some of the means of countering these pressures, namely earnings from DOD expenditures, will decline. AID funds for stabilization therefore will have to remain at a high level. In addition, in fiscal year 1973 we hope to begin an effort at longer range development with the institution of a development fund aimed at promoting greater domestic production. Assuming a decrease in hostilities, after the present threat has been met and

turned back, greater production for export and more assistance from other donors, I foresee a gradual but steady decrease in AID assistance after fiscal year 1973.

HOSPITAL FACILITIES

Mr. PASSMAN. On page B–3 you mention that the joint use of military and civilian hospital facilities and personnel has enabled the phaseout of U.S. military-supported medical teams to proceed on schedule. Has the capability of the Vietnamese military and civilian hospital facilities progressed to a point where the phaseout of these medical teams will not adversely affect the health program?

Mr. NOOTER. The U.S. military-supported medical teams were originally assigned to insure adequate medical care for civilian war casualties and refugees generated by the war. There has been a steady withdrawal of our military teams as Vietnamese medical capabilities increased. By the end of 1971, our personnel had been reduced to only 16 people. However, Vietnamese medical facilities handled 97 percent of all civilian war casualties in 1971, and should continue to meet requirements provided we are able to continue the logistical support we have programed, and barring any dramatic, unforeseen upswing in the numbers of civilian war casualties.

REFUGEE PROGRAM FOR FISCAL YEAR 1973

Mr. PASSMAN. Would you briefly explain the refugee program for fiscal year 1973 and indicate what funds will be provided for this activity? Also, is this refugee effort coordinated with the other refugee programs carried on by the United States or U.N.?

Mr. NOOTER. In fiscal year 1973 AID will provide 35 advisers and funds for training eight Vietnamese at a cost of $958,000. Our advisers observe and advise on all aspects of refugee relief and rehabilitation. An estimated $10 million in foodstuffs from Public Law 480, title II will be made available for refugees and other war victims. The GVN has budgeted the equivalent of about $15 million from both counterpart and revenue for care of and payment to refugees. In addition, over 30 American and third country volunteer agencies will provide medical services, food, clothing, and vocational training to refugees. All contributions are coordinated under the Ministry of Social Welfare.

ECONOMIC ASSISTANCE IN VIETNAMIZATION

Mr. PASSMAN. You indicate that economic assistance is a vital aspect of Vietnamization. Would you explain briefly this statement in more detail?

Mr. NOOTER. Economic assistance permits Vietnam to import about twice as many goods as it otherwise could, given its reduced ability to produce exports, on the one hand, and its vastly greater requirements, on the other. This greater level of imports has resulted in an extraordinary record of price stability, satisfactory levels of personal consumption, increased investment and production and the ability to allot considerably more resources to the war effort as U.S. resources decline.

78-827 O - 72 - pt. 2 - 25

COMMERCIAL IMPORT PROGRAM

Mr. PASSMAN. You indicate that $376 million will be provided in fiscal year 1973 for the commercial import program. Would you please list for the record the type of imports this program is used to fund?

Mr. NOOTER. Yes.

(The information follows:)

FISCAL YEAR 1973 COMMERCIAL IMPORT PROGRAM

The main imports we anticipate for fiscal year 1973, based on experience in this fiscal year, will be:

Textile yarn and thread.	Textile machines.	Chemicals.
Iron and steel.	Trucks and parts.	Dyestuffs.
Agriculture machinery.	Animal feedstuff.	Fertilizers.
Power machinery.	Woodpulp.	Plastics, resins.
Office machines.	Petroleum products.	Rubber products.

Mr. PASSMAN. What sort of control does the United States maintain over this commercial import program?

Mr. NOOTER. An import license, reviewed and approved by qualified AID analysts located in Saigon, is required for every transaction financed by CIP funds. Prices are reviewed by our AID/Washington controller to assure that they are consistent with world market prices. U.S. customs agents, stationed in Saigon, check all import documents and 40 percent of the commodities arriving to assure that arrivals are consistent with approved licenses. Our auditors stationed in Saigon inspect Vietnamese importers, from time to time, to assure that the commodities financed by CIP are being used as required and that there is no overstockage.

ECONOMIC SUPPORT FUND

Mr. PASSMAN. Last year you indicated that you planned to allocate $150 million for an Economic Support Fund. I note that no allocation was made to this fund last year; however, this year you plan to program $50 million for the same fund to begin operation in fiscal year 1973. Would you please explain what this fund is supposed to do and indicate the type of control the United States will have over its contribution to this fund?

Mr. NOOTER. The Economic Support Fund is designed to offset the estimate decline in Department of Defense expenditures and personal piaster purchases in Vietnam. The funds will be obligated in an agreement between the United States and Vietnam under which releases from the fund will be determined by Vietnam's needs in carrying out the stabilization program, the level of Vietnam's reserves and whether or not Vietnam's economic policies and programs are appropriate to the current situation. As Vietnam meets these terms and conditions, funds will be made available from the ESF for the unrestricted purchase of goods and services. This is the same basis dollars become available to the Government of Vietnam under DOD spending.

PUBLIC LAW 480 PROGRAM IN FISCAL YEAR 1973

Mr. PASSMAN. Would you give us some indication of what the Public Law 480 program will amount to in fiscal year 1973?

Mr. NOOTER. The Public Law 480 program in fiscal year 1973 will

amount to approximately $132 million, of which $125 million will be for title I.

Mr. PASSMAN. Would you please tell the committee what the local currency is used for that is generated from the sale of Public Law 480 commodities and the goods marketed from the commercial import program in Vietnam?

Mr. NOOTER. Counterpart funds generated under CIP are used to finance portions of the Vietnamese Government's military and civil budgets, and for economic development purposes. Each Public Law 480, title I agreement specifies the percentage of the total proceeds to be used by the Government of Vietnam and by the U.S. Government. Under current terms, the Government of Vietnam uses portion amounts to 80 percent, and is utilized to procure equipment, materials, facilities, and services for their common defense, including internal security, as authorized under section 104(c) of the law.

U.S. USE OF LOCAL CURRENCY

Mr. PASSMAN. Is the United States able to use some of this local currency to defray its expenses in Vietnam?

Mr. NOOTER. Yes, some of this local currency is used for such purposes, among others, as the payment of U.S. obligations and the purchase, lease, or rental of sites and buildings for the use of the U.S. Government.

ECONOMIC DEVELOPMENT FUND

Mr. PASSMAN. I note that you plan to allocate $75 million in fiscal year 1973 to a new Economic Development Fund. Would you please explain what this fund will be used for and again how the United States will audit its contribution to this fund?

Mr. NOOTER. The $75 million will be split between the private and public sectors with $50 million going to the former and $25 million to the latter. The private sector funds will be placed in an already established Vietnamese Development Fund for transfer to intermediate credit institutions such as the Industrial Development Bank and the Agricultural Development Bank. AID will determine the capacity of these institutions to handle the funds and our mission in Saigon will approve each loan over $500,000.

On the public side the funds will be used to offset the foreign exchange costs of specific public projects after AID has determined the feasibility and cost/benefits of these projects. All funds utilized under the EDF will be subject to the usual AID audit and accounting procedures.

PUBLIC WORKS PROJECTS

Mr. PASSMAN. You indicate on page B–5 that public works projects will increase from $5.5 million in fiscal year 1972 to $15.8 million in fiscal year 1973. Would you please tell us the need for this large increase in public works projects?

Mr. NOOTER. The increase is solely and entirely the result of our proposed new highway project, which accounts for $12.5 million of the $15.8 million. If it were not for this new project, our request for the public works area would be on the decline, to below $4 million.

As I noted earlier, the Department of Defense has made a large investment in Vietnamese highways over the past several years, for military lines of communication reasons. As our troops are withdrawn, and the military contractor who has been working on the highways leaves, the Vietnamese must maintain these highways if they are to be valuable for the future. We propose this new AID highway project to help the Vietnamese civilian highway department do the essential maintenance. I would note again that this is for maintenance of existing highways, not for construction of new ones.

Mr. PASSMAN. On page B–53 in connection with the public works general support project I note you plan to increase the fiscal year 1972 program by $200,000 above what was justfied last year. Would you please indicate the need for this increase?

Mr. NOOTER. The Department of Defense has been closing out its construction capability in Vietnam faster than we anticipated over a year ago when last year's request was drawn together. Substantial numbers of highly useful facilities now excess to U.S. defense needs, such as concrete prestress plants, asphalt hot-batch plants, heavy equipment repair facilities, have become available for transfer to the Vietnamese Government. These facilities had been run by Americans, under Defense contracts, most of whom will be gone by this June. We felt it wise and necessary to provide additional contract advisory assistance to give Vietnamese help in taking over and running these facilities.

Mr. PASSMAN. You state that AID will finance certain activities formerly funded by the Department of Defense. Would you please tell the committee what activities these are?

Mr. NOOTER. The highway area in fiscal year 1973. We are proposing the new highway maintenance project and a related project to help develop the private Vietnamese contractors essential to effective highway maintenance and to put construction equipment, excess to U.S. defense needs, to effective use.

CIVIL OPERATIONS AND RURAL DEVELOPMENT PROGRAM

Mr. PASSMAN. Would you briefly explain what the civil operations and rural development support program is?

Mr. NOOTER. This is just another name for the pacification program. Advisory responsibility for pacification rests with the Office of Civil Operations and Rural Development Support (CORDS) of the Military Assistance Command, Vietnam (MAC/V). The program includes rural development, refugees/social welfare, public safety and MACV/CORDS technical support.

DOD REIMBURSEMENT TO AID

Mr. PASSMAN. On page B–8 you indicate that the Department of Defense will continue to reimburse AID for certain activities directly related to the military effort. Would you please tell the committee how much these reimbursements will amount to in fiscal year 1973 and list what activities are considered to be military related?

Mr. NOOTER. DOD funds such items as weapons and other equipment for the police, air traffic control, highway work, medical supplies, and contract air service for CORDS. DOD funds these items because

they are military related. The police have both a usual law and order role and a paramilitary role in Vietnam. Medical supplies are used to treat casualties of the war and for normal civilian medical care. Hence, on these two items, funding responsibility is shared, or divided, between AID and DOD. The large highway program of recent years has been required for military lines of communications, as determined by the military. The need for air traffic control assistance has arisen from the very heavy military air traffic. CORDS has required contract air service because of insecurity in many areas, and its pacification functions under the U.S. military command in Vietnam. DOD has funded these items.

For fiscal year 1973, $47.7 million is included in the appropriation requests of the Department of Defense for such items. Not all of this is handled by reimbursement to AID. Weapons and ammunition for the police, for example, are drawn directly from U.S. Army stocks and paid for by the Army. Medical supplies are drawn from an Army depot in Okinawa. AID reimburses Army for half the cost—Army pays the other half.

Highways and air traffic control are handled by reimbursement to AID. We expect this to be $12 million in fiscal year 1973.

IMPROVEMENT IN COOPERATIVES

Mr. PASSMAN. On page B–16 in connection with the agriculture credit and agricultural organizations project I note you plan to allocate $230,000 for a contract team of four to assist in the improvement of cooperatives. It seems like a very high cost per individual. Would you please comment.

Mr. NOOTER. The $230,000 funds the contract for a full 18 months, not for only 1 year.

AGRICULTURAL GENERAL SUPPORT PROJECT

Mr. PASSMAN. On page B–20 in connection with the agricultural general support project, I note you state that seven U.S. direct-hire advisers will be needed at a cost of $305,000. Again this seems like a very high cost per individual.

I also note in connection with the same project that you list $128,000 for other costs in the fiscal year 1972 program and if I'm not mistaken, this amount was not justified before the committee last year. Would you please comment?

Mr. NOOTER. In response to your first question, the $305,000 cost for seven direct-hire advisers is higher than average. However, this particular group includes the top management for the entire agriculture sector, including an Associate Mission Director, his deputy, the senior program economist in the agriculture program, and the four regional agriculture advisers.

Responding to the second part of your question, of the $128,000 requested under "Other Costs," $100,000 is requested to meet half the costs of the 39-man Korean Agricultural Technical Group for 1 year. At the time we submitted the fiscal year 1972 presentation, we believed that both Taiwan and Korea would be able to fully fund their agriculture teams by the end of fiscal year 1972. Taiwan will be able to assume the full costs of the Chinese team; the Koreans, how-

ever, find themselves able to assume only half the costs for their team. They have requested us to meet the other half of their team's costs for one more operational year. Since these teams are very much needed to support the Vietnamese Ministry of Agriculture, we have agreed. The remaining $28,000 is for eight third-country national direct-hire administrative assistants and secretaries which were requested under four different agricultural projects in last year's presentation, but which were consolidated under the agriculture general support project in this year's request.

INDUSTRIAL DEVELOPMENT PROJECT

Mr. PASSMAN. On page B–25 in connection with the industrial development project I note you are increasing the fiscal year 1972 program by $400,000 above what was justified last year. Would you please comment on this increase?

Mr. NOOTER. The increase in fiscal year 1972 was occasioned by a request for technical assistance to the newly created Industrial Development Bank. The IDB, formerly the Industrial Development Center, has already become the recipient of a 500 million piaster loan from the Government for lending to the private sector. AID will contract for a team of consultants to assist this organization on carrying out its new role.

TRADE UNION DEVELOPMENT PROJECT

Mr. PASSMAN. On page B–27 in connection with the trade union development project I note that you plan to allocate $92,000 for support of two direct-hire labor advisers. Doesn't this seem to be a rather large cost per individual?

Mr. NOOTER. The two advisers on this project are senior officials with ranks of FSR–2 and FSR–3 respectively. Basic salary, plus 25 percent differential, plus retirement, life and health insurance, plus separation allowance, travel, etc., comes to just over $50,000 for an FSR–2 and $41,500 for an FSR–3.

LOGISTICS GENERAL SUPPORT PROJECT

Mr. PASSMAN. On page 29 in connection with the logistics general support project I note that you plan to increase the fiscal year 1972 program by $298,000 above what was justified last year. I also note that $100,000 listed for U.S. technicians under contract—other agency items and the $51,000 amount under other costs were not justified before the committee last year. Would you please comment on these increases?

Mr. NOOTER. This particular general support project has increased over last year's presentation while we have been engaged in cutting back the broader logistics sector. We presented four logistics projects for fiscal year 1972 for a total of $4.3 million. We expect to obligate roughly $2 million less than that, or $2.3 million: $947,000 for this general support project and the other three projects as shown on page B–73 of this year's presentation book. The large decrease is in the national maintenance system project.

The $100,000 item in the general support project is for packing, handling, and transportation of excess U.S. defense equipment and

material from Okinawa or Japan. We could charge this to each particular project, in agriculture, public works, et cetera, on which the equipment is to be used. It is administratively simpler to charge it in one place, under logistics. The $51,000 is for third country nationals. This was shifted from the port management project we are closing out. The increase in U.S. direct-hire personnel similarly represents shifts from other logistics projects being closed out.

IMPROVEMENT OF FISCAL ADMINISTRATION PROJECT

Mr. PASSMAN. On page B–31 in connection with the improvement of fiscal administration project I note you plan to increase the fiscal year 1972 program by $778,000 above what was justified before the committee last year. I also note that you have increased the estimated total cost of this project by $6,415,000 above the amount estimated last year. Would you please comment on these increases.

Mr. NOOTER. In an effort to curb illegal transactions in currency and to help halt the flow of narcotics, we increased our customs team this year from eight to 13 men. We also utilized the services of several short-term consultants in these fields for which we had not originally budgeted. In fiscal year 1973 we plan to continue this expanded effort and add a new advisory contract on budgeting and accounting. The final obligation date is still fiscal year 1978 but the additional contract and the expanded effort on behalf of customs collections increase total project costs.

DEVELOPMENT PLANNING PROJECT

Mr. PASSMAN. On page B–36 in connection with the development planning project I note you have increased the estimated total cost by $485,000 above what was estimated last year. Would you please indicate the reason for this increase.

Mr. NOOTER. Last year the Government of Vietnam had been unable to devote many resources to longer range planning. Over the past 12 months, however, government officials, from the President on down, have given much greater emphasis to national planning. A Ministry of Planning and Development has been established, headed by a vigorous young official, several sector plans have been completed and an overall national plan is being developed. In response to these encouraging events and also to additional requests for assistance from the new Ministry, we are proposing to increase our advisory assistance, beginning in fiscal year 1972, from our previously planned level of about $150,000 a year to nearly $300,000 a year for this very important activity. We do not contemplate, however, extending the time period for completion of this project.

PUBLIC ADMINISTRATION AND GENERAL SUPPORT PROJECT

Mr. PASSMAN. On page B–37 in connection with the public administration and general support project I note you plan to allocate $309,000 for the support of seven direct-hire advisers. Why is the cost so high per individual?

Mr. NOOTER. Six of the seven are senior advisers to the office of the Prime Minister and other key ministries. There are four FSR–2's for which the total cost of retaining such a man in Vietnam is about

$50,000 and two FSR–3's at a cost of about $40,000 apiece. The seventh man is an FSR–4 at about $30,000. These costs include base salary, 25-percent differential, retirement, health and life insurance, separation pay, travel, et cetera.

PUBLIC HEALTH SERVICES

Mr. PASSMAN. On page B–41 in connection with the public health services project I note you plan to increase the fiscal year 1972 program by $199,000 above what was justified last year. I also note that the $306,000 under other costs was not justified before the committee last year. Would you please comment on these increases?

Mr. NOOTER. Both the apparent increase of $199,000 and the $306,000 under other costs are attributable to the transfer of funding for the Korean medical teams from Project 347, medical care, where it appeared last year, to Project 348. This transfer was warranted by the fact that the preventive medicine element of the team had become the dominant component. You will note that the total estimated obligations for both projects for fiscal year 1972 shown in this year's presentation is actually $1,110,000 less than the total fiscal year 1972 amount proposed for both projects last year.

MEDICAL AND DENTAL EDUCATION PROJECTS

Mr. PASSMAN. On page B–43 in connection with the medical and dental education project I note you plan to increase the fiscal year 1972 program by $343,000 above what was justified last year. I also note that you have increased the estimated total cost by $2,532,000 above what was estimated last year. Would you please comment on these increases?

Mr. NOOTER. Since the fiscal year 1972 presentation we have been advised by the American Medical Association to increase the degree of competence within the medical school faculty in the clinical sciences in order to insure that the school will be completely capable of producing medical faculty and physicians fully qualified to meet Vietnam's requirements. As a result, estimated fiscal year 1972 costs of the contract which supplies American faculty advisers and the commodities necessary to support them increased by $256,000. Participant training costs increased by $89,000 to further improve qualifications of Vietnamese faculty to levels recommended by a consultant committee of American medical educators, who made an in-depth survey of the situation.

While it was believed a year ago that our advisory effort could be curtailed at a more rapid rate over the last 3 years of the project, extension of instruction into the clinical sciences necessitates maintaining current support levels until close to the end of the project, then rapidly phasing out as trained Vietnamese faculty becomes sufficient. The additional $2,532,000 in the estimated total cost reflects the resultant additional costs.

NATIONAL REHABILITATION INSTITUTE PROJECT

Mr. PASSMAN. On page B–47 in connection with the national rehabilitation institute project I note you have extended the final date

of obligation by 1 year to fiscal year 1973. Would you please explain why it was needed to extend this project by 1 year?

Mr. NOOTER. Informal surveys have indicated that a large number of Vietnamese require these services. Extending our assistance another year, until the Vietnamese staff is fully established, will insure that the greatest possible number of these people will receive assistance in the shortest possible time.

DREDGING PROJECT

Mr. PASSMAN. On page B–52 in connection with the dredging project I note you plan to allocate $100,000 for a 1-year contract for two U.S. advisers. Why is such a large amount allocated for only two advisers?

Mr. NOOTER. Contract advisers for Vietnam are expensive. We are seeking an experienced management expert and a dredge engineer. The $100,000 does not represent salary alone, of course, but travel, fringe benefits, and some overhead for the contractor, who we would expect to be a U.S. firm with considerable experience in dredge management.

VIETNAMESE ENGINEERING AND CONSTRUCTION COMPANY PROJECT

Mr. PASSMAN. On page B–57 in connection with the Vietnamese Engineering and Construction Co. project I note you plan to allocate $1,450,000 for 24 U.S. contract advisers. This seems to be a rather high cost per individual, would you please comment?

Mr. NOOTER. This is funding for an 18-month period, that is for 24 men for 36 man-years. The cost per man-year is about $40,000, including travel, fringe benefits as well as salary. Contract costs for Vietnam work are high, as I noted earlier.

PUBLIC SAFETY TELECOMMUNICATIONS PROJECT

Mr. PASSMAN. On page B–69 in connection with the public safety telecommunications project I note that $185,000 listed in the fiscal year 1972 program under other costs was not justified before the committee last year. Would you please indicate why this money was necessary and could not be predicted last year when you appeared before the committee?

Mr. NOOTER. This $185,000 is simply shown on a different line in this year's presentation. We proposed $379,000 for contracts last year. We now estimate that this will be $332,000. Two contracts are involved; one for U.S. technicians, one for third-country technicians. We have shown the latter separately this year, under "other costs," in order to show U.S. technicians properly on the top line of the chart. Last year, we had put United States and third-country technicians together, which we thought might have been confusing.

Mr. PASSMAN. I yield to Mr. Shriver.

INCREASED SUPPORTING ASSISTANCE REQUEST IN VIETNAM

Mr. SHRIVER. I note on page B–1 of the presentation book that you propose a program of $385 million for fiscal 1972 and $585 million in fiscal year 1973. Why do you need an increase of $200 million in 1 year?

Mr. NOOTER. Mr. Shriver, that is almost entirely due to the reduction in Defense Department spending and the personal spending of our

U.S. troops in Vietnam. In other words, it will not represent any increase to Vietnam but it will make up for the reduction in spending because of the reduced U.S. military presence there. Because that spending was higher in fiscal year 1972 than we had originally estimated, we were able to get by with the lower amount of economic assistance funds in this fiscal year. We see virtually no prospect of that happening again in fiscal 1973 as our troops are withdrawn.

REDUCTION IN DEFENSE SPENDING

Mr. SHRIVER. Then our Defense budget would be smaller in this category by $200 million?

Mr. NOOTER. Not entirely because only a portion of that would be in the Defense budget as such. The other portion would be personal troop spending, which would also be smaller if the total U.S. military establishment were smaller in numbers of people. The $200 million reduction is a combination of official Defense Department spending as well as the personal troop spending.

LOCAL CURRENCY PURCHASES

Mr. SHRIVER. In your statement you say the reason this level of U.S. economic aid in fiscal 1972 did not have the serious effects you told us it would last year was because of higher than expected purchases of piasters by both the Department of Defense and individual U.S. soldiers for their personal use.

Mr. NOOTER. Yes.

Mr. SHRIVER. Why was that miscalculated?

Mr. NOOTER. The personal troop spending was quite a bit higher than we expected because of a change in the Vietnam exchange rate which allowed individual soldiers to receive more piasters per dollar. That personal spending increased to a far greater degree than we expected. It was one of those things that is difficult to estimate ahead of time.

Defense Department official spending was somewhat higher than expected simply because of a wrong estimate at the time our budget was made, but the biggest difference was the personal troop spending.

PERSONNEL REDUCTION

Mr. SHRIVER. Along with your requested increase of $200 million, you are further reducing a number of AID personnel and your contract personnel in Vietnam?

Mr. NOOTER. That is correct.

Mr. SHRIVER. Will you still be able to control the expenditure of these funds?

Mr. NOOTER. Yes. We do not plan to reduce our auditing staff or the staff which controls the commercial import program. The controls will still be retained. The reductions in personnel will be mostly in technical assistance personnel in areas which the Vietnamese now can and are taking over themselves.

PROJECTS UNDER SUPPORTING ASSISTANCE

Mr. SHRIVER. We call these projects shown in the book supporting assistance?

Mr. NOOTER. Yes, sir.

Mr. SHRIVER. Why do you call this supporting assistance? This is the same type of program we have had all along but it has not been called that. It was economic development.

Mr. NOOTER. We have a number of projects which could be considered development assistance. However because of the war, we have pressed these projects for more urgently than would normally be the case in a regular development program. In other words the case in the field of agriculture, in the field of scholarships and health, while developmental in their nature, the projects were conducted at a much more intense level because of the requirements of the war. For example, our agricultural and education efforts in the countryside were part of our pacification efforts and as such were funded out of supporting assistance funds.

SHIFT OF SUPPORTING ASSISTANCE INTO DEVELOPMENT CATEGORIES

Over time we would expect to change that. We would expect in future years to begin shifting some portions of this program into the development categories. This is what we did in Korea where the supporting assistance element was phased down, development assistance picked up, and then eventually development assistance phased down as the Koreans became more self-sufficient.

Mr. SHRIVER. It is easier to get funds from Congress because you say it is supporting assistance?

Mr. NOOTER. I have found it rather difficult for us to get funds for any category of assistance, Mr. Shriver.

Mr. SHRIVER. We can make a lot better argument on the floor for supporting assistance.

Mr. NOOTER. It is also true that funds in considerable magnitude have been made available because of what was going on in Vietnam and they would not have been requested at that level or voted at that level purely for developmental purposes. In another time and place, we would have been satisfied with a slower pace and with less urgency. The security aspect is part and parcel of virtually all of the program we have had in Vietnam. Hence, we fund our program from supporting assistance.

As I said before, that will and should change over the years as the situation there becomes more peaceful.

Mr. HATHAWAY. You mean the security aspect justifies all the expenditures of scholarships?

Mr. NOOTER. Those scholarships are often for the training of Vietnamese to take over a number of these programs which we are funding now.

Mr. HATHAWAY. Often, but are they exclusively for that?

Mr. NOOTER. Not exclusively. Some them are for general training of Vietnamese to bolster their economy, to provide them with trained people in business administration and public finance, and so on.

Mr. HATHAWAY. That would be more under economic development.

Mr. NEWMAN. We could have taken country programs and attributed certain costs to development assistance, which would in a sense perhaps be the basic types of assistance programs we had in the country. Then we could have attributed the rest to supporting assistance.

I think the decision was made that in terms of program management and control of the program, and in order to give the Congress and the public a complete picture of our total effort in Vietnam, and this is equally true in all supporting assistance countries, all our assistance expenditures were attributed to supporting assistance because the rationale for supporting assistance was the basic reason we are running this type of program.

Mr. SHRIVER. You would be doing it, anyway, as was said a moment ago. You would be doing the same thing under another category.

PROGRAM MANAGEMENT

Mr. NEWMAN. We could have split the country program, part under technical assistance, development assistance, and part under supporting assistance. However, I think in terms of program management, to have a better understanding of what we were trying to do in the country as a whole, we felt it was better to put it all in one appropriation, in this case supporting assistance, rather than having it come from several different appropriations. It was just a question of what made most sense from a management point of view as to how you brought it together and presented it.

Mr. SHRIVER. I do not see supporting assistance as we have known it before including funds for scholarships, or sending 55 war orphans to the United States.

Mr. NOOTER. The war orphans are a war-related requirement. Let me mention another aspect of this. Agricultural development, for example, while developmental in nature, nevertheless it is very important for the supporting assistance funds. The ability to reduce supporting assistance funds in the future will depend upon how much the economy grows and notably how much agriculture grows. In other words, as agricultural production increases the need for commercial imports will decline. If we were dealing administratively with funds of several different kinds we might not be able to spend, say, for agricultural growth in a way which would impede our efforts to reduce the requirement for commercial imports. Therefore I think it makes sense, from a program management standpoint, to fund all Vietnam economic assistance from the same source.

Mr. HATHAWAY. Couldn't you rationalize almost all of economic development that way?

Mr. NOOTER. You mean in Vietnam?.

Mr. HATHAWAY. Yes. Put it all under supporting assistance.

Mr. NOOTER. Vietnam?

Mr. HATHAWAY. Any place. There is always a tie-in. As Mr. Shriver pointed out it makes it difficult for us to sell it on the floor if there is a juggling of categories.

Mr. NOOTER. There is really no attempt to juggle categories. In most countries we have no supporting assistance at all. We have it for only seven countries. Again for management purposes we prefer to keep it clear-cut where the basic rationale for our involvement is security related.

In the case of Thailand and Laos, for a number of years we funded about three-fourths of the program with supporting assistance and one-fourth with technical assistance funds, as you may recall.

SECURITY RELATIONSHIP WITH SUPPORTING ASSISTANCE

Beginning in fiscal year 1972, again for management purposes, to make it more clear-cut, and since the principal reason for our programs in those countries was security-related we have funded the entire programs with supporting assistance.

In the case of Haiti where we had a small program funded with supporting assistance, we have now turned it over to the development category.

Mr. NEWMAN. That is the key fact, that this particular program is security-related and that all our supporting assistance programs are security-related as opposed to those which are purely developmental in purpose.

DISTINGUISHING THE SUPPORTING ASSISTANCE PROGRAM

Mr. HATHAWAY. In these countries where we are supplying military assistance, the economic development program is called supporting assistance. That is really the only distinction, is it not?

Mr. NEWMAN. Not necessarily. Take Korea as an example where we have a military assistance program. We do not have a supporting assistance program there.

Mr. NOOTER. That is correct.

Mr. NEWMAN. We have a development assistance program.

Mr. HATHAWAY. I meant where something is going on or something impending such as in Israel and Vietnam.

Mr. NEWMAN. It comes down to the basic rationale for the type of assistance program you are running in a particular country. In Korea, economic assistance is basically for development purposes even though we do happen to have a military assistance program.

In Vietnam or in Thailand or in any of the other countries where we have supporting assistance programs, our economic assistance is provided for basic security reasons and not for the basic development reason as is the case in Korea. You have to look at each country to see what the situation is in that particular country.

PROPOSED VIETNAM ORPHAN ADOPTION AGENCY

Mr. SHRIVER. We mentioned war orphans a while ago. You mentioned war victims in your statement.

Mr. NOOTER. Yes, sir.

Mr. SHRIVER. Legislation has ben introduced in the House to set up a new government agency to help care for and arrange adoption opportunities for Vietnamese orphans, many of whom have American fathers. I understand that AID is opposed to this legislation. Is that true?

Mr. NOOTER. We agree with the purposes of the legislation but, as we pointed out in testimony on this subject, AID is working in virtually every area that the bill would attempt to address. We have provided a grant to a private U.S. organization to help them increase their staff to facilitate adoptions in Vietnam. We do provide support through the Public Law 480 and other programs which help orphans in Vietnam. We think that the present administrative arrangements are prefer-

able to setting up a separate agency for this purpose. There would be inevitable problems of coordination and overlapping.

Mr. SHRIVER. So the reason is that your agency is able to do this?

Mr. NOOTER. We think we are, yes.

OTHER DONOR ASSISTANCE TO VIETNAM

Mr. SHRIVER. Will you tell us some more about the types of aid being provided to South Vietnam from other donors. Is it in the form of loans or grants?

Mr. NOOTER. It is a mixture of grants and loans. A number of countries have been providing humanitarian aid in relatively small dollar amounts over the last several years.

Mr. SHRIVER. As compared with what? Humanitarian aid as compared to what?

Mr. NOOTER. As compared to the U.S. aid there.

Mr. SHRIVER. What do you call our aid? Is it different from humanitarian aid?

Mr. NOOTER. A lot of our aid is economic——

Mr. SHRIVER. You mean for our betterment?

Mr. NOOTER. Humanitarian in this sense—a medical team, support for a hospital or an orphanage, or something of that category.

In 1971 the total grant amount was $47.8 million from donors other than the United States, and the total loans were $30.3 million for a total of $78.1 million. That is up from about $36 million in calendar 1970.

The grants, of course, are not repayable. The loans are generally at about 3 percent—25 year repayments. For example, Japan is making two loans this year at terms of that kind, one for a powerplant and one for a telephone system.

Mr. SHRIVER. Are these loans or grants tied to any commercial investments?

Mr. NOOTER. No, sir. I believe that the source of supply may be tied in the case of Japan. It probably is, but it is not tied to a commercial venture. The powerplant would be owned by the Government of Vietnam and so would the telephone system.

JAPANESE TRADE WITH NORTH VIETNAM

Mr. SHRIVER. Does Japan trade with Hanoi?

Mr. NOOTER. Yes.

Mr. SHRIVER. More than with Saigon?

Mr. ASKEW. I am almost certain that it is not more.

Mr. SHRIVER. Do you have any information?

Mr. ASKEW. If I may, I shall supply it for the record.

(The information follows:)

JAPAN'S TRADE WITH NORTH AND SOUTH VIETNAM

	Japanese exports to—		Japanese imports from—	
	North Vietnam	South Vietnam	North Vietnam	South Vietnam
1971	$3,519,150	$145,507,260	$11,321,720	$3,057,910

FUTURE REDUCTION OF SUPPORTING ASSISTANCE LEVELS

Mr. SHRIVER. You say you expect that future supporting assistance levels can be gradually lowered after fiscal year 1973. Will you tell us more about that?

Mr. NOOTER. We think that the large decline in U.S. defense spending, which is what causes the increase this year, will make fiscal year 1973 the peak year for supporting assistance. If the security situation continues to remain reasonably good, as it was at least up until a few weeks ago, supporting assistance requirements will be able to decline after fiscal year 1973, as the Vietnam economy grows.

Mr. SHRIVER. Provided you get these requests?

Mr. NOOTER. It will require these fiscal year 1973 funds so they can keep the economy on an even keel and begin to channel more of their aid into investments and production.

SOUTH VIETNAMESE EXPORTS

Mr. SHRIVER. Last year you anticipated an export level of $25 million for Vietnam.

Mr. NOOTER. I think that is the target for this calendar year. The exports for the first quarter were $5 million. The recent invasion will not make it any easier to carry on commerce and trade. I would say it perhaps jeopardizes that export forecast somewhat. However, the Vietnamese are making some very substantial efforts to increase exports.

AID HIGHWAY MAINTENANCE

Mr. SHRIVER. Is the Agency for International Development assuming some highway maintenance activities formerly carried out by the military?

Mr. NOOTER. Yes, sir. In fiscal 1973, as our military withdraws and as their interest in the road network declines it is appropriate that AID pick up the funding and support for the highway network, which is also important for economic development purposes.

Mr. SHRIVER. Do you know how much we have put into that?

Mr. NOOTER. Speaking about the Department of Defense?

Mr. SHRIVER. Yes.

Mr. NOOTER. The level was about $35 million in this fiscal year and $55 million in the previous fiscal year, and even higher numbers in some prior years. Let me get for the record the total amount. It has been a very substantial amount.

(The information follows:)

DEPARTMENT OF DEFENSE FUNDING OF VIETNAM HIGHWAYS

Department of Defense funding over the years through fiscal year 1972 totals $460.3 million.

TOTAL U.S. PROGRAM IN VIETNAM

Mr. SHRIVER. The table on page B–9 shows we have sent over $15 billion in economic and military assistance to South Vietnam. That does not include our own military expenditures there. How much would

this total be with those military funds included? You can supply it for the record and bring it as up to date as possible.

Mr. NOOTER. Yes, sir.

(The information follows:)

The total military cost of the war since 1965 is estimated to be some $134 billion.

Mr. NOOTER. I would like to make one comment at this point, Mr. Shriver. The United States total spending in Vietnam has been very substantial, as I am sure that figure will show. As we are now getting somewhere nearest to the end of the road there, I think it is all the more important that we do continue to provide what are substantial amounts to be sure but relative to the total over the years, relatively modest amounts, in order to permit the Vietnamese to carry on. They will need economic assistance from us. After the considerable U.S. investment over the years it would be a great shame if we now hold back from this last relatively smaller amount of aid which will permit them to carry on.

ANIMAL PRODUCTION IN VIETNAM

Mr. SHRIVER. You said South Vietnam is now self-sufficient in pork and poultry?

Mr. NOOTER. Yes.

Mr. SHRIVER. Yet, you have extended the animal production project by a year and increased total project cost by $717,000. Why?

Mr. NOOTER. The expansion in animal production has been concentrated around Saigon. We are working in other areas of the country where there is considerable potential for that kind of production. We will be moving out of the poultry and pork areas. The project is intended to end in 1974.

DELAY OF LAND REFORM PROGRAM IN VIETNAM

Mr. SHRIVER. You say it will cost an additional 10 percent per year for the land reform program because of delay. Would you explain that further?

Mr. NOOTER. The payment of reimbursement to landowners is an extremely difficult administrative task. To the extent that some of the payments to landowners were delayed, the government of Vietnam agreed to pay them, in effect, an interest rate to cover any losses the landowner might have incurred for not having received his payment at the time the law was put into effect. This does not add to the U.S. cost of the program, however.

EDUCATION PROGRAM

Mr. SHRIVER. One of the most effective project areas is education where you are discontinuing some projects and bringing others to an end earlier than anticipated. Would you care to comment further on that if this is such a fine program according to your justifiction?

Mr. NOOTER. Our hope for all our programs is to be able to phase out of them because they are successful. This is such a case. The Vietnamese have done an excellent job in the educational area. They have great interest in education. They now have some 92 percent of all

primary school children in schools, which is remarkable for a country which had only something like 20 percent in school in the 1950's.

We think in most of education areas they are able to take over and don't need our help any longer. We are still providing help in some higher education areas that are more technical and specialized. As I say, our objective is to get out wherever we can. These are areas where we think we can do that.

Mr. SHRIVER. Because they can do it themselves?

Mr. NOOTER. Yes, sir.

PUBLIC ADMINISTRATION PROJECTS

Mr. SHRIVER. The estimated total cost for the improvement of fiscal administration projects is almost double the estimate given to the committee last year. Your obligation for fiscal year 1972 is more than twice the amount you told us you intended to obligate. Would you explain that?

Mr. NOOTER. Yes. This is an area where every dollar we put in, hopefully can save many times that in terms of future aid requirements. To improve their customs and tax collection offices we have increased our presence. We have been able to get customs advisors working with their Vietnamese counterparts on the docks and in the warehouses. We think this is an area where the investment is well worth it.

Mr. SHRIVER. We might institute it here. You have a scheduled final obligation in fiscal 1979 for the National Institute of Administration.

Mr. NOOTER. Yes.

Mr. SHRIVER. Why does this project need to run through fiscal 1979?

Mr. NOOTER. In this project, AID recently agreed to supply a contract team to help to bring that school up to date. We seek to make it an effective way to train Vietnamese administrators and Government managers. Again we think this is an area where the results will be substantial in terms of improved Government services. One of the problems in Vietnam historically has been that the local government administrators have not been well trained. That is changing. There are more and more trained people but this project will help that effort. We think, again, that this is worth it.

EXTENSION OF NATIONAL REHABILITATION INSTITUTE PROJECT

Mr. SHRIVER. Why is it necessary to extend for another year the National Rehabilitation Institute project?

Mr. NOOTER. This project is for the provision of prosthetic devices to war casualties. It is one which has a considerable humanitarian justification. As we got nearer the termination date it appeared there was still a U.S. role, even though relatively small—$110,000 in this fiscal year—which would be useful. We thought that was justifiable in terms of the humanitarian character of that program.

The Vietnamese are taking this over, also, but we didn't want to cut it short.

VIETNAMESE HIGHWAY MAINTENANCE

Mr. SHRIVER. Under the highway assistance project you say there are 229 different makes and 420 different models in the Vietnamese

highway maintenance fleet. How many of those were supplied by our AID program?

Mr. NOOTER. Very few, Mr. Shriver. I do not have a number nor could I guess one. Most of this highway work has been done by the Department of Defense in recent years. I would have to go back and check our records to see if and when we supplied AID assistance. A lot of the equipment is probably French from the pre-U.S. days, but it is quite a conglomeration of models and types from all the programs the Vietnamese have had over the years.

Mr. SHRIVER. A considerable amount of the $12½ million request is for contract personnel. What companies will receive those?

Mr. NOOTER. We don't know at this time. The contract work will be let through our regular AID procedures. We solicit responses from interested companies and make a selection based on competence and the nature of the proposals submitted.

Mr. SHRIVER. In discussing the new Vietnamese engineering construction project you say there is a sizable amount of excess U.S. construction equipment available in Vietnam. What happens to that?

Mr. NOOTER. A lot of this——

Mr. SHRIVER. What do you mean by a sizable amount?

Mr. NOOTER. A lot of this would be equipment in the hands of U.S. contractors who have been working for the Department of Defense. Perhaps Colonel Patrick might have some idea on the status of that equipment.

Colonel PATRICK. As we have been winding down our involvement, and also our contractual participation, tremendous amounts of construction equipment has become available. Recently the Vietnamese, AID, and the Department of Defense in Vietnam have formed a committee to see what equipment is available for distribution to the Vietnamese Directorate General of Highways. Through AID, the Vietnamese, and the Defense people this equipment is being screened, and that which can be reused will be rehabilitated and given to the Vietnamese for their public construction effort.

Mr. SHRIVER. It does not get into private hands?

Mr. NOOTER. One of the reasons for setting up this Government organization is to have the equipment available for lease to private contractors but still retain title to it in Government hands.

Mr. SHRIVER. You are taking proper safeguards to be sure there is no corruption such as is experienced elsewhere?

Mr. NOOTER. This is an area where we will have to keep our eyes open because it is difficult to control equipment of this kind. We are aware of those problems, however, and our people out there will be doing everything they can to keep it on track.

Mr. SHRIVER. One of the contractors under the technical support is Minnesota Graphic Service, Inc. What does that company do for our AID program?

Mr. NOOTER. This is contract for maintenance of reproduction equipment, such as Xerox machines, and so on. It is a service organization.

Mr. SHRIVER. Paperwork?

Mr. NOOTER. That is my understanding

OTHER COUNTRY CONTRIBUTIONS TO THE MY THUAN BRIDGE PROJECT

Mr. SHRIVER. You say five other countries might contribute to the building of the bridge over the Mekong River if the United States also contributes. Who are those five countries?

Mr. NOOTER. Japan, United Kingdom, Australia, Germany, and the Netherlands.

Mr. SHRIVER. Has it been figured out what the contribution will be?

Mr. NOOTER. Not yet. That would not take place until a little further down in the process.

Mr. SHRIVER. All of those countries are doing some business in that part of the world?

Mr. NOOTER. All of them are aid donors to Vietnam, and a number of them have expressed an interest in the project, Japan and Germany, for example.

U.S. INVESTMENT IN VIETNAM

Mr. SHRIVER. Are American investment enterprises interested in doing more business in that part of the world?

Mr. NOOTER. There is American investment interest there. Two U.S. banks have been there for several years, and a third one has been in the process of going into Vietnam in the last 6 months or so. Other U.S. companies have visited there, made inquires and shown some interest in direct investment. Most of them are still a little cautious however about going in.

We do not at this time have available investment guarantees in Vietnam. Of course, some day that will be appropriate and we would hope Congress then will approve our having an investment guarantee program there.

Mr. SHRIVER. Thank you. That concludes my questioning.

Mr. NOOTER. Thank you.

REFUGE RELIEF PROGRAM

Mr. ROYBAL. Perhaps you have already answered some of the questions I will ask of you. I would like to review, if possible, the refugee problem as it now exists and ask you to provide for the record the additional cost of taking care of these refugees over that originally anticipated.

Mr. NOOTER. Yes. The additional cost in terms of supporting assistance funds will be very small, I think. Of course we don't know exactly what the extent of the problem eventually will be but I do not think it would be more than perhaps an additional $1 million at the outside. There would be other costs in terms of Public Law 480 commodities but they are not in this budget. I do not have an estimate on that.

Mr. ROYBAL. There will be additional costs with regard to health, sanitation, and housing; will there not?

Mr. NOOTER. There could be but it is too early to really estimate what those would be. The total, additional refugees generated in the last few weeks, is something on the order of 180,000 to 200,000 people. It will make a lot of difference if they are able to return to their homes relatively soon or if they have to be indefinitely resettled elsewhere.

Mr. ROYBAL. The whole thing hinges upon whatever the status of things will be in the near future. If they do have to go home that will minimize your particular responsibility.

Mr. NOOTER. That is correct. They still will need assistance but it will be of a shorter term.

Mr. ROYBAL. Then assistance given would be directly to the town to which they return and not directly to the refuge. Is that correct?

Mr. NOOTER. It would flow to the refugees but it would be administered in their local town. Most of the administration of this program now, virtually all of it, is done by the Vietnamese authorities and not our U.S. refugee advisors.

Mr. ROYBAL. Do you really estimate that it will cost $1 million to take care of the 200,000 to 250,000 refugees, that that will be the additional cost?

Mr. NOOTER. If there are not additional large numbers of refugees and if they are able to return in a relatively short period of time; yes, sir.

EFFECT OF NORTH VIETNAMESE OFFENSIVE

Mr. SHRIVER. You do not seem to be too concerned about recent happenings in Vietnam. Or are you?

Mr. NOOTER. Obviously this is a very serious test of the Vietnamese ability to carry on because they are bearing the burden of the ground fighting, as we all know. In that sense it is extremely serious.

So far there has been minimal disruption to the life of most of the country. The populated areas and the areas where most of the economic activity is carried on have not been disrupted.

Mr. SHRIVER. That is good news to me.

Mr. NOOTER. Of course, if a larger area is affected, if there are local VC activities around the country, and so on, it would be a much more serious thing. However, we have not seen much of that.

Mr. ROYBAL. Some of the pictures we see on TV indicates there are more and more problems. Now you are telling us that while it is a problem you do not see any real increase in this problem as we go along.

Mr. NOOTER. I don't mean to underestimate the potential problem. All I say is that so far, while the problem has continued to get somewhat more serious, it is still not of very serious magnitude in terms of the general economic life of the country.

Mr. ROYBAL. Are you prepared, then, to take care of double the refugees which are now anticipated if that should become an eventuality?

Mr. NOOTER. All the reports we have so far is that there is enough food and there are enough commodities to help those refugees now being generated. Actually I will not try to predict the number or the status of the additional refugees. I don't have that information. I don't think any of us can do that.

Mr. ROYBAL. I like your insistence on the one subject, and that is that you believe that it will not get worse but that it could get better.

Mr. NOOTER. I can give you a personal assessment—I am optimistic that the Vietnamese will keep this under control. That is just a personal assessment. I do not want to minimize for a moment that the other side is still very determined and very dangerous.

Mr. ROYBAL. But the truth of the matter is that you are still prepared for any eventuality?

Mr. NOOTER. Yes.

Mr. ROYBAL. You have not just written off the fact it will get better instead of getting worse?

Mr. NOOTER. No. We are already making some plans to have additional food supplies in process.

Mr. ROYBAL. I hope you are right, that you do not have to do more. I am pleased to know that you are looking at it from the standpoint that it could get worse and you are prepared to take care of this should it come about.

MEDICAL AND HEALTH PROGRAMS

What about the medical side, not only in so far as refugees are concerned but insofar as Vietnam as a whole is concerned? I read somewhere that you are graduating 226 doctors at one time, then 717 at another time.

Mr. NOOTER. The other number involves nurses.

Mr. ROYBAL. I think I remember testimony given us before where it was stated that Vietnam is way behind in the training of medical staff. Does this in any way make up for some of the real need of Vietnam?

Mr. NOOTER. We think it will go a long way to do that. My understanding is that the Saigon Medical School graduates as many doctors as any other single medical school in the world.

Again let me put this in perspective. Vietnamese medical health facilities are certainly extremely limited, certainly compared to those of this country. However, by Asian standards they are really quite good now and reasonably extensive. There are limitations on what they can afford in their budget in the way of hospitals and hospital staffs, and so on, but they are constructing additional hospitals. They are getting aid from the Japanese and others for the construction of hospitals, along with assistance from us in the training of medical personnel. They have done a good job in taking over many of the facilities which we were helping them run with U.S. advisers.

We think on the whole they are doing a good job in this area just as they are in the educational area.

Mr. ROYBAL. Do they have a problem in control of communicable diseases, such as tuberculosis?

Mr. NOOTER. They do, and our program emphasis has shifted in the past year or two from medical care to preventive-type programs.

Mr. ROYBAL. What is their approximate budget? How is it divided with regard to public health and general medicine? Do you have any idea?

Mr. NOOTER. I will have to supply that for you for the record.

(The information follows:)

VIETMAN-MEDICAL CARE AND PREVENTIVE MEDICINE

The total budget of the Vietnamese Ministry of Health for calendar year 1971 was 4.7 billion piasters, or approximately $11.5 million dollars (VN 410 to $1). AID assistance in the health field during fiscal year 1972 is expected to total $12.4 million.

Not all items in either the Ministry budget or in AID health assistance can be allocated simply to medical care or preventive medicine. Medical education for one example, serves both as do the medical supplies provided by AID.

[In thousands]

	Ministry of Health 1971 budget (piasters)	AID fiscal year 1972
Preventive	222,300	$1,954
Medical care	2,641,400	1,301
Education	225,000	2,236
Supply	394,000	6,226
Administration	207,300	683

Mr. ROYBAL. I also would like to know what kind of financial help you make available to them, both in the public health sector and in the sector of general medicine.

Mr. NOOTER. Yes. For some years we have provided substantial amounts of medical supplies, partly funded by ourselves and partly by the Department of Defense because of their interest in the war-related casualties. We are now turning over that funding to them on a gradual basis so it becomes part of the Vietnamese budget and part of their system so when we phase out some day they will have it build into their system.

Mr. ROYBAL. They will become real experts, in prevention by the use of techniques made available by your agency and our Government.

Mr. NOOTER. They have done more in the way of medical care up until now. The preventive area is new to them. I hesitate to say they are ready to take over that whole field. We are working with them on it but I would say they are further along on the medical care side than the preventive side.

Mr. ROYBAL. Is that because of their need for more hospitals, and so forth?

Mr. NOOTER. Because of the war, the natural emphasis has been on care. More recently in a lot of the country they have been able to turn their attention to the longer range public health problems.

NARCOTICS CONTROL IN VIETNAM

Mr. ROYBAL. Another problem closely related to that of prevention is narcotics control. Can you tell the committee what the problem is with regard to narcotics in Vietnam, and where most of these narcotics are coming from?

Mr. NOOTER. Vietnam is not a narcotics-producing country. The narcotics comes in from up around the so-called Golden Triangle of Burma, Thailand, and Laos, where those three countries meet. It is processed and brought into Vietnam mainly in response to the market-place demands which have been created by the U.S. troop presence. Of course, our troops are withdrawing now and that market is diminishing. Nevertheless there are still American troops there. We remain concerned and continue to work with the Vietnamese to get them to take whatever efforts they can to prevent this flow of narcotics into the country.

We have had a number of customs advisers, as well as police advisers, working with them over the past couple years. The Vietnamese have increased their efforts. Like most countries around the world this is a relatively new problem to them. However, they do have a narcotics staff. They have specially trained narcotics teams around the country.

Our people have helped them train over 1,000 people in narcotics control. The Vietnamese are now getting tougher all the time, cracking down more and more, and learning the techniques of how to identify, find, and deal with narcotics problems.

Mr. ROYBAL. Is it true, then, that the problem of narcotics addiction was mainly that of American troops and not that of the Vietnamese people as a whole?

Mr. NOOTER. That is correct. There is some local usage. Perhaps Mr. Askew, who served out there, can speak to this better than I.

Mr. ASKEW. There was a traditional usage of smoking opium. That is not what became involved in our problem, which is more of the powder heroin.

Mr. SHRIVER. A couple days ago we had before another subcommittee the representatives of the President's Commission on Marijuana and Drug Abuse. A statement was made by drafters of that program that large quantities of the opium poppy are grown in Burma, Cambodia, and some areas which are not under Government control, and for that reason they cannot do what has been done in Turkey—dry up the crop. Can you speak to that?

Mr. NEWMAN. You are quite right. The bulk of the poppy is grown in the Golden Triangle, which is essentially the mountainous area where Burma, Laos, and Thailand meet.

That area is beyond the political control of most of the governments. Rangoon has very little control over the area where the most substantial part of the poppy is grown and in turn gets into the international trade in the form of derivatives, such as heroin.

In Thailand some is grown, though it is generally felt that the opium derivatives are consumed locally.

This is equally true in Laos. However, it is in those areas where there is very little control by any of the central governments that most of the poppy is cultivated and ultimately refined into one drug form or another.

PRACTICALITY OF CROP SUBSTITUTION

Mr. SHRIVER. We have various aid programs sending out American technicians to help, farmers in these countries to find a better crop, one more productive than what they are using. This is, of course, what we have done and what we are doing in Turkey, helping the farmers of Turkey to find new crops.

Mr. NEWMAN. That is right.

Mr. SHRIVER. We cannot do that in Asia?

Mr. NEWMAN. In Turkey it was a different problem. There was legitimate cultivation of poppies to secure morphine for medicinal purposes. In countries like Laos and Thailand, the cultivation of the poppy for the production of narcotic and dangerous drugs is illegal.

Most recently in Laos, in November 1971, a law was passed making it illegal. There was not the same problem of replacing a legitimate crop, an export-earning crop as in the case of Turkey, with an alternate production. The problem, however—until the individual farmer in these countries has found some way to earn an economic livelihood, as an alternative to the growth of poppy for the production of opium, the problem will still be with us, because it is essentially a very profitable cash crop to the individual, even though it happens to be used for an illegal purpose.

In our programs in Thailand and in Laos, we are seeking ways to eliminate the growth of the poppy on the part of the mountain tribes that do grow it and to find some economic alternative for them.

Mr. SHRIVER. Of course, it was a profitable thing for the 70,000 farmers of Turkey to have on each of their farms a little part of an acre for the growing of poppies. But what we are trying to do is to work with the Government of Turkey, through our foundations as well as the AID people, in getting other crops, other economic assistance for those farmers.

Mr. NEWMAN. That is right.

Mr. SHRIVER. My question is: We are sending economic experts, technicians, to these countries. Are we having them work in this connection to dry up the supply of poppy?

Mr. NEWMAN. We are doing that in Thailand and Laos. We are sending in experts to work with them in order to find some substitute crop.

Mr. SHRIVER. That might make more than that crop is making for them now?

Mr. NEWMAN. We hope so. It is a difficult thing to introduce crops that provide that type of alternative.

Mr. SHRIVER. Thank you.

Mr. ROYBAL. You have a public safety program, that I understand does considerable work with narcotics in Vietnam. Can you briefly describe for the record what it is that they do and what their accomplishments have been in the last year?

Mr. NOOTER. Yes. They do two things.

First, we have some eleven advisers assigned directly to narcotics work, working with their Vietnamese counterparts in the Narcotics Bureau, and working to train Vietnamese.

As I said, they trained more than 1,000 Vietnamese over the last several years in narcotics investigative procedures.

The regular public safety program, aimed at strengthening the regular police force, also has an effect on the narcotics situation. It gives the Vietnamese police the capacity to maintain the laws and control illegal narcotics operations throughout the country.

So in that general way, also, this program works toward that end.

Mr. ROYBAL. But AID does support the training program, financially?

VIETNAMESE NATIONAL POLICE BUDGET

Mr. NOOTER. Yes, definitely. We provide the financing for our advisers and for the training of Vietnamese.

Mr. ROYBAL. Even though the national police support given Vietnam comes from another budget, you still use some of your funds to support the activities of this group in narcotics control?

Mr. NOOTER. The Vietnamese National Police are paid under their own budget.

We, AID, finance public safety advisors and certain equipment for the National Police and the narcotics program. The Department of Defense provides some additional equipment to the public safety program, particularly those things that are paramilitary, more closely related to military operations. But both we and the Department of Defense provide support to the National Police.

Mr. ROYBAL. What I am trying to get is the difference between your participation and that of the public safety group.

Mr. NOOTER. Well, we do finance the public safety group. They are back-stopped, financed and supported by AID.

Mr. ROYBAL. I see.

Do you know whether any of these people that are trained for the Vietnamese police actually come to the United States for training?

Mr. NOOTER. Yes, some of them do. Some of the training is carried on in the country and some in third countries.

Mr. ROYBAL. Where does that money come from?

Mr. NOOTER. That would be AID funds.

Mr. ROYBAL. I was under the impression that the public safety program had its own budget for the training of police.

In fact, I think there was testimony before this committee that such was the case.

Mr. NOOTER. Last year in the attempt to reorganize the AID program, public safety was presented as a separate budget item.

However, as you recall, that reorganization did not go through in the way that original request was made.

In the case of Vietnam, particularly, but I guess worldwide, the public safety programs are funded within the country programs and not as a separate budget request.

In other words, there was an attempt to identify this in a different way, but as the reorganization did not go through, we reverted to the more traditional way of funding this as part of our country programs.

Mr. ROYBAL. But there was an attempt to separate it?

Mr. NOOTER. Yes.

Mr. NEWMAN. It was going to become part of the total security package with its own identifiable section.

Mr. ROYBAL. But that did not go through and it is still under AID and there are funds coming from your organization directly to the training program?

Mr. NOOTER. That is correct. The cost of training is assigned to the individual country program.

COST OF U.S. TRAINING FOR VIETNAMESE POLICE

Mr. ROYBAL. Do you have any figures as to how much it costs AID to send trainees to the United States?

Mr. NOOTER. Let me get something for the record on the training in the police area. I have some general averages for all training, but what you want is in the police area?

Mr. ROYBAL. Yes.

(The information follows:)

COST OF POLICE TRAINING IN UNITED STATES

Most Vietnamese policemen brought to the United States for training with AID funding attend the three month general course at the International Police Academy in Washington, D.C. AID budgets $3,750 for each such participant, to cover costs of international travel, of the course at the International Police Academy and per diem for the participant's living expenses.

TRAINING COSTS OF NARCOTICS CONTROL OFFICERS

Mr. ROYBAL. I would also like to find out how much money was actually spent in the training of narcotics control officers.

Mr. NOOTER. We will provide that also.
(The information follows:)

COST OF NARCOTICS TRAINING—VIETNAM

During fiscal year 1972, some $357,000 of AID, funds in Vietnam can be attributed to narcotics training of the National Police. This includes U.S. advisers, commodities such as office equipment and two-wheeled vehicles, and five Vietnamese policemen sent to the United States for special training. The primary cost of training—the salaries of Vietnamese police trained—is borne by the Government of Vietnam.

Mr. ROYBAL. That would, I think, clearly reflect not only AID's interest in the matter, but the amount of money that was actually applied to a particular problem.

Mr. NOOTER. Yes.

Mr. ROYBAL. Then we can more or less gage how much it cost to reduce the problem in Vietnam as a whole?

Mr. NOOTER. Yes.

This year, of course, there is one other change which perhaps might add to the confusion. There is a separate request this year for narcotics money. So the funding for narcotics is handled as a separate appropriation.

Mr. NEWMAN. That is shown on tab I.

Mr. ROYBAL. That will be a separate item altogether?

Mr. NEWMAN. That is correct.

Mr. NOOTER. We have identified it in our program, but it is a separate line item in the AID request.

Mr. ROYBAL. But you still administer it through AID?

Mr. NOOTER. That is right, still within AID, administered in Vietnam through the Vietnam program, but the source of the funding would be through the special narcotics request.

Mr. ROYBAL. How much are you requesting for that item?

Mr. NEWMAN. $42.5 million.

Mr. NOOTER. $42.5 million worldwide, for Vietnam the amount would be $500,000.

Mr. ROYBAL. In the $42.5 million worldwide, does that include any particular negotiation that you may enter into with a country like Laos or Thailand?

Mr. NEWMAN. The $42.5 million does assume we will negotiate additional country programs. A large number of country programs are in the process of being worked out now.

Mr. ROYBAL. So there is hope then that the 10 percent of the world's narcotics now produced by Turkey, all of which is being used in the United States, will not be taken up by another country?

Mr. NOOTER. That is correct.

Mr. NEWMAN. That is right.

Mr. ROYBAL. It seems to me this is the only direct approach that you can use to curb the production of the poppy and eventually perhaps make it almost unattainable. This takes not only money for its control, it takes money for education.

Mr. NEWMAN. Education, law enforcement.

Mr. ROYBAL. All these things enter into it. So it is an ongoing program that is not going to stop with just the funds that you have requested in this budget?

Mr. NOOTER. That is correct.

Mr. ROYBAL. I anticipate it is going to increase. Am I correct in that assumption?

Mr. NOOTER. I would expect that it would, as we are able to work out effective programs, this budget should be increasing over the next several years.

Mr. ROYBAL. It is also your plan and the plan of this Government to make expertise available to a country so that they themselves can take over when the time comes?

Mr. NOOTER. That is correct.

We hope the time comes soon.

Mr. NEWMAN. The intent is to prepare these countries to enable them to control the drug problem in their own country. To that extent it benefits us.

Mr. ROYBAL. We have a lot of expertise in this field in this country.

Some of these things that are being done, for example, even in my district, can be applied and be done in Vietnam and elsewhere in the World. Some of the work that the people working in this field do is just tremendous and most beneficial to America.

The problem—off the record.

(Discussion off the record.)

Mr. ROYBAL. I do not have any other questions.

Mr. PASSMAN. Mr. Nooter, I do not know whether I speak for the entire membership of the committee when I say that we are greatly worried about the ever-increasing requests for foreign aid funds, not just in what we refer to as title I, but in all the other aspects.

We thought the $13.528 billion in requests for foreign aid and assistance last year, all-inclusive, was the all-time high, but we came up with a figure for fiscal year 1973 for the same programs in the January budget of $16.9 billion. Now we learn that we are going to have to add to that total $1.6 billion for the maintenance of value of our contributions to the International Financial Institutions.

MAINTENANCE OF VALUE

Some of that is going to be made retroactive for 20 years. It is almost unbelievable the involvements that we are getting into.

You are familiar with the maintenance of value item. What they actually do is say, "All right, you appropriated money 15 years ago for callable capital in our institution. At that time that money would have purchased so much, but today it will purchase 8.57 percent less, therefore, you are going to have to appropriate additional funds and have them available in the event we call upon the United States to put funds up so they will retain the same purchasing power."

OTHER FOREIGN ASSISTANCE REQUESTS

Well, it is pretty hard to refute that argument, but we look at another item, which is the contribution that we have actually paid in. Some of that money was paid in and spent 10 years ago. Why we have to go back now and add 8.57 percent of our total paid in capital to our original contribution for money spent and paid in years ago is just not right.

I do not know whether I will ever be able to comprehend the reason-

ing behind having to put up money on something that has already been obligated or spent.

The argument used is that all other nations have followed this procedure but these nations don't put up as much as the United States.

Some of you could put up as much as some of these nations put up, literally speaking. So we are the big donors and the ones who really get hooked. We are not unsympathetic to the problems that you have in your area. Neither are we unsympathetic to the burdens the American taxpayers are having to carry to finance this ever-expanding program.

I think you know and I know that ever since you have had an aid program the estimates have been greatly inflated. Otherwise, in title I alone, the Congress could not have reduced the request by an average of 21 percent for 17 years and still leave the program overfunded. It is perfectly obvious.

Last year we cut supporting assistance by some $214 million. The people screamed. Yet we find out you had a good and workable program with the cuts.

I would assume if we cut proportionately the same amount this year that the program will still be good next year.

SUPPORTING ASSISTANCE LEVELS IN VIETNAM

Now as I recall, earlier today we were discussing the spending level in Vietnam. It was around $385 million a year; is that correct?

Mr. NOOTER. That is right.

Mr. PASSMAN. Of supporting assistance?

Mr. NOOTER. That is right.

Mr. PASSMAN. If we should not provide additional money, then you will have $369 million in the pipeline that you could disburse during the next 12 months because of the 12 months' leadtime.

AGRICULTURAL PRODUCTION IN VIETNAM

You also indicated that the program would break down if that should happen. That causes me some concern, because Vietnam, basically, is an agricultural country; is it not? Is that not what really supports their economy?

Mr. NOOTER. That is their principal source of production.

Mr. PASSMAN. Principal income is from agriculture?

Mr. NOOTER. Yes, sir.

Mr. PASSMAN. How is the production in the agricultural area? Rice is the main staple; is it not?

Mr. NOOTER. Yes. They are doing very well.

Mr. PASSMAN. How does the 1971 yield correspond with let's say the 4 previous years?

Mr. NOOTER. Well, it is the highest it has been in, actually since 1963.

Mr. PASSMAN. Okay. Let's have a look at what it was 20 years ago. Do you have any statistics on it?

Mr. NOOTER. No.

Mr. PASSMAN. Rice production is really what supports their economy and supports their country. I think if we look at the economic data

sheet in your book, rice production in 1967 was 4.69 million tons. We are talking about metric tons.

Mr. NOOTER. That is correct, metric tons.

Mr. PASSMAN. It moved up to 6 million metric tons in 1971; did it not?

Mr. NOOTER. That is correct.

Mr. PASSMAN. With that kind of an increase in the production of their main agricultural commodity, one that supports their economy, how could you say that everything will fall apart if we had to tighten up on this aid program?

Mr. NOOTER. Vietnam is supporting an army of 1 million men.

Mr. PASSMAN. You mean we are supporting it.

Mr. NOOTER. It cannot be supported by rice alone.

Mr. PASSMAN. You mean we are supporting it, not Vietnam.

Mr. NOOTER. We provide a lot of the support, yes, sir. That is the reason for our request here today.

Mr. PASSMAN. I just think we are greatly exaggerating the actual needs and it makes it hard for this committee to arrive at a funding level which is actually what you need. I do not mean this in a critical nature. This has been par for the course ever since it has been my privilege to chair this committee, which is 17 years. They predict dire consequences if you make any reductions. Sometimes we have made a reduction as much as one-third and still the programs are overfunded.

We have agreed earlier that this is an asking price and the taking price will be established later.

I think it is quite appropriate to have you place in the record at this point, what percentage of this total request is for commodities or consumables to be used in the next 24 months, and what percentage will go to what we shall refer to as long-range public works projects?

Do you have that available?

Mr. NOOTER. I do not have it here, but we can give you a breakdown.

(The information follows:)

Fiscal Year 1973—Long-Range Public Works

The only long-range public works proposed in the $585 million supporting assistance request for Vietnam in fiscal year 1973 are in the $25 million public sector portion of the proposed economic development fund: $3 million for urban water systems; $7.5 million for the U.S. contribution to the My Thuan Bridge; $8.5 million for electric power; $6 million for fishing port development.

We are proposing funds to continue technical assistance in rural water ($252,000), dredging ($190,000), electric power ($152,000) and two new projects, one ($12,457,000) to assist Vietnam to maintain existing highways, and, another ($1,500,000) to assist Vietnam to develop a private contracting capability and put excess defense construtcion equipment to effective use.

The commercial import program, ($376 million for fiscal year 1973) and the economic support fund ($50 million for fiscal year 1973) are both for current imports necessary to economic stabilization.

RURAL ELECTRICFICATION PROGRAM IN VIETNAM

Mr. PASSMAN. Do you have a rural electrification program in Vietnam?

Mr. NOOTER. We have had in the past, but there are no new funds requested for that purpose.

Mr. PASSMAN. How many projects have you had in the past?

Mr. NOOTER. Since that is not in our request, we do not have any material here.

Mr. PASSMAN. You have no material on rural electrification?

Mr. NOOTER. We will provide it. We have had a project in the past in rural electrification where we supplied $2.593 million supporting assistance, and I believe that included both technical assistance and some commodities.

Mr. PASSMAN. The poles and transmission lines would be what you refer to as a capital investment; would it not?

Mr. NOOTER. Yes.

Mr. PASSMAN. Did you get all the money you asked for and did you complete the program on schedule?

Mr. NOOTER. We would have to go back and check our old submissions.

Mr. PASSMAN. On page B–73, you had some funds for a project called Provincial and rural electrification, which you started for $2,593,000,000, and you have $260,000 still unliquidated, do you not?

Mr. NOOTER. That is correct.

Mr. PASSMAN. I would assume, and I want you to correct me if I am wrong, that this rural electrification project progressed on schedule, with adequate funds to complete it; did it?

Mr. NOOTER. I believe it did, yes, sir.

Mr. PASSMAN. Well, I made that point for this reason: We are not able to do that in this country.

We have to suspend development of our rural electrification programs. In some sections of the United States they need funds for capital investment, the money has been appropriated by the Congress, but the money has been frozen. This is one of the things that we are concerned with, we also find there has never been a dollar of the foreign aid funds ever held up. The budget goes along with the request. You impound all other domestic funds, irregardless of how important a project is but no AID projects have ever had funds impounded during these so-called emergency periods.

HIGHWAY MAINTENANCE

Now let's take the other capital projects that you have in your area, Mr. Nooter. What are they? Are you building roads?

Mr. NOOTER. We are providing commodities for the building of secondary roads; yes, sir. We are requesting funds this year for highway maintenance.

Mr. PASSMAN. I hope you are not telling the committee that all of this great sum for South Vietnam goes into budgetary support.

Mr. NOOTER. No, sir.

CAPITAL PROJECTS IN VIETNAM

Mr. PASSMAN. Then you are bound to have some capital projects; it is not all consumables is it?

Mr. NOOTER. That is right. There are four capital projects which we are proposing this year. One is for a municipal utilities loan fund for water systems; one is for contribution to a multilaterally funded project for a bridge over the Mekong River; one is for an electric powerplant and some feasibility studies——

Mr. PASSMAN. Let's stop right there a minute.

This is a small country, area-wise, is it not?

Mr. NOOTER. Yes, sir; relatively small.

Mr. PASSMAN. I see here where you do have an electric power project on page B–54 for $50.621 million. Is that correct?

Mr. NOOTER. Yes; that is correct.

Mr. PASSMAN. This project started in 1967?

Mr. NOOTER. Yes; this project goes back some years.

Mr. PASSMAN. Let's be accurate. It goes back only to 1967, does it not, 5 years ago?

Mr. NOOTER. Yes; that is correct.

Mr. PASSMAN. So there has been no slowdown in this project, this huge project is being brought to completion, with no slowdowns or no freezeups?

Mr. NOOTER. Yes, sir.

Mr. PASSMAN. You are only asking for $152,000 for fiscal year 1973?

Mr. NOOTER. That is right.

Mr. PASSMAN. We cannot do that in this country. You believe me, we just cannot do that in this country. We do not have the money.

I just do not believe you people would want me to represent you on this side of the table if I did not bring these things out. So we have reached the point to where it would appear that preferential treatment is given to the foreign nations of the world.

Let's move into your other public works projects, drainage, rivers and harbors, bridges.

Mr. NOOTER. We are proposing funds this year for a bridge across the Mekong River.

Mr. PASSMAN. Is it to replace one or is it a new bridge?

Mr. NOOTER. A new bridge.

Mr. PASSMAN. New bridge. At what location and at what cost?

Mr. NOOTER. It is at My Thuan, which is on the main highway down to the delta, the richest agricultural producing area in the country. There is a ferry there now, but it is quite a bottleneck in terms of commerce and trade.

Mr. PASSMAN. They have been using it ever since they have had a South Vietnam, have they not?

Mr. NOOTER. Yes.

Mr. PASSMAN. Very successfully, I guess, too.

Mr. NOOTER. They have.

Mr. PASSMAN. Of course this is more modern, but how much is it going to cost?

Mr. NOOTER. The total cost will be $30 million. The U.S. contribution——

Mr. PASSMAN. Did you say $30 million?

Mr. NOOTER. Yes, sir.

Mr. PASSMAN. All right.

Mr. NOOTER. The U.S. contribution would be one-fourth of that sum.

Mr. PASSMAN. That would be our direct contribution. What is our indirect contribution, the other 75 percent?

Mr. NOOTER. Another fourth would be contributed by other countries and half of it would be contributed by the Government of Vietnam.

Mr. PASSMAN. What other countries?

Mr. NOOTER. The United Kingdom, Japan, Germany, Australia, and the Netherlands, we expect.

Mr. PASSMAN. How much?

Mr. NOOTER. A total of $7.5 million.

Mr. PASSMAN. That is the total, that is only 25 percent.

Mr. NOOTER. That would match our 25 percent.

Mr. PASSMAN. There is nothing to match that other 50 percent that we are indirectly putting up through the Vietnam budget.

Mr. NOOTER. To the extent we support their budget——

Mr. PASSMAN. I know these are kind of tricky question, but they ought to be, you know very well we are putting up the rest of it.

Mr. NOOTER. To the extent we support their budget, we are providing additional financing.

Mr. PASSMAN. These people in Cambodia, Laos, Thailand, and other countries, are getting preferential treatment.

Any other bridges?

Mr. NOOTER. That is all.

SUPPORT OF VIETNAMESE FISHING INDUSTRY

We are proposing a project to finance fishing ports, to expand the fishing industry there; ports and docks.

Mr. PASSMAN. I understand you have ports and docks over there that you do not use. Do you not have a lot of docks completely idle and are not even in use?

Mr. NOOTER. No. They have a considerable fishing potential there, which they can use to expand their exports. They do need modern dock facilities.

Mr. PASSMAN. Certainly they do. We need them down in Louisiana, too, but we are having to postpone them.

Why don't you people stop getting us into these long involvements? How long will it take to construct this port and dock, or is it a series of docks or just one?

Mr. NOOTER. This would be a series of small parts and it probably will take about 4 years to complete.

FUNDING OF CAPITAL PROJECTS

Mr. PASSMAN. Why are you so optimistic in believing that you will get money 4 years from now for this program?

Mr. NOOTER. In this case we would not start any individual part, unless we had funds from the Congress to assure that we can complete that section of it.

Mr. PASSMAN. Then you would ask that there be sufficient funds appropriated for full funding?

Mr. NOOTER. Well, on all capital projects we make sure we have the full funding in place before we start on it.

Mr. PASSMAN. Is that not a fine way to operate. In our domestic projects here in the United States, we are lucky to get one slice every year for about 14 years. Sometimes we have to suspend them for a year.

You people come in with one of these public works projects and even though you are not going to complete it for 4 years, you get all the money at one time. Would it not be wonderful if Kansas and Louisiana could do that?

Mr. SHRIVER. If you would yield, to day on the House Floor we have a public works bill that provides contract authority, where, even though it is cheaper for us to enter into a contract at the beginning and appropriate the money for it, we are not able to, we cannot do it.

Mr. PASSMAN. No, we provide preferential treatment to these foreign aid projects.

How many of these capital projects do you have going at this time, where you have used forward funding and they have not been completed?

Mr. NOOTER. We will have to check that for the record.

(The information follows:)

CAPITAL PROJECTS WITH FORWARD FUNDING

[In thousands of dollars]

Project	Obligations through June 1972	Unliquidated as of June 1972
Electric power	50,369	6,623
Nguyen Troung to school	2,454	316
National Water Loan Fund	1,000	300

Mr. NOOTER. I would like to point out that I believe it is a requirement of the law that we not embark on a foreign aid capital project unless we have the full funding assured.

Mr. PASSMAN. This law was written downtown. It used to be we would write the legislation up here. Today you all draft the legislation and send it up here for us to pass.

HIGHWAY ASSISTANCE PROJECT

How about your road system? Do you have a program for expanding the highway system in fiscal 1973?

Mr. NOOTER. Yes, although most of the funding in the highway area is for maintenance.

Mr. PASSMAN. Let us look at the part that is not for maintenance.

Mr. NOOTER. The highway advisory assistance project would be for maintenance and in some cases——

Mr. PASSMAN. Let us look at what you have in your request for highway construction for fiscal 1973.

Mr. NOOTER. This would be the highway advisory assistance project. Total request is for $12,457,000.

Mr. PASSMAN. That is a large sum.

Mr. NOOTER. A large project.

Mr. PASSMAN. You speak of it as though it was something we can skim over. How about maintenance cost?

Mr. NOOTER. This is all for the maintenance of highways.

Mr. PASSMAN. I am afraid you misunderstood the question. I am trying to find out what you have allocated and what you are requesting for new highway construction.

Mr. NOOTER. Mr. Westwood tells me we have no new highway construction funds included in this request.

Mr. PASSMAN. This project is for highway maintenance for $12 million?

Mr. NOOTER. Yes, sir.

Mr. PASSMAN. How many miles of roads will you maintain?

Mr. NOOTER. This will include those major and minor maintenances of their entire highway system, some 6,400 kilometers.

Mr. PASSMAN. This is nothing more than an estimate to show you may need money for maintenance. There is nothing positive about it; is there?

Mr. NOOTER. The Department of Defense has been funding this. AID is taking over now that Defense is phasing out. In the past they have spent over $50 million in 1 year for similar kinds of work. We are trying to do it on a different basis now, that is, with much larger Vietnamese input into the operation. With our aid being in the form of commodities and technical assistance the costs are lower.

The experience of the Defense Department gives us an idea of the order of magnitude required and the number of people necessary to operate the system. It is, therefore, based on a history of an ongoing program.

Let me make clear that Defense also will be spending some money in this area in fiscal 1973.

Mr. PASSMAN. So your $12 million will not replace their $50 million?

Mr. NOOTER. That is right. However, their contribution is $13.9 million, and that will be for major resurfacing contracts, as well as our $12 million.

Mr. PASSMAN. What do you have presently obligated for this project?

Mr. NOOTER. We have not obligated anything for that project yet. This is a new project.

Mr. PASSMAN. This is a brandnew project, as far as you are concerned?

Mr. NOOTER. Yes.

Mr. PASSMAN. Is the military actually going to reduce their expenditures?

Mr. NOOTER. Yes. Their expenditures, which were in the neighborhood of $40, $50, $60 million a year, now will be $13.9 million in 1973. That will be their last year.

Mr. PASSMAN. Then you take over?

Mr. NOOTER. Then we will take it over. We hope it will be on a more modest basis.

Mr. PASSMAN. It does not appear too modest when you estimate a total cost of $36,657,000 and you propose to slug in $12,457,000 in the first year. Is that modest?

Mr. NOOTER. It is substantially less than the military cost.

Mr. PASSMAN. Where are these highways mainly located?

Mr. NOOTER. This is a primary highway network running up and down Vietnam and throughout the country. This represents their whole highway system.

PROGRAM LEVEL UNDER NORMAL DEVELOPMENT STANDARDS

Mr. PASSMAN. What if peace should come? And let us hope and pray, that it will. How long would it take you to bring these people down out of the clouds and get them down to the Vietnamese standard of living they have been accustomed to for 4,000 years?

Mr. NOOTER. It would take some 5 years to bring down this program to what would be the level of a normal development program.

Mr. PASSMAN. I don't know what you mean by normal development. Those people were raising rice and other agricultural commodities, and were a happy lot out there. I think we said this nation has been in existance for some 4,000 years. They had a standard of living with which they were completely happy and accustomed to. We trained them to expect us to furnish them with steak and caviar. If peace comes, inasmuch as they have increased production greatly of their main cash crop which is rice, why do you think it would take 5 years to break up this addiction?

Mr. NOOTER. I am judging from experience in Korea. Once an economy gets moved along to a certain stage, it is not possible to unwind it in 1 year. It simply takes time to disengage in a way that permits them to make the necessary adjustments. Obviously, it would be our objective to do it as quickly as we could.

Mr. PASSMAN. Something like an addict on heroin or an alcoholic. They become addicted to the this standard of living.

Mr. NOOTER. In a sense, that analogy is true, yes.

(Discussion held off the record.)

AGRICULTURAL COMMODITIES IN VIETNAM

Mr. PASSMAN. What other agricultural commodities do you have in Vietnam?

Mr. NOOTER. Poultry, swine.

Mr. PASSMAN. In sufficient quantities where it is an export item?

Mr. NOOTER. They have not started to export yet, although it is a potential export item. They are about self-sufficient on those.

RICE PRODUCTION IN VIETNAM

Mr. PASSMAN. With regard to the 6 million metric tons of rice that they produced in 1971, how many tons did they export?

Mr. NOOTER. They are not exporting rice.

Mr. PASSMAN. Are they self-supporting?

Mr. NOOTER. Almost self-supporting. Because of the current invasion, we think now we will have to bring some rice into Vietnam, particularly for the northern part of the country where the refugees are.

TAIWAN VEGETABLE CENTER

Mr. PASSMAN. Are they a member of the so-called turnip patch program that was created out in Southeast Asia?

Mr. NOOTER. The Taiwan vegetable center?

Mr. PASSMAN. I call it the Taiwan turnip patch.

Mr. NOOTER. No.

Mr. PASSMAN. They were invited in as a member, and they said they wanted to become a member. Why is it that they are not a member?

Mr. NOOTER. I think it is because they have been so preoccupied with their own internal affairs. Your point is well taken.

Mr. PASSMAN. Is it because they wanted us to put up their little contribution in order to get them in?

Mr. NOOTER. I am not familiar with that history.

Mr. PASSMAN. If that project is as good as it was represented to us, and it covers that particular area, I would think this would be the very thing you would be interested in.

Mr. NOOTER. It is a very good point. We will look into it to see to what extent they could benefit from it. I am sure they could. Vegetable production is a major area of potential production for them.

Mr. PASSMAN. In all probability they would benefit more than some of the other countries in that area.

Mr. NOOTER. They could certainly utilize that.

Mr. PASSMAN. They were invited to become a member according to the information given to us on one of our trips to Taiwan.

Mr. NOOTER. A few years ago, yes. They have been involved in the war.

Mr. PASSMAN. This was finalized a year ago.

Mr. NOOTER. We will raise it again to see whether or not it would be a good idea. I suspect it would be a good idea for them to become involved.

Mr. PASSMAN. I suspect it would, too, if they want to be taught new techniques in vegetable growing. The Chinese are superb in that field.

Mr. NOOTER. Yes.

SPOILAGE OF PUBLIC LAW 480 COMMODITIES IN VIETNAM

Mr. PASSMAN. We were told, and I have read in the press, where you had miles of warehouses in Vietnam loaded with commodities. Some had been there a year or 2 years; some of the commodities were deteriorating rapidly and the supply was far in excess of needs. What is the situation now?

Mr. NOOTER. I assume you refer to some reports regarding Public Law 480 title II food.

Mr. PASSMAN. There were some commodities on the docks deteriorating because it was purchased in excess of needs. What is the situation today?

Mr. NOOTER. Over the years in meeting the requirements of the refugees, we have made available some $150 million worth of surplus food commodities. This has been extremely helpful in meeting the refugee needs and making a very difficult situation more tolerable for these people.

During the past year, now that things have stabilized somewhat, we have been able to review and check around the country all the stocks, surplus supplies, and so on. In that process we have found some $2½ million worth of this food which, because of inadequate storage facilities, has spoiled or in other ways become unfit for human consumption.

That is a lot of money and a lot of commodities. However, on a percentage basis it is still quite modest considering the overall program.

EXCESS PURCHASES UNDER COMMODITY IMPORT PROGRAM

Mr. PASSMAN. Is it not true that in one commodity program, there was enough rope to last 200 years? I am not accusing you, but you cannot discount these reports. You have read some of the GAO reports, have you not?

Mr. NOOTER. Yes, but I do know that in the last 3 or 4 years in the Commercial Import Program we checked every import license re-

quest against requirements to be sure that excess amounts are not ordered.

Mr. PASSMAN. Of course, in a program this large, a crash program, you will have some excess purchases. This is not a blanket charge. However, we know it was bad for a while.

You think the situation has greatly improved?

Mr. NOOTER. Yes. In the middle Sixties, during the rapid buildup, some of what you say certainly did go on. That got straightened out by about 1968 or 1969. Since that time it has been orderly and I think very much under control.

Mr. PASSMAN. I never would be an individual who would say I must be provided all the luxuries and you are to have none. That never has been my attitude. I think people should have what they are able to pay for if it does not slow down the winning of a war during a period of emergency.

However, we know things are pretty loose in Vietnam. I am sure you are doing what you can to control this. Many luxuries are made available in Vietnam, to my way of thinking, which should have been held up until the situation is brought under control.

Do you have a list of approved imports which also forbids certain luxuries from being imported to Vietnam?

Mr. NOOTER. We do not import anything under the AID-financed Commercial Import Program that you would call luxuries. They are all essential commodities.

VIETNAMESE IMPORTS OF LUXURY ITEMS

Mr. PASSMAN. But if you provide the money for the essential commodities, that releases to the South Vietnamese their resources to import whatever they want to. Is that right?

Mr. NOOTER. Yes, except that their own import system contains relatively little of what one would call luxury imports.

Mr. PASSMAN. When you get in the finest of perfumes, TV sets, excess motor vehicles, the better whiskeys and champagnes, and imported cigarettes, are they not in the luxury category?

Mr. NOOTER. Actually for some time now they have prohibited the importation of Hondas, and for that matter even four-wheel passenger vehicles. Hondas are not totally luxury items.

BLACK MARKET OPERATIONS

Mr. PASSMAN. Even the GI's send some of these things home because they buy them cheaper there than elsewhere.

At one time we were told, and it never was denied, that in many instances even our military could go out on the black market and buy military commodities, which had been stolen, cheaper than they could be brought on the regular market. Are you familiar with those days?

Mr. NOOTER. Generally, yes.

Mr. PASSMAN. These are some of the facts of life. How is it today? Do you still have the looting?

Colonel PATRICK. We did have some of that in the days of the military buildup. However, right now, our concentration on the black market, our attempts to get the black market closed up or reduced,

and the reduction of our forces, has reduced the black market participation.

Another thing is that the exchange rate is more favorable today than it had been in the past. This removes the incentive for our servicemen to operate on the black market.

Mr. PASSMAN. Thank you, gentlemen. We shall adjourn until 1 o'clock tomorrow.

THURSDAY, APRIL 20, 1972.

SUPPORTING ASSISTANCE—WORLDWIDE

WITNESSES

HON. RODERIC L. O'CONNOR, COORDINATOR FOR SUPPORTING ASSISTANCE, AGENCY FOR INTERNATIONAL DEVELOPMENT
ROGER P. DAVIES, DEPUTY ASSISTANT SECRETARY OF STATE FOR NEAR EASTERN AND SOUTH ASIAN AFFAIRS
CHARLES H. BREECHER, DIRECTOR, OFFICE OF DEVELOPMENT PLANNING, BUREAU FOR SUPPORTING ASSISTANCE, AGENCY FOR INTERNATIONAL DEVELOPMENT
HERBERT W. DODGE, PROGRAM DIVISION CHIEF, OFFICE OF DEVELOPMENT PLANNING, BUREAU FOR SUPPORTING ASSISTANCE, AGENCY FOR INTERNATIONAL DEVELOPMENT
ROBERT MYERS, BUREAU OF EAST ASIAN AND PACIFIC AFFAIRS, DEPARTMENT OF STATE
GEORGE NEWMAN, ACTING COORDINATOR OF SECURITY ASSISTANCE, OFFICE OF THE UNDER SECRETARY, DEPARTMENT OF STATE
ALLAN R. FURMAN, DEPUTY DIRECTOR, OFFICE OF LEGISLATIVE AFFAIRS, AGENCY FOR INTERNATIONAL DEVELOPMENT

Mr. PASSMAN. The committee will come to order.

We shall continue our examination this afternoon on the budget request for supporting assistance and we will take up the items covering the remaining areas in the program.

I believe that you also are testifying, Mr. O'Connor, for the supporting assistance item today?

Mr. O'CONNOR. I am, sir.

JUSTIFICATION MATERIAL

Mr. PASSMAN. Your general statement the other day covered all the areas under supporting assistance so it will not be necessary to repeat that statement today. We will insert certain justifications in the record at this point.

(The material follows:)

ISRAEL

PROGRAM SUMMARY (In millions of dollars)			
	FY 1971 Actual	FY 1972 Estimated	FY 1973 Proposed
Security Supporting Assistance	-	50.0	50.0

OBJECTIVES OF U.S. ASSISTANCE

Spanning the Administrations of five successive Presidents, the United States has consistently supported Israel's sovereignty and political independence. We have become a major supplier of arms in recent years and, to assist Israel in financing its arms purchases, we have extended several hundreds of millions of dollars in military sales credits.

POLITICAL, MILITARY AND ECONOMIC SETTING

The United States is committed to a policy of maintaining a balance of military power in the Middle East. A shift in the balance against Israel could, in our judgment, destabilize the situation, threaten the continuation of the cease-fire now in effect and set back efforts to bring peace to the area. We maintain a careful watch for any increases in the military capability of the Soviet Union in this region, or increases in the military capabilities of the Middle East nations to which the Soviets supply arms.

In its efforts to maintain its relative military strength, Israel has more than doubled the dollar value of its defense expenditures since the Six-Day War in June 1967. Between 1967 and 1971, defense outlays rose from the equivalent of $500 million to $1.6 billion. By 1971, Israeli defense expenditures were about 30% of estimated gross national product. Israel financed most of this added military burden by increasing its foreign indebtedness, which rose from $1,320 million at the end of 1966 to $3,192 million by the end of August 1971.

Thus, military requirements have absorbed substantially all of Israel's increased net import of goods and services. As a result, Israel has had to look to growing production for the capital needed to maintain an expanding economy. Israel is experiencing increasing difficulty in balancing available resources against the competing claims of defense, investment and consumption.

Private consumption has been compelled by government policy to accommodate to needs for defense and investment. The consumer has been permitted a smaller and smaller fraction of the diminished annual gain in national income. The Israeli Government has been finding it more and more difficult to finance its budget requirements for defense, immigrant resettlement, etc., and to meet private sector needs without resort to inflationary financing. As a consequence, price pressures have mounted.

The Israeli authorities have displayed considerable skill and initiative in their efforts. Special taxes, including a 20% imports surcharge, have been imposed. Purchase of government bonds has been made compulsory. Credit to the private sector has been restricted. And, in order to spur foreign exchange earnings and limit the requirement for foreign economic assistance, special incentive payments are being made for exports.

PROPOSED FY 1973 PROGRAM

Supporting Assistance of $50 million is being provided in FY 1972 and another $50 million is proposed for FY 1973 to assist Israel in financing its heavy fiscal burden. We plan to provide the funds as balance of payments and general budget support which will allow the Israeli Government to meet the expenditures caused by such extraordinary requirements as the resettlement of new immigrants and increased military mobilization.

JORDAN

PROGRAM SUMMARY (In millions of dollars)			
	FY 1971 Actual	FY 1972 Estimated	FY 1973 Proposed
Security Supporting Assistance	5.0	30.0	40.0
Technical Assistance	(1.0)	(.6)	(1.2)
Contingency Fund	(-)	(15.0)	(-)
Total	(6.0)	(45.6)	(41.2)

OBJECTIVES OF U. S. ASSISTANCE

A stable Jordanian Government with a moderate outlook is essential to the eventual realization of a just and lasting resolution to the Arab-Israel confrontation. Jordan is the only major Arab protagonist in the dispute which has retained full diplomatic relations with the United States. If the present Jordanian Government were to fall, the likely result would be a marked shift in the balance of power in the area.

POLITICAL, MILITARY AND ECONOMIC SETTING

Prior to the June 1967 Arab-Israeli war, the Jordanian economy was growing rapidly, and U. S. economic assistance was on a phaseout schedule. Defense expenditures comprised a high percentage of the budget (40 percent) but were sustainable. Following the war, much of Jordan's most productive territory was occupied by Israel, and most of Jordan's traditional sources of foreign exchange earnings, such as tourism, were lost. Moreover, there occurred an influx of refugees who, along with the displaced persons of the 1948 settlement, constituted approximately half the population of unoccupied Jordan. Even so, the Jordanian Government was able to maintain its position as a moderate Arab state and continued to improve its people's standard of living.

Following the 1967 war, Jordan's economic development was sustained by budget support payments from Jordan's Arab neighbors under an agreement reached at Khartoum. The Khartoum subsidies of about $105 million per year were sufficient to meet Jordan's military needs. As a result, only a modest amount of developmental assistance from abroad was required to augment Jordan's domestic revenues

and cover non-military expenditures.

The lack of progress in achieving a peace settlement of the 1967 war enabled the Fedayeen to attract substantial financial support from the Arab world. By 1970, the Fedayeen had achieved sufficient independent military strength that they felt capable of challenging the Government of Jordan. Several serious clashes were inconclusive, but a major confrontation in September 1970 established the superiority of the Jordan Arab Army and substantially reduced the threat from the Fedayeen.

Two of the countries which had been providing assistance to Jordan, Libya and Kuwait, expressed their displeasure with these actions of the Jordanian Government by discontinuing their Khartoum payments. This resulted in a loss of $64 million annually, much more than could be offset either by budgetary economies or increased mobilization of domestic resources. In order to reduce Jordan's 1971 budget deficit to manageable proportions, the United States provided a $30 million cash grant from FY 1972 Supporting Assistance funds and an additional $15 million cash grant from the FY 1972 Contingency Fund.

PROPOSED FY 1973 PROGRAM

Jordan's narrow economic base, further reduced by loss of the West Bank area, is not capable of yielding adequate revenues to cover essential non-defense spending. Thus, continued budgetary support from abroad is necessary to maintain a level of domestic outlays without which economic and political stability would be threatened since the Government of Jordan otherwise would be forced either to curtail expenditures drastically or to undertake a level of domestic borrowing which would precipitate strong inflationary pressures. The political and social tensions thus provoked might well induce Jordan to abandon its moderate foreign policy stance. Even with Jordan's continuing, serious efforts to increase domestic revenues and limit expenditures, it is estimated that Jordan will require a $40 million Supporting Assistance cash grant in FY 1973.

JORDAN

After the 1967 war, as Fedayeen activity mounted and insecurity in the rural areas increased, donor-assisted developmental work in Jordan virtually came to a standstill. Faced with that situation, the United States initiated no new Technical Assistance projects after 1967 and engaged in very few Technical Assistance activities. As projects were completed or suspended because of security problems, the Technical Assistance program was gradually reduced. With the outbreak of the civil war in 1970 between the Government and the Fedayeen, the U. S. A.I.D. Mission was dismantled and only a small caretaker staff was retained in Amman.

With control established over the Fedayeen, the Government can again turn its attention to the country's developmental problems, but within the constraints imposed by the continuing need for budget support. With minimal A.I.D. staff since 1970, ongoing Technical Assistance projects have been implemented by contract, participating agency and direct-hire personnel working in Jordan on a temporary duty basis.

This modest Technical Assistance program will continue in FY 1973. It is designed to contribute toward increased agricultural production and provide training abroad for Jordanians in both the public and private sectors. A program of feasibility studies designed to determine the financial viability of a number of different developmental projects and to encourage private investment will continue. FY 1973 funds are planned for a highway study. A new project is proposed to help with the rehabilitation and expansion of the irrigated areas of the East Bank of the Jordan Valley.

Technical Assistance funds of $1.2 million are proposed for FY 1973 to carry out the planned Technical Assistance program in Jordan.

SUMMARY OF PROGRAM BY FUNCTION

Country: JORDAN

(Dollar Amounts in Thousands)

TABLE II

Category	Actual FY 1971				Estimate FY 1972				Proposed FY 1973		
	Total	Tech. Assist.	Supp. Assist.	Conting. Fund	Total	Tech. Assist.	Supp. Assist.	Conting. Fund	Total	Tech. Assist.	Supp. Assist.
Development Loan Program	-	XXX	XXX	XXX	-	XXX	XXX	XXX	-	XXX	XXX
Programs Other than Devel. Loan											
Project Assistance											
U.S. Technicians	187	187	-	-	30	30	-	-	365	365	-
Participants	378	378	-	-	310	310	-	-	385	385	-
Commodities	6	6	-	-	13	13	-	-	70	70	-
Other Costs	429	429	-	-	197	197	-	-	380	380	-
Total Project Assistance	1,000	1,000	-	-	550	550	-	-	1,200	1,200	-
Method of Financing											
Project Assistance											
Direct A.I.D.	786	786	-	-	434	434	-	-	526	526	-
Other Agency	-	-	-	-	15	15	-	-	50	50	-
Contract	214	214	-	-	101	101	-	-	624	624	-
Program Assistance	5,000	-	5,000	-	45,000	-	30,000	15,000	40,000	-	40,000
Total Other than Devel. Loan	6,000	1,000	5,000	-	45,550	550	30,000	15,000	41,200	1,200	40,000
Total Assistance	6,000	XXX	XXX	XXX	45,550	XXX	XXX	XXX	41,200	XXX	XXX

NUMBER OF U.S. TECHNICIANS (Program Overseas)

TYPE OF TECHNICIAN	On Duty At Close of Year		
	Actual FY 1971	Estimate FY 1972	Proposed FY 1973
A.I.D. employed	1	-	1
Participating agency	-	-	-
Contractor technicians	-	-	2
Total	1	-	3

NUMBER OF PARTICIPANTS

TYPE OF PARTICIPANT	Programmed During Year		
	Actual FY 1971	Estimate FY 1972	Proposed FY 1973
Non-contract	60	39	40
Contract	3	-	9
Total	63	39	49

MALTA

PROGRAM SUMMARY (In millions of dollars)			
	FY 1971 Actual	FY 1972 Estimated	FY 1973 Proposed
Contingency Fund	-	9.5	-
Security Supporting Assistance	-	-	9.5

POLITICAL, MILITARY AND ECONOMIC SETTING

Because of its strategic position in the Mediterranean, Malta is important to the defense of Europe and especially the security of the Mediterranean, at a time of Soviet naval expansion. Military forces of the United Kingdom have been stationed there under agreements with the Government of Malta.

After the election in June 1971 in which the Labor Party came to power with Mr. Dom Mintoff as Prime Minister, the Government of Malta began renegotiation of the financial and military arrangements with the United Kingdom. The North Atlantic Treaty Organization (NATO) participated in the negotiations resulting in a new defense agreement between the United Kingdom and Malta. The consensus of NATO members is that a continued UK military presence on Malta and concomitant exclusion of Warsaw Pact forces is very important to the NATO Alliance's defense posture in the Mediterranean. Therefore, the NATO members have agreed that continued use of Malta's important facilities warrants a substantial financial outlay by the Alliance. The United States concurs and has agreed to pay a proportionate share.

Because government expenditures account for about 65% of the total gross national product, Malta is dependent upon external resources to maintain the island's economy. United Kingdom aid and spending by British forces contribute an estimated 20% of the Maltese gross national product.

PROPOSED FY 1973 PROGRAM

As a result of the NATO agreement signed on March 26, 1972, between the United Kingdom and Malta, the Government of

Malta will receive an annual payment of 14 million pounds sterling (about $37 million) for a seven year period. The U.S. share totals approximately $9.5 million annually (about 25%). During FY 1972 the initial U.S. payment of $9.5 million is being made from the Contingency Fund. Beginning in FY 1973 $9.5 million of Supporting Assistance funds is being requested for the annual U.S. share.

SPAIN

PROGRAM SUMMARY (In millions of dollars)			
	FY 1971 Actual	FY 1972 Estimated	FY 1973 Proposed
Security Supporting Assistance	-	-	3.0

The proposed Security Supporting Assistance program for Spain in FY 1973 is to fund the annual educational-cultural component of the five-year Agreement of Friendship and Cooperation between the U.S. and Spain (commonly referred to as the U.S.-Spanish Defense Agreement) which was signed on August 6, 1970. During the negotiations which began in 1968 for renewal of the original U.S.-Spanish Defense Agreement of 1953, the Spanish indicated a strong desire for assistance in education, agriculture, environment, economics, space, science and technology.

At the time the Agreement of the Friendship and Cooperation was concluded, the Department of Defense agreed to contribute $3 million from the Secretary of Defense's contingency fund on a one-time basis. These funds will be expended by the end of June 1972.

The Spanish Government attaches substantial importance to the non-military portion of the Agreement far beyond the financial magnitudes involved. In light of that interest, and of the relationship of the educational-cultural component of the 1970 Agreement to U.S. security interests in Spain, an additional $3 million for this program is included in the FY 1973 request for Security Supporting Assistance.

UNITED NATIONS FORCE IN CYPRUS

PROGRAM SUMMARY (In millions of dollars)			
	FY 1971 Actual	FY 1972 Estimated	FY 1973 Proposed
Security Supporting Assistance	4.8	2.4	4.8

The UN Force in Cyprus (UNFICYP) was established in 1964 to contribute to the restoration and maintenance of peace and security in Cyprus, and to a return to normal conditions. The UN Security Council has periodically extended UNFICYP's mandate, and the latest extension continues the force until June 15, 1972.

The size of the force requested in 1964 was 7,000 men. As a result of reductions made over the years, as of November 13, 1971, the force numbered 3,119 men comprised of the following national contingents:

Australia	38
Austria	105
Canada	585
Denmark	337
Finland	288
Ireland	391
Sweden	326
United Kingdom	1049
	3119

U.S. interest in the Cyprus problem reflects our goal of maintaining peace in the Eastern Mediterranean. Eruption of another round of inter-communal fighting would run the very strong risk of mutually destructive conflict between Greece and Turkey and incalculable damage to the southeastern flank of NATO. Experience has shown that UNFICYP is a stabilizing factor essential under present conditions.

The situation in Cyprus has become more critical in recent weeks and remains potentially explosive. With 20,000 armed men in close and hostile confrontation, incidents continue to occur from time to time. In the aftermath of the close brush with war that followed an outbreak of violence on the island in November 1967, intensive

diplomatic efforts were made to establish a viable basis for negotiating a settlement. Since the summer of 1968 representatives of the Greek and Turkish Cypriot communities have been holding direct talks to seek a solution. In August 1971 the talks broke down. The UN Secretary General has suggested the talks be reactivated in expanded form. The United States supports the Secretary General's efforts and hopes that the talks will be resumed in the near future.

It would be unwise to make a major change in UNFICYP's role unless and until significant progress toward settlement is achieved. Although a UN force should not be stationed in Cyprus indefinitely, the UN Force is expected to be required through FY 1973.

The larger portion of the total costs of the UNFICYP operation since 1964 has been met from a fund administered by the UN and financed by voluntary contributions from member states and other governments. The UN estimates that the costs borne by this fund since 1964 totalled $141.0 million through December 15, 1971. Of this the United States has thus far pledged $59.3 million for costs through June 15, 1972. The remainder of the costs to the UN are borne by other governments, which provide cash contributions.

The governments which provide military and police contingents themselves bear a substantial share of the financial burden of such contingents rather than charge the UN for expenses relating to the presence of their contingents in Cyprus. Through December 1971 such contributions-in-kind are estimated at $39.2 million, of which the United States has furnished airlift services valued at $1.3 million.

Contributions in Kind through December 15, 1971.

	($ millions)
Australia	2.2
Canada	18.3
Denmark	2.5
New Zealand	0.2

UNITED NATIONS FORCE IN CYPRUS

Sweden	2.9
United Kingdom	11.8
	37.9
US airlift assistance	1.3
Total	39.2

Taking into account both categories of contributions, the United States has pledged or furnished about one-third of the costs to date.

UNFICYP currently faces serious financial problems with a deficit of approximately $20 million. The United States is negotiating with other contributors in an effort to develop a new financial formula to eliminate the deficit and place future UNFICYP financing on a sound basis. The level of U.S. contributions would remain at the $4.8 million level annually subject to fluctuation in UNFICYP costs. The U.S. share under the new formula would be approximately 26% of total contributions in cash and in kind.

Because of a shortage of Supporting Assistance appropriated for FY 1972, only $2.4 million is being programmed for UNFICYP out of FY 1972 funds. Since pledges to UNFICYP are made on a calendar year rather than a fiscal year basis, a one-time six-month delay in funding of half the U.S. pledge can be sustained without affecting the level of the U.S. contribution. The full amount of the annual U.S. contribution -- $4.8 million -- is being requested for FY 1973.

INTERREGIONAL PROGRAMS

In FY 1973, $23.4 million of Supporting Assistance funds will be used to support A.I.D. interregional programs. These programs, which are under the direction of central A.I.D. offices, include a number of activities and provide a variety of services that benefit all A.I.D. field programs, including those funded by Supporting Assistance. Information on these interregional programs is contained in the Development and Humanitarian Assistance Program Presentation book.

78-827 O - 72 - pt. 2 - 28

PUBLIC SAFETY PROGRAMS

Public Safety programs in three countries -- Vietnam, Laos, and Thailand -- will be Supporting Assistance funded in FY-1973. Police assistance efforts in each of these countries are carefully tailored to focus on the deficiencies and weaknesses of their respective civil security forces and are directly responsive to host country plans and efforts to improve the capabilities of their civil police forces.

The overall goals of U.S. police assistance efforts of these countries are:

1. to assist the civil police and civil paramilitary forces in the development of capabilities to cope with the high level of threat to society brought about by externally supported subversion, guerrilla violence in rural areas and warfare;

2. to aid in building a viable police institution that can be responsive to the needs of the people and responsible for the protection of their life and property.

A major part of U.S. public safety assistance in Vietnam and Thailand is focused on those elements of the police institution which are responsible for dealing with the lower levels of violence in rural areas. In Vietnam a substantial effort is under way to provide police services at the village level as a major aspect of the pacification program. As the strength of the police institution in each of the three Southeast Asian countries increases, their ability to survive under the stress of change becomes more assured. The strong institution will be able to undergo reform and to accommodate orderly change within society so that essential services can be provided to the people. When this point of self-sufficiency is attained, U.S. assistance can be withdrawn.

A total of $11.3 million is proposed for these three public safety programs for FY-1973. The funds will be used for salaries and allowances of 222 advisors and

contract services ($8,216,000); the training in the U.S. of 150 police officers ($362,000); and purchase of essential police equipment ($2,745,000).

(For more information on each of the three programs, see the individual country sections).

In addition, efforts to assist police forces in narcotics control will be continued in FY-1973. Advisory assistance, training and equipment will be devoted to strengthening the narcotics law enforcement capabilities of the civil security forces in each case. These efforts are designed in concert with those of the U.S. Bureau of Narcotics and Dangerous Drugs and the U.S. Bureau of Customs.

In nineteen other countries in various parts of the world, public safety programs, funded by Technical Assistance, are expected to require $4.2 million. The severity of threat to society in these countries is very much less than it is in the Southeast Asian countries. These public safety programs are striving to develop police abilities to prevent the development of such threats in order that these nations may achieve orderly social and economic progress. Public safety assistance is also being tailored to focus resources available on improvement of police capabilities in narcotics law enforcement in key countries.

SUPPORTING ASSISTANCE FUNDED

PUBLIC SAFETY PROGRAMS IN FY 1973

($ Thousands)

	FY 1971	FY 1972	FY 1973			
COUNTRY	TOTAL	TOTAL	TOTAL	TECHNICIANS	PARTICIPANTS	COMMODITIES
Vietnam	9,464	9,700	7,222	6,326	121	775
Thailand	5,366	5,000	4,231	1,670	210	2,351
Laos	480	425	462	200	31	231
Total	15,310	15,125	11,915	8,196	362	3,357

SUMMARY OF PROGRAM BY FUNCTION

Country: EAST ASIA REGIONAL DEVELOPMENT

(Dollar Amounts in Thousands)

TABLE II

Category	Actual FY 1971				Estimate FY 1972				Proposed FY 1973			
	Total	Tech. Assist.	Supp. Assist.	Population	Total	Tech. Assist.	Supp. Assist.	Population	Total	Tech. Assist.	Supp. Assist.	Population
Development Loan Program		XXX	XXX	XXX		XXX	XXX	XXX		XXX	XXX	XXX
Programs Other than Devel. Loan												
Project Assistance												
U.S. Technicians	3,597	3,597	-	-	2,223	2,223	-	-	3,501	2,433	1,068	-
Participants	91	91	-	-	17	-	17	-	17	-	17	-
Commodities	1,537	1,321	216	-	1,882	1,614	268	-	2,868	2,612	256	
Other Costs	8,001	6,058	-	1,943	6,683	4,868	15	1,800	15,145	5,605	7,059	2,481
Total Project Assistance	13,226	11,067	216	1,943	10,805	8,705	300	1,800	21,531	10,650	8,400	2,481
Method of Financing												
Project Assistance												
Direct A.I.D.	1,285	1,285	-	-	1,158	925	233	-	5,373	955	4,418	-
Other Agency	1,258	1,258	-	-	898	898	-	-	900	775	125	-
Contract	10,683	8,524	216	1,943	8,749	6,882	67	1,800	15,258	8,920	3,857	2,481
Program Assistance	-	-	-	-	-	-	-	-	-	-	-	-
Total Other than Devel. Loan	13,226	11,067	216	1,943	10,805	8,705	300	1,800	21,531	10,650	8,400	2,481
Total Assistance	13,226	XXX	XXX	XXX	10,805	XXX	XXX	XXX	21,531	XXX	XXX	XXX

NUMBER OF U.S. TECHNICIANS (Program Overseas)

TYPE OF TECHNICIAN	On Duty At Close of Year		
	Actual FY 1971	Estimate FY 1972	Proposed FY 1973
A.I.D. employed	23	27	28
Participating agency	6	8	10
Contractor technicians	24	25	31
Total	53	60	69

NUMBER OF PARTICIPANTS

TYPE OF PARTICIPANT	Programmed During Year		
	Actual FY 1971	Estimate FY 1972	Proposed FY 1973
Non-contract	-	10	10
Contract	32	-	-
Total	32	10	10

MIDDLE EAST AREA

Mr. PASSMAN. In fiscal year 1973, supporting assistance of $90 million is requested for Israel and Jordan, together with other forms of security assistance, to contribute toward maintaining the arms balance in the Middle East and preserving the existing ceasefire in the hope a formula can be found which will provide a just and lasting resolution to the Arab-Israeli confrontation.

OTHER ASSISTANCE PROGRAMS IN THE MIDDLE EAST

What other type of security assistance is planned other than the $90 million for the Middle East?

Mr. O'CONNOR. Other than we testified to in Southeast Asia?

Mr. PASSMAN. Yes. We are talking strictly about the Middle East now.

Mr. O'CONNOR. There are basically two other types, military grants and F.M.S.

Mr. PASSMAN. How many nations does this area embrace in the military assistance and the supporting assistance categories?

Mr. O'CONNOR. In the Middle East, Mr. Chairman, Israel has $50 million requested.

Mr. PASSMAN. Give us the name of the nation.

Mr. O'CONNOR. Israel, Jordan, and in what we classify as Europe, although one could say it is related, Malta and Spain.

SUPPORTING ASSISTANCE FOR MALTA AND SPAIN

Mr. PASSMAN. You have no supporting assistance for Malta and Spain, do you? I thought that was out of the direct appropriation for the base rights agreements?

Mr. O'CONNOR. No. We have two requests new this year.

Mr. PASSMAN. Supporting assistance?

Mr. O'CONNOR. $9.5 million for Malta and $3 million for Spain.

Mr. PASSMAN. Malta is not requesting funds in addition to the request, is she?

Mr. O'CONNOR. To the best of my knowledge, there are no other requests for aid for Malta.

Mr. PASSMAN. No military training?

Mr. O'CONNOR. I don't believe so.

Mr. NEWMAN. No, sir.

Mr. PASSMAN. Why are you requesting $9.5 million for Malta? They have been heavily involved in negotiations with the United Kingdom, haven't they?

Mr. O'CONNOR. Malta, as you know, had a new government. They——

Mr. PASSMAN. Malta is an independent country now.

Mr. O'CONNOR. Yes, sir.

Mr. PASSMAN. When did they gain their independence?

Mr. O'CONNOR. I am not sure.

Mr. NEWMAN. 1964, I think.

Mr. PASSMAN. What is the size of the country?

Mr. O'CONNOR. The population is, I think, about 300,000 people.

TERMS OF THE MALTA AGREEMENTS

Mr. PASSMAN. The fact is that there are agreements between the British and Malta for the British to pay $36 million annual rent to Malta, and we are asking Britain to let us participate up to $9.5 million per year in the rental charge; is that the way it works out in understandable language?

Mr. O'CONNOR. Yes, sir. There is an agreement. Our agreement, our——

Mr. PASSMAN. Is that correct? This is rent that the British agreed to pay to Malta?

Mr. O'CONNOR. Actually, sir, the 7-year agreement includes the British contribution. The annual rent is roughly $36.4 million.

Mr. PASSMAN. I didn't ask you that question. I asked you this question: This is a $36 million annual rental so as to retain British bases in Malta, and we are merely asking for the right to put up $9.5 million of the $36 million per year; is that right?

Mr. O'CONNOR. We have agreed to put up $9.5 million as our share.

Mr. PASSMAN. I said that seven times since I sat down here. Is that true, that these are British bases and they agreed to pay $36 million per year and we are merely making a contribution of $9.5 million toward that annual rental?

NATO PARTICIPATION UNDER MALTA AGREEMENT

Mr. NEWMAN. Mr. Chairman, I should point out that the British negotiated on behalf of NATO for the retention of these bases, and it is a NATO contribution, totaling $36 million, to which we will contribute $9.5 million. The British will contribute, the Germans, Italians, as will several other NATO countries.

PURPOSE OF MALTA AGREEMENT

Mr. PASSMAN. Why do we have to get into every one of these agreements?

Mr. O'CONNOR. I think the political consideration there involved the possibility of these bases, if Malta did not get on an arrangement, these bases being made available to the Russians.

BRITISH BASES ON MALTA

Mr. PASSMAN. Who has bases on Malta? Only the British; is that true?

Mr. O'CONNOR. That is right.

Mr. PASSMAN. In effect, I made a statement of fact. These are British bases on Malta, and for the first time we are putting up $9.5 million toward the annual rent; is that right?

Mr. O'CONNOR. This is the first time we have contributed; yes, sir.

Mr. PASSMAN. They are strictly British bases?

Mr. O'CONNOR. Well, sir, in——

Mr. PASSMAN. Is that right?

Mr. NEWMAN. They were fomerly British bases.

Mr. PASSMAN. Until they gained their independence?

Mr. NEWMAN. They are to be used for NATO defense purposes.

Mr. PASSMAN. They are still British bases. It was the British who worked out this agreement to pay $36 million annual rent to retain their original bases that belonged to them. Even though NATO may have the right to use them, it is an agreement that the British made so as to keep their former bases which belonged to the British when the Island of Malta was under the United Kingdom; is that the way it works out?

Mr. NEWMAN. In part. I think you will recall from newspaper reports that the British were prepared to pull out, to withdraw from those bases. It was because of U.S. and NATO strategic considerations that the British on behalf of NATO negotiated with the Maltese Government for the retention of those facilities, which is in support of NATO interests as well as U.S. interests.

U.S. FUNDING OF NATO

Mr. PASSMAN. When it comes to spending money, somehow or other we are going to get in on it. I think that is pretty well settled. Why do you have to take this out of "Supporting assistance"? Doesn't NATO get some of her funds out of the Defense Department?

Mr. O'CONNOR. Our share of NATO primarily is paid by the Defense Department.

REASON FOR FUNDING MALTA AGREEMENT UNDER SUPPORTING ASSISTANCE

Mr. PASSMAN. Why didn't you have this worked out so that it would be funded under DOD instead of dipping over into "Supporting assistance" funds?

Mr. O'CONNOR. I am not at all certain that politically it would have been appropriate.

Mr. NEWMAN. Generally, Mr. Chairman, we have tried to use the "Supporting assistance" appropriations to fund the nonmilitary aspect of the several base agreements that have been negotiated.

BROADENED SUPPORTING ASSISTANCE PROGRAMS

Mr. PASSMAN. I appreciate that, but your supporting assistance is limited to few nations, I believe 12 in total?

Mr. NEWMAN. Right, sir.

Mr. PASSMAN. Now, you began to broaden this program. It is like these other organizations once it starts, it seems to go out of control. Nevertheless, this is coming out of "Supporting assistance," and the first time that you have had a request for funds for Malta, is out of the "Supporting assistance" category; is that right?

Mr. O'CONNOR. That is right.

JUSTIFICATION FOR SUPPORTING ASSISTANCE TO MALTA

Mr. PASSMAN. I thought "Supporting assistance" had been justified previously on the basis it was, in the main, economic grant aid to countries of strategic importance to our country that maintain a military force. Is that the premise on which you are asking for this $9.5 million?

Mr. O'Connor. Yes, sir. I think that under the statute, as you know, we contribute to either political or economic stability. In Malta for the last several years, to my knowledge, and I suspect well before that, about 20 percent of their GNP actually came out of the British naval base and the spending of the British Navy and their sailors in Malta.

Mr. Passman. Who are they afraid will attack them in order to justify maintaining a military base there?

Mr. O'Connor. The Russians have assembled a very powerful fleet——

Mr. Passman. What is the population?

Mr. O'Connor. About 300,000.

Mr. Passman. Do you think a country of 300,000 might scare Russia off?

Mr. O'Connor. No, sir. We have a very substantial fleet in this part of the world as well.

Mr. Passman. What contribution does Malta make with her 300,000 population?

Mr. O'Connor. One of the best ports in the Mediterranean. It is an important port. It is an important shipyard and repair area, and it is an important supply and storage——

Mr. Passman. Does this justify giving these people grant aid?

Mr. O'Connor. What I am saying is that without that 20 percent of their GNP which has resulted from having the United Kingdom base there they would have a very serious economic problem.

Mr. Passman. Now you are getting around to it. It is strictly budget support so that they can have a little higher standard of living. What did they do for money last year in Malta?

Mr. O'Connor. The situation had not arisen there. The British were occupying it and their 20 percent of GNP spending was flowing to that matter.

BRITISH WITHDRAWAL FROM MALTA

Mr. Passman. They have had their independence for 8 years?

Mr. O'Connor. Yes, sir.

Mr. Passman. Why did the British maintain bases there after Malta gained their independence 8 years ago and now, all at once, they decided to give them up?

Mr. O'Connor. The British were maintaining those bases in largely the NATO interest. They got a new government in Malta which asked the British to leave.

Mr. Passman. Why didn't you just state the British were ordered out and now we are going to have to pick up the loose ends to retain those bases? That is what we are leading into. The British were asked to leave, so we are in again with the old black sachel trying to buy friendship.

We will take a brief recess to answer the bells.

(Short recess taken.)

POPULATION OF MALTA

Mr. Passman. The committee will come to order. Mr. O'Connor, I asked the question a little earlier about the exact population of Malta. Did you get that information for me?

Mr. Breecher. 330,000.

POLITICAL SYSTEM OF MALTA

Mr. PASSMAN. They operate as an independent government and sovereign country?

Mr. O'CONNOR. They are independent.

Mr. PASSMAN. Under what system; democratic form of government with elected officials?

Mr. O'CONNOR. Parliamentary system.

Mr. PASSMAN. They select the President or is he elected by the people?

Mr. NEWMAN. That is right.

Mr. PASSMAN. No honorary president as some countries have?

Mr. O'CONNOR. I don't think so.

SIZE OF MALTESE MILITARY FORCES

Mr. PASSMAN. What size air force, navy, and army do they maintain in Malta for their internal and external security?

Mr. O'CONNOR. Do we have any figures on that?

Mr. NEWMAN. We don't have that. Could we provide it for the record?

(The information follows:)

SIZE OF AIR FORCE, NAVY, AND ARMY OF MALTA

Maltese military forces consist solely of a small 600-man "land force."

Mr. PASSMAN. It couldn't be very large out of 330,000 total population. They have had their independence since 1964?

Mr. NEWMAN. Yes, sir.

Mr. PASSMAN. During the entire period from the time they gained their independence until last year, the British maintained bases on Malta?

Mr. O'CONNOR. Yes, sir.

TYPES OF MILITARY BASES ON MALTA

Mr. PASSMAN. We are talking about bases. What kind of bases?

Mr. O'CONNOR. Primarily naval base, and I believe there are some air.

Mr. PASSMAN. Naval shipyards?

Mr. NEWMAN. Port facilities, ship repair facilities.

REASON FOR BRITISH WITHDRAWAL FROM MALTA

Mr. PASSMAN. Last year they asked the British to get out; is that correct?

Mr. NEWMAN. As a result of the negotiations between the British and the Maltese Government, it looked as though the British were going to withdraw.

Mr. PASSMAN. I want to be as nice as I can, but I think that you answered in the affirmative earlier that they ordered the British out. They terminated their agreement with the British for maintaining bases there last year, did they not?

Mr. O'Connor. That is my recollection. I think at one point they said that—the British said they were going to withdraw because they could not reach agreement.

Mr. Passman. That is the same difference.

Mr. O'Connor. In substance it comes to that.

Mr. Passman. In substance they said under the conditions now existing, get out. Now, could that have been one of these diplomatic deals between the Maltese and the British to put on this little act so as to get Uncle Sam in with a contribution?

The British are back in now under an agreement and we are only making a payment toward that agreement?

Mr. O'Connor. Sir, the British are there. I believe the navies——

BRITISH SHARE UNDER MALTA AGREEMENT

Mr. Passman. They have the right to use it and have previously, but how much of the $36 million annually are the British going to pay?

Mr. O'Connor. The British share is $13.7 million.

Mr. Passman. Out of the $36 million to maintain the bases there they go through this formality of getting kicked out and now the British are back in but are only putting up $13.7 million rather than $36 million. Isn't it that simple?

Mr. O'Connor. I guess that is—do we have the figure of what the British have been paying?

Mr. Breecher. They have been paying—I don't have the exact figure, but I know what the British are now paying. The $13 million is more than they used to pay.

Mr. Passman. There were no other contributors to the annual rent of this base prior to this new agreement; is that correct?

Mr. Breecher. Yes, sir.

Mr. Passman. Heretofore, since they gained their independence and up until last year, the British paid a rent of less than $13.7 million for those bases in Malta; is that correct?

INCREASED CONTRIBUTIONS UNDER NEW MALTA AGREEMENT

Mr. O'Connor. To the best of my knowledge, that is——

Mr. Passman. Now we entered into an agreement to pay $36 million?

Mr. O'Connor. All nations together.

Mr. Passman. I don't care whether it is altogether or not. When I say "we," I am speaking of whatever nations are involved. If the British had been renting those bases for all these years for less than $13 million a year, how come we get into a new agreement to pay $36 million a year for the same bases?

Mr. O'Connor. Yes. The answer is that this is a base of great strategic importance.

Mr. Passman. Let's say it is more important than all the U.S. bases put together, but it follows, nevertheless, the British, from the time Malta gained her independence up until last year paid less than $13 million annually for those bases. Now we are back in the following year with a rent of $36 million, aren't we?

Mr. O'Conner. I cannot dispute those figures.

Mr. PASSMAN. How do we get into these kinds of deals?

Now, it follows that we are paying, in all probability, as our part as much as the British paid when they were paying the total amount; is it just about that simple?

Mr. BREECHER. That is right.

Mr. O'CONNOR. It is not——

Mr. PASSMAN. How did you manage that deal?

NEGOTIATION OF NEW MALTA AGREEMENT

I am not quarreling but it frightens me.

Mr. O'CONNOR. There was a decision made——

Mr. PASSMAN. By whom? You are justifying this money. Did you have anything to do with it?

Mr. O'CONNOR. I think basically it is a political and military decision.

Mr. PASSMAN. Mr. O'Connor, we are talking about money. This country is about to collapse economically. We are in plenty of trouble. Here we find a little country of 330,000 people, where the British had bases, paying an annual rent of possibly $8 or $9 million, and here we wind up now under a new agreement paying a total of $36 million a year with the United States providing $9.5 million.

OTHER FISCAL YEAR 1973 ASSISTANCE TO MALTA

I am just afraid there is too much of this going on. What other aid do we have for Malta out of the other spigots?

Mr. O'CONNOR. In 1972, there was $200,000 worth——

Mr. PASSMAN. I am talking about 1973. Put all the pieces together for 1973.

Mr. O'CONNOR. $9.5 million of supporting assistance you already mentioned. And $200,000 of Public Law 480 title II. I believe on the military side we have already testified there is no military assistance.

Mr. PASSMAN. All we are doing in Malta is picking up the tab, which was previously paid by the British, for $9.5 million; and in addition to that, we will provide $200,000 in Public Law 480 funds in fiscal year 1973?

Mr. O'CONNOR. $200,000.

Mr. PASSMAN. Are you positive that is all of the aid planned for Malta for fiscal year 1973?

Mr. O'CONNOR. Yes, sir. According to the best of our——

Mr. PASSMAN. You know that you have about 27 spigots.

Mr. O'CONNOR. According to our Comptroller, that is all we have got.

POSSIBILITY OF ADDITIONAL ASSISTANCE FOR MALTA

Mr. PASSMAN. Have a look and be sure that is all.

How about bilateral technical assistance?

Mr. O'CONNOR. Sir, we do have a team which is leaving, as a matter of fact, next week, headed by Mr. Nooter, going to Malta to take a look at those kinds of things that might be useful to them either in terms of private investment, in terms of perhaps Eximbank, and in terms of technical assistance. That team is going with no commitments that Uncle Sam is going to make——

Mr. PASSMAN. Going to see if they can get somebody else to commit some U.S. assistance, is that it? Who is the gentleman going to Malta?

Mr. O'CONNOR. Mr. Bob Nooter.

Mr. PASSMAN. He is the main giveaway man in Vietnam, I believe. He handles supporting assistance in that area.

Mr. O'CONNOR. He heads it in Vietnam; yes, sir.

Mr. PASSMAN. Is he going out to Malta, this little nation of 330,000, to see if he can cook up some kind of AID project, or is he going there on vacation?

Mr. O'CONNOR. No, sir.

Mr. PASSMAN. He is going to see whether or not he can find some other way they can utilize some type of additional aid from the United States?

Mr. O'CONNOR. No, sir; he is not.

Mr. PASSMAN. What is he going there for?

PURPOSE OF AID TEAM VISIT TO MALTA

Mr. O'CONNOR. To see what their needs are, and we hope——

Mr. PASSMAN. He is one of the AID men?

Mr. O'CONNOR. What we are looking for are those things that are not going to cost Uncle Sam any money.

Mr. PASSMAN. What have we been in that didn't cost us money? You name one and you go to the head of the class.

Mr. O'CONNOR. Other donors.

Mr. PASSMAN. You are going down there and check to find some kind of AID project and will notify some other donor so they can make a contribution to Malta?

Mr. O'CONNOR. I think some of them can be——

Mr. PASSMAN. Don't you think these other nations are smart enough to find places to spend their money without our assistance? I bet you my salary next year against your salary, if he goes to Malta he will come back and get us involved in some other type of U.S. AID program before the year is out. He is darn sure not going down there on a vacation!

You don't think that I am going to buy that, do you? You know very well his purpose down there is to cook up some kind of AID program. What is he going to investigate?

Mr. O'CONNOR. Sir; to look at what can be done in the private sector where there are opportunities for investment. He is going to look to what can be done, and I might say, two or three others, to put business into their drydock areas which are not utilized.

Mr. PASSMAN. That is his business as AID distributor, to get over into the free enterprise sector and see if they will invest in Malta?

Mr. O'CONNOR. Naturally we hoped if we could get more funds from the private sector into Malta we would end up by not having as much in the public sector.

MEMBERS OF AID DELEGATION TO MALTA

Mr. PASSMAN. Who is going?

Mr. O'CONNOR. I don't know who is on the delegation. Bob Nooter heads it.

Mr. PASSMAN. He is the one that testified this week for supporting assistance to Vietnam?

Mr. O'CONNOR. Yes, sir.

FINANCING OF AID DELEGATION VISIT TO MALTA

Mr. PASSMAN. Who is going to pay his expenses?

Mr. O'CONNOR. We will be paying his expenses.

Mr. PASSMAN. Out of the AID agency?

Mr. O'CONNOR. That is correct.

CONSIDERATION OF TECHNICAL ASSISTANCE FOR MALTA

Mr. PASSMAN. We just can't attend to our own business any more. I believe that you said earlier that one of the purposes of the visit would be to see if they need technical aid?

Mr. O'CONNOR. One of the things they will be looking at is technical assistance.

Mr. PASSMAN. That comes out of the U.S. bilateral program; does it not?

Mr. O'CONNOR. It comes out of many donors, including——

Mr. PASSMAN. Not the U.S. bilateral program, my dear friend. Nobody contributes to it but Uncle Sam.

Mr. O'CONNOR. You have there the U.S. technical assistance and from almost any other donor nation——

Mr. PASSMAN. This man is not administering the U.N. program. That is not his assignment or area. He is assigned purely to the U.S. bilateral program. You are talking bilateral TA, are you not?

Mr. O'CONNOR. Not necessarily.

Mr. PASSMAN. What right would he have to place his judgment over the man normally representing the U.N. expanded technical aid program?

Mr. O'CONNOR. In our aid programs we have only——

U.S. ASSISTANCE TO SPAIN

Mr. PASSMAN. What other countries under supporting assistance do you have in this particular area, other than Malta?

Mr. O'CONNOR. We have Spain, sir.

Mr. PASSMAN. We have with Spain a base agreement; do we not?

Mr. O'CONNOR. We do.

Mr. PASSMAN. Have we covered that? What amount?

Mr. O'CONNOR. Do you have that figure?

Mr. NEWMAN. On the military side, yes.

Mr. PASSMAN. I think it is $11 million, subject to correction.

Mr. NEWMAN. In 1973, $10 million.

Mr. PASSMAN. What do you have for Spain?

Mr. O'CONNOR. We are requesting $3 million for Spain.

Mr. PASSMAN. In supporting assistance?

Mr. O'CONNOR. Yes, sir.

Mr. PASSMAN. Is that part of the base rights agreement?

Mr. NEWMAN. Yes, sir.

ANNUAL RENT UNDER SPAIN BASE RIGHTS AGREEMENT

Mr. PASSMAN. We would give them $13 million? What is the annual rental?

Mr. NEWMAN. On the nonmilitary side, it is $3 million for the nonmilitary projects such as cultural exchange.

Mr. PASSMAN. Under our agreement, Mr. Secretary, with Spain, what are we obligated to give them per year and for how many years, total nonmilitary?

Mr. O'CONNOR. $3 million for a year on the nonmilitary.

Mr. PASSMAN. These bases in Spain are just as much for Spain's protection as ours. It is their country being protected, isn't it?

Mr. O'CONNOR. That is correct.

Mr. PASSMAN. Don't they have a strong economy going in Spain now? Don't they have a healthy economy and it is moving along according to our previous expectations?

Mr. O'CONNOR. I believe it is.

Mr. PASSMAN. I am not quarreling. I understand that these people are looking down our throat and we have those bases and it is on their soil. If they want to assess a rental, I guess we have no alternative other than to reach an agreement to pay rent so we can leave our forces there to protect them. I don't quite understand why we have an economic aid program going there.

Why did we get into that aspect of aid?

Mr. NEWMAN. That was part of the agreement on the basis that included this nonmilitary aspect of it.

Mr. PASSMAN. Is it limited to $3 million a year?

Mr. NEWMAN. That is right.

Mr. PASSMAN. How many years?

Mr. NEWMAN. For the duration of the agreement. It is a 5-year agreement.

Mr. PASSMAN. I guess that applies to both the military as well as economic aid?

Mr. NEWMAN. That is right. This $3 million as well as the military assistance.

Mr. PASSMAN. The next country would be Israel?

Mr. O'CONNOR. Yes, sir. I should add, which is on our request, U.N. Cyprus forces, which we have not mentioned on the list, $2,400,000.

BASIC CYPRUS BASE RIGHTS AGREEMENT

Mr. PASSMAN. Has there been any discussion between Cyprus and the British concerning the continuation of certain installations on Cyprus?

Mr. DAVIES. No, sir. Through all the vicissitudes of Cyprus, insofar as I am aware, the government of Cyprus has not raised the issue of the sovereign base areas which the British obtained as part of the London-Zurich accords of 1960.

RECENT DISPUTE BETWEEN CYPRUS AND GREECE

Mr. PASSMAN. Who has the difference of opinion been between?

Mr. DAVIES. The recent quarrel was between the government of Greece and the government of Cyprus. The Greeks have sought to

gain greater flexibility on the part of Archbishop Makarios dealing with the Turks in order to consolidate the alliance. They issued an ultimatum—may I rephrase that—they sent some suggestions to the Archbishop on February 11 of this year insisting that he surrender to the U.N. some arms that he had imported because he had doubts about the security forces on the island, to make changes in his cabinet to, as they put it, "reflect more truly the national spirit." The Archbishop has agreed to allow the United Nations Forces on the island to inspect the arms he imported so they would not—to insure——

Mr. PASSMAN. Their armed forces? Whose?

Mr. DAVIES. The United Nations Forces on the island have the right to go in and insure that the arms are not distributed which would add to tensions on the island. The Archbishop has indicated he will look at his cabinet in the future. The crisis is substantially abated, we feel.

POPULATION OF CYPRUS

Mr. PASSMAN. What size is Cyprus?

Mr. DAVIES. Around 650,000 people.

GREEK MILITARY FORCES IN CYPRUS

Mr. PASSMAN. Do they maintain an army, air force, and navy?

Mr. DAVIES. By the London-Zurich Accords of 1960, the Greeks have the right to station some 950 troops on the island; Turks, off the top of my head, Mr. Chairman, some 600. I can correct that for the record.

There is a national guard force made up of Cypriots but officered by mainland Greeks.

Mr. PASSMAN. Thank you very much.

FISCAL YEAR 1972 AND FISCAL YEAR 1973 SUPPORTING ASSISTANCE FOR CYPRUS

What is the aid program envisioned for fiscal year 1973 for Cyprus?

Mr. O'CONNOR. We are requesting, as I mentioned, $4.8 million.

Mr. PASSMAN. From what spigot?

Mr. O'CONNOR. That is entirely from supporting assistance, sir, with this——

Mr. PASSMAN. Did we have any program there in 1972?

Mr. O'CONNOR. Yes, sir; we did. The estimated total amount obligated will be $2,400,000.

INCREASE IN CYPRUS SUPPORTING ASSISTANCE

Mr. PASSMAN. Why did you have to raise it, Mr. O'Connor?

Mr. O'CONNOR. On the basis of our annual pledge there is no change. The annual amount for several years now has been 4.8. In fiscal year 1972, because of the reductions in Supporting Assistance we were able to put in only 2.4 and postpone the remaining half to fiscal year 1973.

Mr. PASSMAN. You want to double that for fiscal year 1973? You want $4.8 million?

Mr. O'CONNOR. What happened is that because of the SA cuts in fiscal year 1972 we had to work out an arrangement whereby we postponed the second half of our pledge to fiscal year 1973.

DISBURSEMENT OF CYPRUS SUPPORTING ASSISTANCE

Mr. PASSMAN. You are talking about supporting assistance. You mean that you pay your supporting assistance into the U.N. and they distribute it?

Mr. O'CONNOR. I am not quite sure.

Mr. NEWMAN. Mr. Chairman, this is a contribution to the U.N. for the maintenance of the U.N. forces in Cyprus.

Mr. PASSMAN. The gentleman is talking about supporting assistance. Do you take from the supporting assistance funds and make a contribution to the U.N.?

Mr. O'CONNOR. In this case we do because this is a standing military force.

Mr. PASSMAN. How many other instances are there where you turn supporting assistance funds over to a U.N. Peacekeeping Organization?

Mr. O'CONNOR. This is the only one that I am aware of.

Mr. PASSMAN. How long have we been doing that?

Mr. NEWMAN. Several years.

Mr. O'CONNOR. 1964. Mr. Chairman, at least those are the earliest figures that I have.

LEGISLATIVE AGE OF SUPPORTING ASSISTANCE

Mr. PASSMAN. Is supporting assistance that old?

Mr. O'CONNOR. Yes, sir. It was in the statute in 1962, 1961 or 1962, when the statute, present one, was put into effect. It was called Defense Support before that. But we have been using SA for the Cyprus pledge only for the last 2 or 3 years.

BILATERAL AND MULTILATERAL SUPPORTING ASSISTANCE

Mr. PASSMAN. I know that. Why is it necessary for us to get involved in supporting assistance program such as this because it starts off as bilateral funds but winds up in a multilateral organization?

Mr. O'CONNOR. The peacekeeping force is a multinational force. It was——

Mr. PASSMAN. Practically all of your supporting assistance request is for bilateral aid?

Mr. O'CONNOR. That is right.

Mr. PASSMAN. You are taking this little piece out of Supporting Assistance and putting it into the U.N. Peacekeeping Organization and this was started several years ago?

Mr. O'CONNOR. It first was pledged in 1964.

Mr. PASSMAN. I am talking about the procedure of taking funds out of the bilateral appropriation and turning it over to a multilateral peacekeeping organization.

Mr. O'CONNOR. Mr. Chairman, I don't think we have in the record we have here the source of these funds going back to 1964. All I have is the amounts.

Since I have been in this the last 3 years, I know it has been supporting assistance.

I have to supply the rest of that information.

(The information follows:)

Financing of UNFICYP was transferred to the SA account in fiscal year 1973.

U.S. SECURITY INTEREST IN CYPRUS

Mr. PASSMAN. One thing we do agree on: If there is an aid program around, we are going to get in on it regardless of where it is; is that right?

Mr. O'CONNOR. Mr. Chairman, this is a direct relationship to security in the whole area.

Mr. PASSMAN. What security does it provide to the United States?

Mr. O'CONNOR. Because if there are major problems in Cyprus it is bound to be unstabilizing in the rest of the areas.

FISCAL YEAR 1973 SUPPORTING ASSISTANCE REQUEST FOR ISRAEL

Mr. PASSMAN. You also have $50 million in the supporting assistance request for Israel in fiscal year 1973, is that correct, sir?

COMMODITY IMPORT PROGRAM FOR ISRAEL

Mr. O'CONNOR. Yes, sir. Perhaps I could report at this time that we are close to completing for fiscal year 1972 under the earmarking provision that went through the Congress, a $50 million arrangement with Israel for commodity import purchases that will be made in this country.

Mr. PASSMAN. The facts are, this committee and the Congress put in the $50 million.

Mr. O'CONNOR. I am aware of that.

ACCOMPLISHMENTS OF THE ISRAELI PEOPLE

Mr. PASSMAN. It is unbelievable what those people have done.

When you looked out on the mountainsides 20 years ago, there was nothing but naked rock; now they have forests growing on these same mountains. They can start cutting some of them now. They also have beautiful orange groves.

One of their large exports is citrus fruits. I think they are making great progress. I think the country is a good example of what can be done if people really work and not just think about making trouble all the time.

To be frank with you, I think they are entitled to that commendation. I have been there. You have to give these people credit. They are hard workers.

Mr. DAVIES. Extremely hard working.

Mr. PASSMAN. They are carving out for themselves an industrial nation. They are intelligent people. Some of the things they have been able to accomplish are almost unbelievable even for a person who understands rural development and reforestation.

Have you been out there?

Mr. O'CONNOR. No, sir.

EFFECT OF INFLATION ON EXPORTS FROM ISRAEL

Mr. PASSMAN. On the general economic data sheet, you indicate the total exports for Israel increased from $776 million in 1970 to

$955 million in 1971. Do you have any figures on what these exports would be on a unit basis?

Mr. O'CONNOR. I do not think we have any figures on that.

Mr. PASSMAN. Do you know what I am talking about?

Mr. DAVIES. Yes, sir.

Mr. PASSMAN. Even though there is an increase in exports from Israel dollarwise, unitwise it might not reflect that large an increase.

Mr. DAVIES. In actual fact, the performance of the Israeli economic sector has been trending up. We think they are doing quite well in trying to narrow the gap between imports and exports. Whether they can ever actually close it is problematic. They are doing a better job.

AGREEMENT ON COMMODITY IMPORT PROGRAM FOR ISRAEL

Mr. PASSMAN. Congress insisted that these funds be made available to Israel and therefore earmarked the amount.

Mr. O'CONNOR. I am quite aware of that. All I am saying is that we are about to complete an agreement and they will finance commodity imports.

Mr. PASSMAN. We actually need this country for the balance of power out there, do we not?

Mr. O'CONNOR. I would agree with that, sir.

Mr. PASSMAN. Thank you. I do not believe I observed a single individual in Israel during my last trip there, who was not busy at work doing something. Some of the other nations in that part of the world should send observation teams in there and take their cue from what they are doing in Israel. They would start thinking about a healthier economy rather than fighting.

FISCAL YEAR 1973 FOREIGN MILITARY CREDIT SALES FOR ISRAEL

I was amazed by what I saw. I make that as a simple statement of fact. I believe we also have in the request for fiscal 1973, $300 million for military credit sales for Israel.

Mr. O'CONNOR. That is correct, sir.

PUBLIC LAW 480 FOR ISRAEL

Mr. PASSMAN. Do we have any other forms of assistance for Israel, Public Law 480, for example?

Mr. O'CONNOR. For 1973, sir, $45.3 million.

Mr. PASSMAN. That is what, Public Law 480?

Mr. O'CONNOR. Public Law 480.

Mr. PASSMAN. Under what title? Is that to be repaid in dollars or is it local currency?

Mr. O'CONNOR. It is Title I, sir, except for $300,000. I believe it is dollar repayable on long-term credit.

Mr. PASSMAN. Title I is repayable in dollars. I believe this is a 40-year term, 10-year grace period.

Mr. FURMAN. Yes, sir.

Mr. PASSMAN. What rate of interest?

Mr. FURMAN. Two and one-half percent.

Mr. PASSMAN. Two and one-half percent for the first 10 years?
Mr. FURMAN. And three for the next 30.
Mr. SHRIVER. If you would yield?
Mr. PASSMAN. Yes.

LOCAL CURRENCIES IN ISRAEL

Mr. SHRIVER. We used to have some local currencies available for use in Israel. Have we discontinued that under Public Law 480 for Israel?
Mr. DAVIES. There are still balances, sir.
Mr. SHRIVER. I know that. Have we changed it over now to a loan that is being paid back? I just want to know.
Mr. BREECHER. That is correct.
Mr. SHRIVER. It was switched over?
Mr. BREECHER. It was switched over. All title I is now in credit terms.
Mr. SHRIVER. So we are not accumulating any more?
Mr. DAVIES. No, sir. In fact, it creates problems for us, insofar as we were funding programs in Israel of use to the United States, using Israeli pounds.
The margin of surplus currencies, because we are not making local currency sales, has decreased.
Mr. SHRIVER. Why would it be a problem?
Mr. DAVIES. We were funding special projects, particularly in the scientific field.
Mr. SHRIVER. I know we were. This committee used to have special projects in the bill for educational projects in Israel.
Mr. DAVIES. It becomes more difficult when you no longer have local currencies generated under Public Law 480.
Mr. PASSMAN. Can we go off the record a minute?
Mr. SHRIVER. Yes.
(Discussion off the record.)
Mr. PASSMAN. On the record.
Mr. Shriver asked a very pertinent question. I believe we were told recently that we no longer had any substantial excess Israeli pounds, is that correct?
Mr. DAVIES. That is correct, Mr. Chairman.
Mr. PASSMAN. We maintain a certain level of Israeli pounds so as to take care of our own needs in the embassy there, do we not?
Mr. DAVIES. Yes, sir.
Mr. PASSMAN. What other aid do you have for Israel?

HOUSING GUARANTEES FOR ISREAL

Mr. O'CONNOR. There is a housing guarantee.
Mr. PASSMAN. For $50 million?
Mr. O'CONNOR. $50 million.
Mr. PASSMAN. Yes.
Mr. O'CONNOR. There is an additional bill in the Congress, I believe——
Mr. PASSMAN. Let's talk about what is in the budget, what is already planned. You do not have that in your justifications.
Mr. O'CONNOR. No, sir.

Mr. PASSMAN. Let's stick with what we can see on the surface.

Mr. O'CONNOR. Then I think that is what we have given you.

Mr. PASSMAN. How about your technical aid program, are they not eligible for the technical aid programs?

Mr. O'CONNOR. In technical assistance we have nothing listed for 1973, sir.

OPERATIONS OF HOUSING GUARANTEE PROGRAMS

Mr. PASSMAN. Where does the $50 million come from? Out of Federal funds or out of the free enterprise sector?

Mr. O'CONNOR. The housing program is really a guaranty program of what are private funds from the savings and loan associations.

Mr. PASSMAN. This is not actually being paid out of the U.S. Treasury?

Mr. O'CONNOR. No, sir, it is not.

Mr. PASSMAN. It is being financed out of the free enterprise sector?

Mr. O'CONNOR. That is correct.

Mr. PASSMAN. And being guarantied by the United States?

Mr. O'CONNOR. Right.

Mr. PASSMAN. Does that come under OPIC?

Mr. O'CONNOR. No. It is a separate guaranty, separate from OPIC.

Mr. PASSMAN. Under what agency?

Mr. O'CONNOR. AID. It does become a contingent liability, but thus far there is no instance in which it has to be used.

OVERSEAS PRIVATE INVESTMENT CORPORATION AND HOUSING GUARANTEES

Mr. PASSMAN. We have OPIC, that is the arm that insures private investments abroad.

Mr. O'CONNOR. Private investments.

Mr. PASSMAN. So they pulled OPIC out of AID and created a separate agency. Their basic function was to guarantee overseas private investments, is that correct?

Mr. O'CONNOR Yes, sir.

Mr. PASSMAN. Is that not exactly what this is, an overseas private investment?

Mr. O'CONNOR. Sir, the housing guaranty program is separated from OPIC's authorities.

Mr. FURMAN. It is a separate authority.

Mr. PASSMAN. I know.

But that same function of guaranteeing investments abroad is specifically the function of OPIC also, is that correct?

Mr. FURMAN. That is correct, sir.

Mr. PASSMAN. Are we not doing the same thing here? This is a private investment abroad.

Mr. FURMAN. That is correct.

Mr. PASSMAN. How much of this do we have?

Mr. FURMAN. The current authority I think is about $800 million or so and is operated in a separate office within AID.

Mr. PASSMAN. I know that, I know that. OPIC used to be in a separate office.

Mr. FURMAN. That is right.

RETENTION OF HOUSING GUARANTEE PROGRAM IN AID

Mr. PASSMAN. Why would it not be good to put all this together? Could there be any possible objection since we do have OPIC operating in the same area? Why should we have another arm of overseas guarantees in another agency?

Mr. FURMAN. It was always operated as a separate office, quite separate from the investment guarantee program, when it was in AID and now as part of OPIC. The reason it was retained in AID is that the program was considered to be more development-oriented than investment-oriented, in that the housing guaranty program could be used to support construction of housing for middle-income groups and low-income groups, as compared with investments in businesses, banks or something of that sort.

Mr. PASSMAN. It follows, nevertheless, that it would be much easier to understand if they were combined, since it is identical in nature to OPIC; you are just guaranteeing an overseas investment.

Mr. FURMAN. I cannot argue with that.

Mr. PASSMAN. Since that is absolutely true, I am just wondering why some of you people would not make a recommendation that these things be consolidated so that we could keep our eye on the programs. I do not know how many other places we will run into this kind of an operation.

HOUSING GUARANTY PROGRAM IN THAILAND

Could you tell the committee at this time, Mr. O'Connor, whether or not this is the only overseas private investment guaranty that we have in your area for housing?

Mr. O'CONNOR. In Israel, it is.

Mr. SHRIVER. No, any place.

Mr. PASSMAN. I say anywhere.

Mr. O'CONNOR. We have another housing guaranty situation, sir, only a portion of which has yet been signed, in Thailand.

Mr. PASSMAN. Thailand?

Mr. O'CONNOR. Yes.

USE OF LOCAL THAI CONTRACTS

Mr. PASSMAN. Is it going to be American enterprise or Thai enterprise that is going to build this housing?

Mr. O'CONNOR. The foreign currency will be American loan from this saving and loan.

Mr. PASSMAN. I am not talking about that. I am going to get the right answer here.

There is a housing project getting underway in Thailand?

Mr. O'CONNOR. Yes, sir.

Mr. PASSMAN. The funds to build that housing are going to be guaranteed by the United States?

Mr. O'CONNOR. Yes, sir.

Mr. PASSMAN. Now, will it be an American contractor or a Thai contractor that builds these houses?

Mr. O'CONNOR. I believe it is a local contractor on all of these.

Mr. PASSMAN. You mean a Thai contractor?

Mr. O'CONNOR. A Thai contractor, yes.

Mr. PASSMAN. That is a heck of a can of worms. We move over in Thailand, start a housing project to be built by a local contractor and guarantee to him that the Thai Government will not disrupt his loan. Any more like this?

Mr. O'CONNOR. We have had a lot of housing guarantee loans.

CONSOLIDATION OF HOUSING PROGRAMS

Mr. PASSMAN. I know that. I am trying to put them together. I still do not know why all these guaranty programs are not consolidated.

Mr. O'CONNOR. Mr. Chairman, you make a very good point, I do not deny it.

Mr. PASSMAN. What good is it to make these good points? It is hard to stay on top of this whole mess.

OPERATION OF THE INTERNATIONAL DEVELOPMENT ASSOCIATION

Let me tell you what we are up against if you do not think we are outfoxed. Look at the International Development Association. It has been in existence 11 years and we have given to IDA over $1 billion. There is no provision anywhere for the taxpayer to ever get back one penny of this money. Now they come in here and they want a supplemental to put on the books—$320 million for the current fiscal year. We find out that about 40 percent of all money that we have appropriated to IDA for 11 years is still on hand, unspent; $463 million is on hand, unspent.

They will obligate projects 6, 7, 8, 9, 10 years in advance of completion. They just build up a huge pipeline. Even though this $463 million is on hand, unspent for projects that may not be completed for 8 or 9 or 10 years, we are going to have to come along and put up another 8.57 percent into the till, so that when they spend this $463 million it will have the same purchasing power as it would have had when we made the first allocation back in 1961.

Did you know that?

Mr. O'CONNOR. I do recall your mentioning this 2 days ago.

Mr. PASSMAN. Who in the world would have ever thought that you would have to go back and pass a supplemental to update the purchasing power of the funds that you allocated 10 years ago which have not been spent. That is the story.

NON-OPIC GUARANTIES ON OVERSEAS INVESTMENTS

Would some of your assistants try to put together, Mr. O'Connor, a list showing the guaranteed investments we have abroad, not in the banking circles but in the commercial circles?

Could you get that for us?

Mr. BREECHER. The Department of Commerce would make some such estimates. The last I recall was something in the $79 billion range, something like that.

Mr. PASSMAN. You mean we have about $79 billion of overseas investments guaranteed?

Mr. BREECHER. No, not guaranteed.

Mr. O'CONNOR. That was a misunderstanding.

Mr. BREECHER. Total unguaranteed investments overseas.

Mr. PASSMAN. That is not what I asked. What I actually want is to list in the record at this point every overseas guaranteed investment under the overall aid operation, which of course would be OPIC and the housing guarantees.

It is unthinkable to me to go out in Thailand with a housing project that is going to be built by a Thai contractor and we are going to guarantee that loan against confiscation, depreciation, exproporiation.

We ought to look at these things. You give us a complete recap. It would be advantageous to all of us to be able to look at the list and know really what we are guaranteeing abroad.

Could you try to do that for us?

Mr. O'CONNOR. Be happy to do that, sir.

(The information follows:)

TOTAL U.S. GUARANTEES

OPIC: Since the inception of the program in 1963, 20 projects currently outstanding amounting to $187.5 million.

LIST OF AID HOUSING GUARANTEES

Attached is complete list of AID housing guarantees as of April 1972.

LATIN AMERICA
HOUSING GUARANTY PROGRAM

PROJECTS AUTHORIZED AND UNDER CONTRACT — SECTION A — Date: March 31, 1[illegible]

Item No.	Country/Contract No./Name of Project	Date Authorized	Date of Contract	AMOUNT Contract $	Disbursements $	Contingent Liability $	Reserve Fund Balance Held by Administrator in: U.S.A. $	AID Fee To-Date $	HOUSING [illegible] Total	Number Completed	Under Constr.	Dollar Price Range
	ARGENTINA											
1	510-HG-001 Field Arg., S.A.	01-27-64	09-15-64	4,922,000	4,921,394	4,086,118	44,794	-	451,383	655	655	0	7,071 8,750
2	510-HG-003 AIFLD	01-26-66	05-01-68	13,000,000	13,000,000	12,535,603	-	-	350,778	1,667	1,667	0	6,719 8,989
3	510-HG-003A/S.U.P.E.	04-10-68	01-15-69	1,100,000	1,100,000	1,100,000	-	-	-	122	-	122	5,500
4	510-HG-003B/U.P.C.N.	04-10-68	01-15-69	2,400,000	2,400,000	2,336,121	4,377	-	29,582	324	-	312	7,303
5	510-HG-003C/UNIMEV	04-10-68	01-15-69	2,300,000	2,300,000	2,300,000	-	-	-	498	498	-	4,285 5,051
6	510-HG-00[illegible] B.H.N.	12-31-69	10-06-70	10,000,000	4,000,000	4,000,000	7,052	-	11,024	1,500	-	-	4,150 9,500
7	510-HG-00[illegible] UNIMEV	08-06-70	09-01-71	3,000,000	-	-	-	-	-	450	26	36	8,000
8	510-HG-007 SITPA	08-06-70	09-01-71	3,000,000	-	-	-	-	-	450	-	-	8,000
	Sub-Total:			39,722,000	27,721,394	26,357,842	56,223	-	842,767	5,666	2,846	470	
	BOLIVIA											
9	511-HG-001 Caja Central	04-21-69	09-05-69	3,600,000	2,150,000	2,150,000	7,903	-	7,327	533	149	-	7,500
	C.A.R.E.I.											
10	596-HG-001 Central America	08-22-69	03-25-70	10,000,000	4,750,000	4,750,000	6,461	-	9,435	1,779	568	1,211	5,000 6,500
	CHILE											
11	513-HG-001 La Libertad	01-18-68	09-15-68	1,000,000	1,000,000	923,683	(7,990)	-	15,102	273	273	0	6,500
12	513-HG-00[illegible] Concepcion	01-18-68	07-15-68	1,690,000	1,690,000	1,614,631	(12,351)	-	21,886	470	406	64	6,000
13	513-HG-00[illegible] INVICA	01-18-68	03-31-69	2,000,000	2,000,000	1,912,050	(15,996)	-	19,974	492	250	190	6,300
	Sub-Total:			4,690,000	4,690,000	4,450,364	(36,337)	-	56,962	1,235	929	254	

LATIN AMERICA
HOUSING GUARANTY PROGRAM

PROJECTS AUTHORIZED AND UNDER CONTRACT SECTION A Date: March 31,1972

Item No./Country/Contract No./Project	Name of	Date Authorized	Date of Contract	AMOUNT Contract	Disbursements	Contingent Liability	Reserve Fund Balance Held by Administrator in: U.S.A.		AID Fee To-Date	HOUSING UNITS*** Total	Number Completed	Under Constr.	Dollar Price Range
				$	$	$	$	$	$				
COLOMBIA													
14 514-HG-00[illegible]	VIPASA	08-22-63	11-14-63	8,179,000	8,178,084	5,806,625	-	-	412,723	1,578	1,578	C	5,677 7,770
15 514-HG-00[illegible]	Lockheimer - La Esmeralda	09-15-64	11-28-66	10,207,000	10,207,000	9,005,042	-	-	408,737	1,268	1,268	C	12,676 19,208
16 514-HG-003	Gilbane	11-04-66	05-01-67	8,481,000	8,481,000	7,810,826	-	-	199,895	1,256	1,256	C	5,492 6,604
Sub-Totals				26,867,000	26,866,084	22,622,493	-	-	1,021,355	4,102	4,102	-	
COSTA RICA													
17 515-HG-00[illegible]	Desarrollo Urbano	10-16-67	05-15-69	2,000,000	1,748,995	1,740,313	32,295	-	20,179	480	419	61	3,860
DOMINICAN REPUBLIC													
18 517-HG-00[illegible]	COINFO	05-06-64	09-30-64	4,600,000	3,331,690	2,646,753	*8,579 28,083	-	257,695	410	348	-	9,860 10,820
19 517-HG-00[illegible]	La Agustina	12-28-65	06-01-68	2,135,000	2,118,036	2,042,464	81,507	-	** 383 59,287	354	354	C	7,877 9,432
20 517-HG-00[illegible]	Various - Banco Nacional de la Vivenda	02-29-68	04-30-69	3,100,000	2,416,000	2,416,000	486	-	8,097	747	78	367	5,000 8,500
21 517-HG-00[illegible]A/MICASA		02-29-68	04-30-69	1,700,000	-	-	-	-	-	360	-	135	6,500
22 517-HG-00[illegible]B/Sto. Dom. B.N.V.		02-29-68	04-30-69	1,200,000	-	-	-	-	-	142	35	74	11,000
Sub-Totals				12,735,000	7,865,726	7,105,217	110,076 *8,579	-	325,079 ** 383	2,013	815	576	

LATIN AMERICA
HOUSING GUARANTY PROGRAM

PROJECTS AUTHORIZED AND UNDER CONTRACT SECTION A

Date: March 31, 197

Item No./Country/Contract No.	Name of Project	Date Authorized	Date of Contract	AMOUNT Contract $	Disbursements $	Contingent Liability $	Reserve Fund Held in U.S.A. $	Balance Held by Administrator $	AID Fee To-Date $	HOUSING UNITS Total	Number Completed	Under Construction	Dollar Price Range
ECUADOR													3,750
23 518-HG-003	La Chala	05-31-68	09-01-69	1,400,000	1,289,210	1,281,198	(25,774)	-	18,842	360	310	45	4,350
24 518-HG-004	B.E.V.	12-31-69	07-23-70	6,000,000	850,000	850,000	(2,203)	-	2,768	882	-	-	8,500
Sub-Totals				7,400,000	2,139,210	2,131,198	(27,977)	-	21,610	1,242	310	45	
EL SALVADOR													
25 519-HG-001	Financiera Roble	02-03-64	05-15-64	4,493,000	4,492,935	3,552,444	* 10,915 31,202	-	496,883	462	462	C	9,369 11,828
26 519-HG-002	Jardines de			4,556,250	4,478,443	4,258,716	132,833	-	188,113	508	508	C	7,800
519-HG-003	Guadalupe	06-17-65	12-15-66	1,500,000	560,303	-	-	-	47,592	-	-	-	10 340
27 519-HG-005	Viviendas Cooperativas	04-17-68	01-20-71	2,000,000	103,089	103,089	-	-	-	438	22	13	5,000
Sub-Totals				12,549,250	9,634,770	7,914,249	164,035 * 10,915	-	732,588	1,408	992	13	
GUATEMALA													
28 520-HG-001-I/	Capital City Silver	09-15-64	09-30-64	1,817,000	1,816,213	1,363,390	* 7,839 60,355	-	139,155	262	262	C	6,565 7,900
29 520-HG-001-II/	Capital City Silver	09-15-64	03-16-67	3,000,000	2,937,462	2,404,316	85,658	-	144,580	452	452	C	6,600 6,970
30 520-HG-002	Banco Granai & Townson	12-29-67	07-15-69	1,500,000	1,500,000	1,500,000	26,912	-	11,162	300	290	-	5,000
31 520-HG-003	Banco Inmobiliario	12-29-67	07-15-69	1,500,000	1,500,000	1,500,000	33,727	-	11,304	486	395	C	5,000
Sub-Totals				7,817,000	7,753,675	6,767,706	206,652 * 7,839	-	306,201	1,500	1,399	-	
GUYANA													3,705
32 504-HG-001	AIFLD	01-26-66	11-01-66	2,000,000	1,185,935	1,113,599	-	15,675	28,157	363	363	C	5,095
													5,396
33 504-HG-00[illegible]	Drezina	06-21-67	01-31-68	4,000,000	212,310	208,302	416	-	1,491	728	50	[illegible]	6,373
Sub-Total				6,000,000	1,398,245	1,321,901	416	15,675	29,648	1,091	413		

LATIN AMERICA
HOUSING GUARANTY PROGRAM

PROJECTS AUTHORIZED AND UNDER CONTRACT — SECTION A — Date: March 31, 197

Item No.	Country/Name of Contract No./Project	Date Authorized	Date of Contract	AMOUNT Contract	Disbursements	Contingent Liability	Reserve Fund Balance Held by Administrator in: U.S.A.	AID Fee To-Date	HOUSING UNITS*** Total	Number Completed	Under Contr.	Dollar Price Range
				$	$	$	$	$				
	HONDURAS											
34	522-HG-001 Miraflores	03-29-63	12-01-64	2,878,732	2,868,315	2,379,709	176,169	9,209	228,288	762	762	C	4,127 6,672
35	522-HG-002 Jardines Loarque	02-27-64	10-26-64	1,502,600	1,502,600	1,171,405	94,290	21,085	147,528	332	332	C	2,523 6,198
36	522-HG-002-B/Composa Colonia Rio Grande	06-30-69	06-10-70	4,000,000	195,613	195,507	919	-	380	535	29	CE	7,500
37	522-HG-004 FEHCOVIL	03-24-71	12-28-71	2,200,000	-	-	-	-	-	400	-	-	5,100 5,500
	Sub-Totals			10,581,332	4,566,528	3,746,621	271,378	30,294	376,196	2,029	1,123	CE	
	JAMAICA												
38	532-HG-001 Independence City	05-21-65	08-01-67	7,500,000	6,317,553	6,031,860	111,120	-	166,924	969	969	C	7,000 9,550
39	532-HG-002 Ensom City	06-11-65	09-15-68	4,952,000	4,427,512	4,310,861	33,918	-	38,040	011	225	140	6,500 7,700
40	532-HG-008 Montego Bay	05-16-69	05-16-70	3,000,000	-	-	-	-	-	500	-	-	4,700 6,700
	Sub-Totals			15,452,000	10,745,065	10,342,721	145,038	-	204,964	2,080	1,194	140	
	MEXICO												
41	523-HG-004 AIFLD-J.F.K.	11-14-63	07-31-64	10,000,000	10,000,000	7,741,999	-	-	594,212	2,931	2,931	C	3,440 7,000
42	523-HG-006 Matamoros	07-22-66	01-15-67	4,500,000	760,032	713,962	2,235	-	38,486	874	126	C	5,304 6,403
	Sub-Totals			14,500,000	10,760,032	8,455,961	2,235	-	632,698	3,805	3,057	-	

LATIN AMERICA
HOUSING GUARANTY PROGRAM

PROJECTS AUTHORIZED AND UNDER CONTRACT — SECTION A — Date: March 31, 1972

Item No./Country/Contract No./Project	Name of	Date Authorized	Date of Contract	AMOUNT Contract $	Disbursements $	Contingent Liability $	Reserve Fund in: U.S.A. $	Balance Held by Administrator $	AID Fee To-Date $	HOUSING UNITS*** Total	Number Completed	Under Constr.	Dollar Price Range
NICARAGUA													
43 524-HG-001	El Porvenir	05-21-65	03-01-66	6,926,000	6,924,914	6,303,208	114,519	50,000	384,621	757	757	C	8,110 10,716
44 524-HG-002-A/	B.N.V.	11-17-69	03-15-70	2,000,000	1,800,000	1,800,000	(374)	-	10,976	228	155	32	5,000 6,500
45 524-HG-002-B/	Inmobiliaria	11-17-69	03-15-70	1,000,000	250,000	250,000	-	-	-	190	190	C	5,000 6,000
46 524-HG-002-C/	Centro Americana	11-17-69	03-15-70	1,000,000	200,000	200,000	-	-	-	64	64	C	5,000 6,500
Sub-Totals				10,926,000	9,174,914	8,553,208	114,145	50,000	395,597	1,239	1,166	32	
PANAMA													
47 525-HG-002	La Gloria	12-30-65	06-01-66	2,953,000	2,952,900	2,541,388	102,324	-	225,742	386	386	C	8,600
48 525-HG-003/	1 Corindag	05-11-67	12-01-67	1,484,000	1,483,513	1,448,967	11,166	-	** 27,971 62,538	320	285	C	5,000 7,010
525-HG-003/	2 Corindag	02-12-71	02-26-71	2,016,000	360,275	359,007	(5,149)	-	79	380	64	88	8,000 8,650
49 525-HG-004	Continental Homes	02-26-69	03-25-70	3,000,000	283,972	282,841	1,263	-	1,667	382	36	40	7,500
50 525-HG-005	Viviendas Nacionales	02-26-69	11-15-69	3,000,000	379,234	377,289	(3,986)	-	2,293	488	52	277	7,500
Sub-Totals				12,453,000	5,459,894	5,009,492	105,618	-	292,319 ** 27,971	1,956	823	410	

LATIN AMERICA
HOUSING GUARANTY PROGRAM

PROJECTS AUTHORIZED AND UNDER CONTRACT — SECTION A — Date: March 31, 19

Item No./Country/Contract No./Project	Date Authorized	Date of Contract	AMOUNT: Contract $	Disbursements $	Contingent Liability $	Reserve Fund Balance Held by Administrator in U.S.A. $	AID Fee To-Date $	HOUSING UNITS: Total	Number Completed	Under Construction	Dollar Price Range
PERU											
51 527-HG-001-I/ Apollo	12-05-62	04-22-63	1,190,000	1,189,713	810,599	-	122,761	405	405	C	4,600
52 527-HG-001-II/ Appollo	11-16-64	05-15-65	1,024,000	1,023,261	848,306	* 2,534 1,610	54,200	405	405	C	4,489
53 527-HG-002 Jardines Viru	02-18-64	05-01-64	3,826,000	3,825,776	3,240,156	* 8,535 87,029	393,424	898	898	C	5,230 7,211
54 527-HG-003 VIPSE	05-21-65	02-01-66	8,701,000	8,700,339	7,864,621	-	284,625	1,049	1,049	C	6,584 10,490
55 527-HG-004 Salamanca	01-06-66	08-26-66	2,300,000	2,299,366	1,925,540	33,840	140,170	506	506	C	4,893 7,217
56 527-HG-006 Alto de la Luna	12-31-66	01-01-67	2,700,000	604,421	586,271	39,708	28,038	546	132	-	4,933 7,217
57 527-HG-007 TRUJILLO	07-25-68	11-13-71	3,281,000	1,990,500	1,990,500	-	-	830	-	-	3,902 8,835
58 527-HG-008 B.V.P.	11-01-70	11-13-71	25,000,000	1,990,500	1,990,500	-	-	3,333	-	-	7,500
Sub-Totals			48,022,000	21,623,876	19,256,493	162,187 * 11,069	1,023,218	7,972	3,395		
VENEZUELA											
59 529-HG-001-I/ Rahmani-Guacara I	08-04-64	08-01-64	6,294,000	6,293,840	4,567,823	* 17,827 218,424	656,828	724	724	C	8,550 10,793
60 529-HG-002 INRESA	03-23-65	04-15-65	4,715,000	4,714,272	3,933,682	35,352	412,554	425	425	C	7,777 16,450
61 529-HG-003 Puerto Ordaz	05-21-65	04-01-66	1,854,000	1,853,933	1,628,551	1,236	135,616	147	147	C	11,444 15,463
62 529-HG-003-B/ Ciudad Alianza	04-01-66	03-01-69	3,000,000	2,909,663	2,761,735	30,186	85,977	444	425	-	7,500
63 529-HG-005 Rahmani-Guacara II	08-04-64	01-16-67	778,000	777,104	610,888	* 2,947 10,060	67,499	80	80	C	10,793

LATIN AMERICA
HOUSING GUARANTY PROGRAM

PROJECTS AUTHORIZED AND UNDER CONTRACT SECTION A Date: March 31, 19

Item No./Country/Contract No./Project Name of	Date Authorized	Date of Contract	AMOUNT Contract	Disbursements	Contingent Liability	Reserve Fund Balance Held by: U.S.A.	Held by Administrator	AID Fee To-Date	HOUSING UNITS*** Total	Number Completed	Under Construction	Dollar Price Range
			$	$	$	$	$	$				
VENEZUELA (Cont.)												
64 529-HG-006 CORACREVI	06-05-67	01-24-69	6,000,000	5,912,076	5,618,146	-	112,232	115,545	826	815		6,000 10,000
65 529-HG-008 Flor Amarillo	06-14-68	07-15-69	3,000,000	2,504,379	2,460,216	75,606	-	42,977	550	483	27	5,000
66 529-HG-012 BANAP	12-31-69	12-15-70	20,000,000	12,000,000	12,000,000	13,389	-	38,666	2,800	-	-	8,500 9,500
67 529-HG-013 INVICA	09-14-70	07-29-71	6,000,000	-	-	-	-	-	1,000	-	-	8,500
Sub-Totals			51,641,000	36,965,267	33,581,041	*20,774 384,253	466,597	1,555,662	6,996	3,099	27	
TOTAL ALL PROJECTS			296,955,582	196,013,675	176,256,820	*59,176 1,704,601	656,617	**28,354 7,853,805	47,126	26,799	1,297	
APPLICATION FEES								50,993				
ACCEPTANCE FEES								63,400				
OTHER FEES								4,300				
TOTALS			296,955,582	196,013,675	176,256,820	1,763,777	656,617	8,000,852	47,126	26,794	1,297	

* *Reserve Fund held by American Security - Interest Guaranty Deposits*
** *Devaluation Reserve held by AID/W*
*** *Construction data is as of February, 1972. March data not available.*

AFRICA
HOUSING GUARANTY PROGRAM

PROJECTS AUTHORIZED AND UNDER CONTRACT SECTION A Date: March 31, 1972

Item No./Country/Contract No./Name of Project	Date Authorized	Date of Contract	AMOUNT Contract $	Disbursements $	Contingent Liability $	Reserve Fund Balance Held by U.S.A. $	Reserve Fund Balance Held by Administrator $	AID Fee To-Date $	HOUSING UNITS*** Total	Number Completed	Under Constr.		Dollar Price Range
TUNISIA													
1 664-HG-001 Cité Carnoy		11-01-66	5,000,000	4,992,498	4,538,323	62,352	-	72,185	565	565	0	C	7,891 10,060
IVORY COAST													
2 681-HG-001 Cité Fairmont	08-18-67	11-30-67	3,000,000	2,032,792	1,901,504	39,598	-	25,227	391	391	0	C	4,781 10,581
SENEGAL													
3 685-HG-001 Patte d'Oie		05-15-68	6,200,000	4,999,997	4,761,603	763	-	41,704	671	671	0	C	5,632 9,575
KENYA													
4 615-HG-001 Nairobi City Council Kimathi Estate	06-25-69	07-01-69	2,100,000	1,903,073	1,977,901	25,883	-	4,129	345	345	-		5,810 6,440
ETHIOPIA													
5 663-HG-001 Continental Homes	08-17-70	09-15-70	5,000,000	152,505	151,803	1,731	-	232	750	45	16		7,300
TOTALS			21,300,000	14,170,865	13,331,134	130,327	-	143,477	2,722	2,017	16		

*** *Construction data is as of February, 1972. March data not available.*

HOUSING GUARANTY PROGRAM — PROJECTS AUTHORIZED AND UNDER CONTRACT — SECTION A — Date: March 31, 19

Item No./Country/Contract No./Project	Date Authorized	Date of Contract	AMOUNT: Contract	Disbursements	Contingent Liability	Reserve Fund Balance Held by Administrator in: U.S.A.	AID Fee To-Date	HOUSING UNITS*** Total	Number Completed	Under Construction	Dollar Price Range
			$	$	$	$	$				
CHINA											
1 484-HG-001,2,3 United Builders Union Villa II	02-12-65	11-15-65	5,000,000	4,793,417	4,338,409	308,829	- 266,383	1,064	1,064	C	4,500 5,593
THAILAND											
2 493-HG-[illegible]A,B,C Intercontinental Housing/ Soi On [illegible]		06-30-66	5,000,000	4,960,149	4,462,938	80,684	68,969 249,339	677	677	C	5,347 7,022
ISRAEL											
3 271-HG-[illegible] TEFAHOT	11-22-71	02-16-72	50,000,000	25,000,000	25,000,000	-	- -	11,000	-	-	12,000 16,000
TOTALS			60,000,000	34,753,566	33,801,347	389,513	68,969 515,722	12,741	1,741		

*** *Construction data is as of February, 1972. March data not available.*

78-827 O - 72 - pt. 2 - 30

ALL REGIONS
HOUSING GUARANTY PROGRAM

TOTAL PROJECTS AUTHORIZED AND UNDER CONTRACT SECTION A Date: March 31, 197

REGION	Contract $	Disbursements $	Contingent Liability $	Reserve Fund Balance Held in: U.S.A. $	Balance Held by Administrator $	AID Fee To-Date $	HOUSING UNITS*** Total	Number Completed	Cost per Unit	Dollar Price Range
LATIN AMERICA	296,955,582	196,013,675	176,256,820	1,763,777	656,617	8,000,852	47,126	26,799	3,09	-
AFRICA	21,300,000	14,170,865	13,331,134	130,327	-	143,477	2,722	2,017	16	-
ASIA	60,000,000	34,753,566	33,801,347	389,513	68,969	515,722	12,741	1,741	-	-
TOTALS - ALL REGIONS	378,255,582	244,938,106	223,389,301	2,283,617	725,586	8,660,051	62,589	30,557	1,51	-

*** Construction data is as of February, 1972. March data not available.

SECTION B.—PROJECTS AUTHORIZED NOT UNDER CONTRACT

LATIN AMERICA HOUSING GUARANTY PROGRAM

Item number, country, contract number and name of project	Date authorized	Amount of contract	Number of housing units	Dollar price range
ARGENTINA				
1. 510-HG-003 various AIFLD	Jan. 26, 1966	$4,600,000	733	$3,400-6,000
BOLIVIA				
2. 511-HG-004	Apr. 26, 1972	6,000,000	1,100	2,800-7,500
PANAMA				
3. 525-HG-006	Nov. 2, 1971	3,500,000	500	7,000-8,000
Total, Latin America		14,100,000	2,333	

AFRICA/ASIA HOUSING GUARANTY PROGRAM—PROJECTS AUTHORIZED NOT UNDER CONTRACT, SECTION B, MAR. 31, 1972

Item number, country, contract number, and name of project	Date authorized	Amount of contract	Number of housing units	Dollar price range
1. Zaire Republic: 660-HG-001 CNECI	Jan. 13, 1972	10,000,000	2,000	$1,000-8,000
1. Iran: IDRO	Apr. 18, 1972	25,000	5,500	4,000-8,400

SECTION B

ALL REGIONS HOUSING GUARANTY PROGRAM—PROJECTS AUTHORIZED NOT UNDER CONTRACT

Region	Amount of contract	Number of housing units
Latin America	$14,100,000	2,333
Asia	25,000,000	
Africa	10,000,000	2,000
Total, all projects	49,100,000	4,333

EXPORT-IMPORT BANK GUARANTEES

Mr. O'CONNOR. I think actually there is an additional source of guarantee, the Export-Import Bank has——

Mr. PASSMAN. I don't think they should be included, because we all know they make a tremendous profit on their guarantees. They have a good operation.

I think we all agree it is one agency which makes loans that we can point to with a degree of pride.

Mr. O'CONNOR. I am not disputing that at all. They have a guarantee program in addition.

CONSOLIDATION OF ALL CONTINGENT LIABILITY PROGRAMS

Mr. PASSMAN. Do you think it makes sense to place all these guarantee programs under one agency where it would be possible to know our total contingent liability?

Mr. O'CONNOR. It seems to me that deserves very careful consideration, sir; I agree with you.

Mr. PASSMAN. How far are you going to consider it?

Mr. O'CONNOR. I am going to report to my boss that this has been raised here and we ought to take a look at it.

Mr. PASSMAN. Do you feel inclined to recommend it at this time?

Mr. O'CONNOR. To me it makes a good deal of sense, yes, Mr. Chairman, yes.

Mr. PASSMAN. I hope it makes enough sense that you recommend it to your superior.

Mr. O'CONNOR. On this question of housing guarantees, the savings and loans industry is very anxious to make them. They have made a great profit out of it. None of them have been called.

Mr. PASSMAN. Let's hope they are all good. Since it is a contingent liability and we have guaranteed it, at least it should be in the agency that was created primarily to conduct this business.

FEES CHARGED FOR HOUSING GUARANTEES

Now, does AID charge a fee for these housing guarantees?

Mr. O'CONNOR. Yes, sir.

Mr. PASSMAN. That is more reason why it should be over in OPIC, because they too charge a fee.

How many men are in this particular department?

Mr. FURMAN. It is a very small staff, six or eight people.

Mr. O'CONNOR. I will have to supply the exact number, but it is a very small staff.

(The information follows:)

The authorized strength of AID's Office of Housing is 22. Of these positions 19 are filled and three are vacant and are currently being recruited.

UNDISBURSED SUPPORTING ASSISTANCE FUNDS FOR CYPRUS, MALTA, ISRAEL, AND JORDAN

Mr. PASSMAN. Would you place in the record at this point all the unliquidated funds presently to the credit of Cyprus, Malta, Israel, and Jordan?

Mr. BREECHER. Yes, sir.

(The information follows:)

UNLIQUIDATED OBLIGATIONS: ISRAEL, MALTA, JORDAN AND CYPRUS

	Israel	Malta	Jordan	Cyprus
Bilateral programs:				
Technical Assistance			$550,000	
Supporting Assistance			12,000	
Development Loan			6,052,000	
Contingency Fund				
Multilateral programs: UN Force in Cyprus [1]			12,100,000	

[1] As of Apr. 26, 1972, we held $12,100,000 in unliquidated obligations for UNFICYP. We expect to make a payment of approximately $7,300,000 before the end of this fiscal year. We have held up this payment pending the outcome of negotiations with other major UNFICYP contributors on a new financing formula. This formula, proposed by the United States, would place future UNFICYP financing on a sound basis through an understanding that other governments which are interested in the continuation of UNFICYP will contribute their fair share on a regular basis

The $4,800,000 which will remain in the pipeline is tied to the 40 to 60 percent cash matching formula. Under conditions set forth to the UN, the United States will make payments against this amount as other governments make payments against funds they have pledged up to Dec. 15, 1971. We expect a number of such payments to be forthcoming by the end of calender year 1972.

FISCAL YEAR 1972 BUDGET SUPPORT FOR JORDAN

Mr. PASSMAN. Did you say a moment ago, Mr. O'Connor, that you were looking through the unliquidated funds to try to find $10 million that you could give to Jordan for budgetary support applicable to fiscal 1972?

Mr. O'CONNOR. In fiscal year 1972; yes, sir.

Mr. PASSMAN. Since we are so close to the end of fiscal 1972, why do you not just let them wait a little longer until fiscal year 1973?

JORDANIAN POLITICAL SITUATION

What brings about such an urge to provide these funds now? You do know we have to borrow these funds?

Mr. O'CONNOR. Mr. Davies may be able to speak in greater depth to the political situation than I.

Mr. PASSMAN. I am not talking about the political situation, I am talking about the need for survival of our country.

Mr. O'CONNOR. The problem, sir, is that when Cairo withdrew its recognition, it set in train a number of things. It increased the security imperilment both from within and from without.

Their budget has from the beginning been forecast to be extremely tight in May, to reach a very bad cash-balance situation. We have been aware of that for some time. We had hoped that there might be some additional contributions from the Arab States which we now think are not forthcoming because of the political situation.

TRANSFER OF FUNDS TO JORDAN

Mr. PASSMAN. Are we not facing about a $25- to $30-billion deficit in fiscal 1972?

Mr. O'CONNOR. Yes, sir; but this would be a transfer within funds that have already been appropriated.

Mr. PASSMAN. That does not make a particle of difference. We are still facing a $25- to $30-billion deficit in our own country, are we not?

Mr. O'CONNOR. Yes, sir.

Mr. PASSMAN. You know this aid has no effect on the Treasury's balance of funds until it has actually been spent; is that not correct?

Mr. O'CONNOR. Yes, sir.

Mr. PASSMAN. So what you are doing is taking $10 million you would not have to spend and you are giving it to Jordan. You are taking money that may not be spent and you are giving it to Jordan where it will be spent.

Why do you not try to exercise some firmness and say you cannot provide this aid now?

Is it not true the situation in this country has been touch and go for many years?

Mr. O'CONNOR. There is no question about that.

Mr. PASSMAN. Where are you going to get this $10 million?

Mr. O'CONNOR. As a matter of fact, we are looking at virtually every one of our accounts.

POSSIBLE SOURCES OF FUNDS FOR REOBLIGATION TO JORDAN

Mr. PASSMAN. Have you put your finger on any juicy spot yet?

Mr. O'CONNOR. We have not made a decision yet, but we are thinking about deobligating a small sum in Vietnam, taking hopefully a small amount out of perhaps Thailand and possibly Cambodia.

Mr. PASSMAN. You think the situation is more serious in Jordan than in Southeast Asia?

Mr. O'CONNOR. Well, if we can keep the amounts in it $2 or $3 million each and spread it out, I think it may be the least difficult way of doing it, sir.

COMPLEXITY OF FOREIGN ASSISTANCE PROGRAM

Mr. PASSMAN. Do you gentlemen on that side of the table know we are the elected representatives of the people and we are supposed to protect the 208 million American taxpayers against overspending?

Mr. O'CONNOR. Yes.

Mr. PASSMAN. I am afraid too many of us forget that fact. So if you think that I have been a little bit harsh, please do not take it personally.

I take my work seriously. I have never known of a program presented to this committee that there could not be some type of a justification made for it. But in the final analysis, we find that most of it has been wasted.

I think we are on the minus side of this total foreign aid program which has cost us $212 billion through 1971. So please understand that I have not, by design, been offensive. I just want to understand this program better. I have made it a life study for 18 years, and it becomes more complicated every year.

ISRAEL

ISRAEL TRADE

Mr. PASSMAN. I note that on the general economic data sheet the total exports for Israel increased from $776 million in 1970 to $955 million in 1971. What accounted for this large increase?

Mr. O'CONNOR. Israel enjoyed impressive gains in traditional exports—citrus and diamonds—over disappointing export performances in both categories in 1970. In a broad range of industrial goods, including a large element of textiles and clothing manufacture, Israel continued its rapid expansion of exports.

Mr. PASSMAN. I also note on the same sheet that official reserves for Israel increased from $449 million in 1970 to $737 million in 1971. What accounted for this large increase in reserves?

Mr. O'CONNOR. 1971 earnings from exports, up nearly a fourth from 1970, and tourism, up by nearly half over 1970, have combined with substantial increases in the levels of both private and official U.S. assistance to improve Israel's reserve position very substantially. Israel also enjoyed one-time windfall gains from the revaluation of the German mark in which the GOI keeps a major part of its reserves. Israel's remarkable gains in foreign exchange reserves, which reached $1.094 million at the end of March 1972, were partly achieved at the expense of increases in Israel's external debt which is now on the order of $3.5 billion.

AID TO ISRAEL

Mr. PASSMAN. What has been the total aid to Israel from the United States, including all programs?

Mr. O'CONNOR. Through fiscal year 1970 the United States had provided about $1.3 billion in economic assistance. The total economic and military aid for fiscal year 1971 and 1972 will be about $1.1 billion, largely in credits. Military support figures for fiscal year 1969 and fiscal year 1970 remain classified.

Mr. PASSMAN. What will be the total United States aid proposed for Israel in fiscal year 1973, considering all programs?

Mr. O'CONNOR. We estimate a total of $105.4 million in economic assistance for fiscal year 1973, not counting possible Export-Import Bank credits for which accurate estimates are not possible at this time. Military aid is projected at $300 million in credits.

Mr. PASSMAN. What other countries will provide aid to Israel in fiscal year 1973 and what amounts will be provided?

Mr. O'CONNOR. Apart from the United States, Germany is the only other country providing very substantial financial assistance to Israel. Germany has been making development loans of about $40 million per year on concessionary terms, and also restitution payments to individuals. The latter amounted to be about $245 million for 1971. We expect Germany's assistance will continue.

ISRAEL DEFENSE SPENDING

Mr. PASSMAN. Could you please tell us what percentage of the GNP Israel spends on defense?

Mr. O'CONNOR. Approximately one-third.

Mr. PASSMAN. Is Israel going to have a problem with the large indebtedness it is incurring to finance its defense expenditures?

Mr. O'CONNOR. Yes, it will be a problem, but we think it will be manageable. Although Israel has an exceptionally large external debt, Israel's borrowing has generally been on a long-term basis with much of the credit assistance from the U.S. Government provided at concessionary rates of interest. Bond sales, which also account for a substantial element in Israel's external debt, entail much smaller foreign exchange outlays for debt servicing than would equivalent commercial borrowings. While overall debt servicing costs remain a relatively high percentage of Israel's earnings from exports of goods and services—just over 30 percent—the current debt burden remains substantially below the average ratio of debt service costs to export earnings during the late 1950's and early 1960's. Mr. Chairman, here is a table of Israel's debt service costs for the record.

(The table follows:)

ISRAEL's DEBT SERVICE COSTS, 1955-1970
(in Million $)

YEAR	1 Interest	2 Principal	Total	3 Exports	Share of Exports % Interest	Total
1955	20	7	27	144	14	19
Sinai Campaign 1956	26	67	93	178	15	52
1957	28	88	116	222	13	52
1958	33	118	151	235	14	64
1959	41	104	145	287	14	51
1960	51	111	162	357	14	45
1961	65	112	177	421	15	42
1962	70	147	217	503	14	43
1963	72	214	286	607	12	47
1964	83	173	256	656	13	39
1965	94	163	257	749	13	34
1966	107	196	303	872	12	35
Six-Day War 1967	123	169	292	949	13	31
1968	136	229	365	1198	11	30
1969	152	284	436	1318	12	33
1970	180	255	435	1340	13	32
Average 1956-66					14	46
1967-70					12	31

1 Total servicing charges paid including all interest payments and dividends on investments.

2 Repayments of medium - and long-term private and Government debt.

3 Export earnings from goods and services.

Source: Bank of Israel Annual Report. Statistical Bulletin and Ministry of Finance.

ISRAELI IMPORTS

Mr. PASSMAN. Would you please explain what the $50 million supporting assistance program was used for in fiscal year 1972 and also what the funds will be used for by Israel in fiscal year 1973?

Mr. O'CONNOR. We expect that our aid in both years will be used to finance Israeli imports from the United States under the usual procedures for commodity import programs.

Mr. PASSMAN. Are these funds just turned over to Israel as a $50 million grant and they use it to support their budget and make expenditures for anything they would like?

Mr. O'CONNOR. No, AID procedures for the financing of commodity imports will be applied. The Israeli pounds generated by the import programs will be released to the Israeli Government for general budget support.

SOVIET JEWS

Mr. PASSMAN. Would you explain briefly the problem Israel is facing at the present time absorbing the Soviet Jews?

Mr. O'CONNOR. The problem as we see it is one of adjustment. The skills and the manpower of immigrants have added to Israel's strength in the past. Due to Israel's rapid economic growth there remains a need for their skills and manpower. Mr. Almogi, the Minister of Labor, has recently been quoted to the effect that 20,000 jobs are vacant despite the importation of some 40,000 daily workers from the occupied Arab territories. The Government of Israel appears very much concerned about controlling inflationary pressures and is seeking ways to deal with the adjustment problems posed by the increased influx of new immigrants which place additional strain on foreign exchange, housing, and other resources. This is within the overall problem of controlling inflationary pressures while sustaining a policy of full employment and rapid economic growth.

ECONOMIC ASSISTANCE TO ISRAEL

Mr. PASSMAN. I note from a newspaper article in the Washington Post of February 17, 1972, that Israel also received a $50 million loan for housing. Would you please explain this loan?

Mr. O'CONNOR. On February 16, 1972, the United States and Israel signed an AID housing loan guarantee of $50 million. The Federal home loan banks of New York and Boston on behalf of many private U.S. savings and loan associations have agreed to lend $50 million to the Tefahot-Israel Mortgage Bank to finance approximately 11,000 homes for working-class families in Israel.

By agreement between the two governments, the housing is to be constructed within Israel's pre-June 1967 boundaries. Tefahot officials indicate that more than half of the $50 million will benefit new immigrants.

The money, lent by U.S. private institutions, will be paid a ½-percent guarantee fee for the outstanding principal.

Mr. PASSMAN. Is the U.S. Government considering any other economic assistance to Israel for fiscal year 1973?

Mr. O'CONNOR. In addition to the $50 million in supporting assistance, we plan to provide about $55.4 million in surplus agricultural commodities under Public Law 480. We are unable to estimate the amount of Export-Import Bank credits which may be extended.

JORDAN

Mr. PASSMAN. The next country we turn to in supporting assistance is Jordan, for which the fiscal year 1973 estimate is $40 million, an increase of $10 million over the 1972 program. Would you please explain the need for this $10 million increase?

Mr. O'CONNOR. The fiscal year 1973 request for $40 million is actually less than the amount provided to Jordan in fiscal year 1972. The increase above original estimates for fiscal year 1972 was required because expected aid from other Arab states did not materialize and the security requirements remained higher than anticipated.

TECHNICAL ASSISTANCE

Mr. PASSMAN. I also note that you plan to program $1,200,000 for technical assistance for Jordan in fiscal year 1973. Would you please explain what these technical assistance funds will be used for?

Mr. O'CONNOR. The funds will be used to continue projects in agricultural research and economics, and in manpower development. A number of feasibility studies will be completed and a new project for the development of the East Bank of the Jordan Valley will be initiated.

TOTAL U.S. AID

Mr. PASSMAN. What has been the total aid from the United States to Jordan, including all programs?

Mr. O'CONNOR. The total economic assistance from the United States has been $617.4 million including fiscal year 1971. This includes all programs except military assistance.

Mr. PASSMAN. What will be the total U.S. aid proposed for Jordan in fiscal year 1973, considering all programs?

Mr. O'CONNOR. Well, if we include grant budgetary aid, technical assistance and Public Law 480, our proposed level for fiscal year 1973 is $43.85 million. In addition, about $8.5 million in commodities and grant goes to Palestinian refugees in Jordan from our regular contribution to UNRWA.

AID FROM OTHER COUNTRIES

Mr. PASSMAN. What other countries will provide aid to Jordan in fiscal year 1973 and what amounts will be provided?

Mr. O'CONNOR. The Jordanians have a definite pledge of budget support from Saudi Arabia in the amount of $45 million, and it is likely that Arab states of the Persian Gulf will provide about $8 million more. The Kuwait Fund for Arab Economic Development has undertaken financing of a portion of a 3-year dam construction scheme, which could mean a drawdown of perhaps $5 million in loans during the year. The IBRD and UNDP remain active in Jordan, with probable commitments of about $5 million and $4 million, respectively, for project activity. Loans are expected also from the United Kingdom and Germany, of unknown size.

USE OF CONTINGENCY FUNDS

Mr. PASSMAN. I note in fiscal year 1972 that $15 million was provided from contingency funds in addition to the security supporting assistance fund provided in the same fiscal year. Would you please explain why these funds were transferred from the contingency fund for Jordan?

Mr. O'CONNOR. The additional requirement for Jordan did not materialize until after our fiscal year 1972 request for supporting assistance funds had been submitted to Congress. As meeting the requirement was important to our national interest, contingency funds were used.

RELATIONSHIP WITH EGYPT

Mr. PASSMAN. On page G-1 you state that a stable Jordanian Government is essential to the eventual just and lasting resolution to the Arab-Israeli confrontation. Since Egypt severed diplomatic relations with Jordan, is it not going to be more difficult for Jordan to play a part in this realization?

Mr. O'CONNOR. Yes. The Arab-Israeli conflict will not be resolved unless both Egypt and Jordan are on board. Egypt's severance of diplomatic relations with Jordan is essentially a gesture of Egyptian support for the Palestinian movement rather than opposition to a peace settlement. The rupture, which places more strains on Jordan, highlights the need for us to insure that Jordan remains stable and committed to peaceful settlement.

DEFENSE SPENDING

Mr. PASSMAN. Could you please tell us what percentage of GNP Jordan spends for defense?

Mr. O'CONNOR. Accurate GNP figures have not been available since Israel occupied the West Bank in 1967. However, we roughly estimate that Jordan's expenditures of over $100 million for defense are more than 25 percent of the GNP of the East Bank.

STATUS OF ECONOMY

Mr. PASSMAN. Would you briefly state the present status of the economy of Jordan?

Mr. O'CONNOR. Jordan's periods of economic growth have been abbreviated by military or political conflicts. The 6-day war of 1967, the conflict between government forces and the Fedayeen in 1970, and Syria and Iraq closing their borders with Jordan in July 1971, all inhibited periods of economic growth for Jordan. However, the East Bank did show some overall improvement in 1971, but was still below the level of 1969. We expect continuing improvement in 1972, assuming no major adverse changes from the present situation.

Mr. PASSMAN. What is the present situation with regard to the guerrilla movement in Jordan?

Mr. O'CONNOR. Although the guerrillas are presently nearly powerless as a force within Jordan, they have adopted the overthrow of King Hussein as a primary objective and they can be expected to attempt operations against Jordan from outside the country.

SUBSIDY TO JORDAN

Mr. PASSMAN. On page G–1 you indicate that Libya and Kuwait have discontinued subsidy payments to Jordan. Could you tell us how much these payments amounted to annually and why were these payments made?

Mr. O'CONNOR. Libya and Kuwait together undertook to provide Jordan with about $65 million annually for the stated purpose of "eliminating the traces of aggression," namely offsetting the impact of Jordan's loss of territory to Israel and strengthening Jordan to regain it.

CASH GRANT TO JORDAN

Mr. PASSMAN. You indicate that in fiscal year 1972 you provided a $30 million cash grant from supporting assistance funds and an additional $15 million cash grant from the contingency fund. Were these funds just turned over to Jordan and they included the funds in their budget to finance any program they want?

Mr. O'CONNOR. Yes. The funds are provided as general budget support.

Mr. PASSMAN. You also indicate that the $40 million requested in fiscal year 1973 will also be a cash grant? How will these funds be used?

Mr. O'CONNOR. These funds will also be used to meet budgeted expenditures.

Mr. PASSMAN. Would you mind telling the committee how you were going to insure that the U.S. funds are efficiently used?

Mr. O'CONNOR. Mr. Chairman, the Jordan Government has been very open and forthcoming with us. We know what their budgetary situation is. The nation cannot maintain itself without efficient, effective use of foreign financial support.

MALTA

Mr. PASSMAN. I note the fiscal year 1972 amount for Malta is to be provided from the contingency fund. Would you please explain why the contingency fund was used to finance this program?

Mr. O'CONNOR. The Malta requirement did not materialize until after our fiscal year 1972 request for funds had been submitted to Congress. As other funds were therefore not available for this important U.S. national interest, contingency funds were used.

Mr. PASSMAN. On page H–3 you indicate that the NATO members agreed that continued use of Malta's important facilities warrants a substantial financial outlay by the alliance. Why does the United States get involved in paying part of the rent to retain British bases on Malta?

Mr. O'CONNOR. We agree that the retention of these facilities by the United Kingdom and their denial to Warsaw Pact countries is of important interest to NATO and the defense of the free world, and thus important to the security interests of the United States. As NATO does not have separate funds to meet the requirement, the United States agreed to contribute along with other NATO members.

Mr. PASSMAN. Will the $9,500,000 be turned over to Malta as a cash grant with no restrictions on how the funds will be used?

Mr. O'CONNOR. Yes. The United Kingdom-Malta agreement does not place any restriction on the Maltese use of the annual payments.

Mr. PASSMAN. I assume the United States will pay $9,500,000 for the next 7 years; is that correct?

Mr. O'CONNOR. Yes. We have agreed to contribute our share annually, subject to congressional authorization and appropriation for the duration of the agreement.

SPAIN

Mr. PASSMAN. Would you please explain the need for this $3 million for Spain?

Mr. O'CONNOR. Our base agreement with Spain stresses the importance of scientific and technical cooperation and provides that the United States will assist Spain, subject to U.S. legislation and the authorization and appropriation of funds by the Congress, in programs in these areas. The Spanish Government attaches great significance to the nonmilitary portion of the agreement.

Mr. PASSMAN. Spain is considered to be a developed country, so why are we supplying grant aid to this country?

Mr. O'CONNOR. It is correct that Spain is much better off than the average LDC. However, Spain's per capita income of less than $1,000 per annum is one of the lowest in Western Europe and it has a continuing need to expand its educational system and to further its scientific and technical development.

Mr. PASSMAN. I can understand why we provide military aid because we have a defense treaty with Spain for certain base rights, but why is it necessary to provide security-supporting assistance to Spain?

Mr. O'CONNOR. Supporting assistance is the source for financial aid required to support the security interests of the United States. While the purpose is the retention of "base rights," funding for scientific and technical development programs is a financial rather than a military requirement.

Mr. PASSMAN. Would you please explain what these funds will be used for?

Mr. O'CONNOR. The specific programs to be funded are, of course, negotiated with the Spanish Government. We now plan to use the funds requested for fiscal year 1973 as follows (in $1,000):

(1) Training of university managers and education administrators, $609.
(2) National Science and Technical Data Service, $300.
(3) Institute of Automation (Barcelona Polytechnic Institute), $200.
(4) Training of English language teachers for colleges of education, $367.
(5) Institute of Molecular Biology (University of Madrid), $200.
(6) Urban studies, $200.
(7) Environmental pollution projects, $200.
(8) Oceanographic studies, $215.
(9) Agricultural project, $25.
(10) Reserve for contingencies, $84.

UNITED NATIONS IN CYPRUS

Mr. PASSMAN. The next item we will consider in the supporting assistance program is the United Nations force in Cyprus, for which the fiscal year 1973 program is $4,800,000, an increase of $2,400,000 above the fiscal year 1972 program. Would you please explain the need for this large increase?

Mr. O'CONNOR. There has been no actual increase in funding. Requirements are calculated on a calendar year basis and we provided $4.8 million from fiscal year 1971 funds to meet our obligation through December 31, 1971. Our annual share remains at $4.8 million but, in view of the shortage of funds in fiscal year 1972, we were able to meet only half of the requirement for calendar year 1972. The fiscal year 1973 request for $4.8 million will be used to provide the remaining $2.4 million required for calendar year 1972, and to provide $2.4 million for the first half of calendar year 1973.

Mr. PASSMAN. Would you please list the number of troops in Cyprus at the present time by country?

Mr. O'CONNOR. Yes, Mr. Chairman.

(The information follows:)

Military contingents:	
India (force commander)	1
Canada	559
Denmark	291
Finland	292
Ireland [1]	142
Sweden	286
United Kingdom	1,089
Australian hospital unit	55
Civilian police contingents:	
Australia	38
Austria	55
Denmark	40
Sweden	40
Total troops	2,888

[1] An Austrian military contingent will replace the Irish contingent which has already been partially withdrawn.

CYPRIOT GOVERNMENT

Mr. PASSMAN. You indicate that the situation in Cyprus has become more critical in recent weeks and remains potentially explosive. Would you please explain this statement?

Mr. O'CONNOR. Several weeks ago the normal tension level on Cyprus increased when it became known that the Cypriot Government had recently imported a large shipment of arms from Czechoslovakia. Greece, Turkey, and the Turkish Cypriot community demanded that these arms be turned over to UNFICYP. After extensive negotiations with the Government of Cyprus, the Secretary General's representative on Cyprus obtained President Makarios' agreement to place the arms under UNFICYP supervision and control. The U.S. supported the UNFICYP efforts. As a result of this action by the U.N., tensions in Cyprus have cooled considerably and we believe that the prospects for an early resumption of the intercommunal talks are now brighter.

Mr. PASSMAN. Have there been any serious outbreaks of violence in the last several weeks?

Mr. O'CONNOR. No.

THE U.N. PROGRAM

Mr. PASSMAN. Would you please explain briefly this program?

Mr. O'CONNOR. The U.N. force in Cyprus (UNFICYP) was established in 1964, under a mandate from the U.N. Security Council to

help prevent a recurrence of intercommunal violence on the island and to contribute to the maintenace of law and order. The force has over the years been reduced from 7,000 to just over 3,000 men. The U.S. has met about one-third of the cumulative costs of this program.

U.S. CONTRIBUTIONS

Mr. PASSMAN. What has been the total U.S. contribution to this U.N. force in Cyprus since the beginning?

Mr. O'CONNOR. Through fiscal year 1972, the U.S. had committed $59.3 million.

CONTRIBUTIONS BY OTHER COUNTRIES

Mr. PASSMAN. Would you please list the other countries that are contributing funds to this force and also the amounts?

Mr. O'CONNOR. The current annual cash contributions of the major donors are as follows:

United States	$4,800,000
Federal Republic of Germany	1,000,000
Australia	100,000
Belgium	160,000
Denmark	240,000
Sweden	360,000
United Kingdom	2,840,000
Greece	800,000
Italy	360,000
Norway	240,000
Switzerland	200,000
Total	11,200,000

Mr. PASSMAN. You indicate that there are also contributions in kind provided to Cyprus. Would you please indicate what countries are providing such contributions and in what amounts?

Mr. O'CONNOR. Contributions-in-kind from UNFICYP's inception, March 27, 1964, through December 15, 1971, are as follows, in millions of dollars:

Australia	2.2
Canada	18.3
Denmark	2.5
New Zealand	0.2
Sweden	2.9
United Kingdom	11.8
U.S. airlift assistance	1.3
Total	39.2

Mr. PASSMAN. Would you please also indicate what type of contributions these would be?

Mr. O'CONNOR. These contributions-in-kind represent the total expenses that the troop-contributing countries absorb voluntarily. These countries therefore do not claim reimbursement for these costs from the U.N., as they are entitled to do. The types of support and services represented by these contributions-in-kind vary considerably from contingent to contingent. For example, certain countries provide supplies, support airlift, medical services, and repatriation costs for their contingents without claiming reimbursement from the U.N. for these expenses.

U.S. AIRLIFT SERVICE

Mr. PASSMAN. On page H–5 you indicate that the United States has furnished airlift services valued at $1.3 million, in addition to the cash contribution. Would you please explain what type of airlift services are provided?

Mr. O'CONNOR. The United States provided airlift services for the purpose of moving some contingents and supplies to and from Cyprus for the period March 1964 through June 1966. Because of more urgent requirements for our military aircraft, we discontinued airlift assistance to UNFICYP in 1966.

FUNDING THE U.S. CONTRIBUTION

Mr. PASSMAN. On page H–5 you indicate that only $2.4 million is being programed for the U.N. Force in fiscal year 1972, but you indicate a one-time 6-month delay in funding of half of the U.S. pledge can be sustained without affecting the level of the U.S. contribution. I assume you plan to provide the additional $2.4 million at a later time?

Mr. O'CONNOR. Yes. The U.S. requirement for calendar year 1972 is $4.8 million, and we plan to provide the remaining $2.4 million during the second half of the year.

Mr. PASSMAN. If that is the case, where do you plan to get the $2.4 million?

Mr. O'CONNOR. From the $4.8 million requested from Congress for fiscal year 1973.

INTERREGIONAL SUPPORTING ASSISTANCE PROGRAMS

Mr. PASSMAN. The next program we turn to in supporting assistance is the interregional program for which the fiscal year 1973 estimate is $23,400,000, an increase of $10,800,000 above the current fiscal year 1972 program. Would you please indicate the need for this large increase and provide for the record a table showing the breakdown of the $23.4 million requested in fiscal year 1973? Also, would you please explain briefly now what is covered in the interregional programs?

Mr. O'CONNOR. Mr. Chairman, I think it might be best if I answer your third question first, and then proceed to the other two.

AID interregional programs encompass a wide variety of activities that are designed to support AID programs in recipient countries. They include such diverse elements as research, institutional grants to build the capacity of U.S. universities to work on development problems, technical backstopping for field projects, support of voluntary agencies working on development matters, and program support costs both in Washington and overseas.

Since these programs are of general benefit to all AID field activities, it is difficult to identify costs associated with individual programs or projects overseas. As a result, AID has covered these costs by drawing on various AID appropriations in such a way as to share the burden evenly among all field programs. To do this, we have drawn primarily

on three appropriations: Worldwide technical assistance, alliance for progress technical assistance, and supporting assistance. This excludes interregional population programs, for which the funding source is separately determined. The "Supporting assistance" account is also drawn on to cover extraordinary interregional program support costs associated with the Vietnam program.

Until recently, AID had five regional bureaus, three using worldwide TA funds, one using Alliance for Progress TA funds, and one using SA funds. A "normal" SA share would thus be about one-fifth of the interregional program, excluding the extraordinary Vietnam costs. When the latter costs are included, the SA share would thus amount to slightly more than 20 percent of the interregional nonpopulation program total. Thus, in the most recent actual year—fiscal year 1971—the total interregional nonpopulation program was about $109 million, of which about $23 million was funded from SA.

In the fiscal year 1972 budget request we departed from tradition because the President's April 21, 1971, foreign assistance legislative proposals would have separated security and development assistance. On this assumption, it was determined that the interregional programs, which are largely developmental, would be funded entirely from development assistance funds—Worldwide Alliance TA—except for a $400,000 SA contribution to the budget of the Inspector General of Foreign Assistance whose program was shown in the development assistance request.

Since the Congress enacted legislation continuing present foreign assistance arrangements at least through fiscal year 1973, we have returned to the more traditional way of sharing interregional program costs. Because there was no fiscal year 1972 SA interregional request, except for the Inspector General expenses, it has not been possible to raise the SA share to the full one-fifth level, and the amount now programed is $12.6 million, the amount that is directly identifiable as support to security assistance programs. However, our budget request for fiscal year 1973 includes an SA interregional program share of $23.4 million out of a nonpopulation total of $101 million. This follows the pattern of previous years.

I'll provide the breakdown of the $23.4 million for the record, as you requested. This table indicates the costs that are attributable to the supporting assistance account, and shows how the remaining costs have been divided among AID's four existing regional bureaus.

(The information follows:)

78-827 O - 72 - pt. 2 - 31

Proposed FY 1973 Non-Population Interregional Program Funding
(in millions of dollars)

	Attributable to Supporting Assistance	Attributable to Other Accounts	Not Attributable to Specific Accounts	Total
Interregional Technical Assistance Programs	.4	12.9	-	13.3
Participant Training	.5	2.3	-	2.8
Institutional Development Grants - sec. 211(d)	-	3.5	-	3.5
Development Research	-	11.0	-	11.0
Washington Program Support	12.3	11.4	31.1	54.8
Construction of Facilities	.3	-	-	.3
Dependent Education	.3	2.2	-	2.5
Private Development Assistance	1.5	11.7	-	13.2
Inspector General of Foreign Assistance	.3	.8	-	1.1
Sub-total	15.6	55.8	31.1	102.5
Plus share of unattributable costs	7.8 (¼)	23.3 (3/4)		
Total	23.4	79.1		102.5

Sources of Funding by Account

Development Loans:	.4
Alliance Development Loans:	.2
Technical Assistance:	66.8
Alliance Technical Assistance:	11.7
Supporting Assistance:	23.4
Total	102.5

PUBLIC SAFETY PROGRAMS

Mr. PASSMAN. You indicate that $11,915,000 is requested in supporting assistance for the public safety programs in Vietnam, Thailand, and Laos. Would you please provide for the record a breakdown of this amount by country?

Mr. O'CONNOR. Yes, sir. I would like to correct that figure. It is actually $11.455 million, which breaks down to $6.76 million for Vietnam, $4.23 million for Thailand, and $0.46 million for Laos.

Mr. PASSMAN. Would you also tell us what amount was programed for public safety for these three countries last year?

Mr. O'CONNOR. Yes, sir. For fiscal year 1972, a total of $14.5 million was programed—$8.85 million for Vietnam, $5.2 million for Thailand, and $0.44 million for Laos.

Mr. PASSMAN. Has the public safety program in these three countries been fairly successful over the last several years?

Mr. O'CONNOR. Yes, sir. These programs have been instrumental in improving the capabilities of civil police in these three countries to maintain law and order, address their narcotics law enforcement problems, and meet their responsibilities for the containment of subversive elements within their societies.

Mr. PASSMAN. Would you briefly explain this program?

Mr. O'CONNOR. Generally, the public safety program in these three countries consists of advisory services, training, and commodity assistance to the civil police forces. The program objectives are to assist these countries in strengthening the capability of the civil police to maintain public order with a minimum use of force, to encourage the development of responsible and humane police institutions, and to serve the host country people.

Mr. PASSMAN. Isn't it true that these three programs are funded out of supporting assistance funds but that the other public safety programs will be funded from technical assistance?

Mr. O'CONNOR. Yes, sir, that is correct.

Mr. PASSMAN. Could you please tell us how many people are involved in this program for the three countries mentioned?

Mr. O'CONNOR. Yes, sir. Currently there is a total of 229 public safety advisers in these three countries—176 in Vietnam, 44 in Thailand, and 9 in Laos.

Mr. PASSMAN. Mr. Shriver?

Mr. SHRIVER. Thank you, Mr. Chairman.

RESETTLEMENT OF SOVIET JEWS IN ISRAEL

I was looking at your statement submitted the other day, particularly as it relates to Israel. Perhaps you are not the one to direct this question to because there are refugee organizations to which this committee recommends appropriations, but was the cost to Israel in fiscal year 1972–73 for the receipt of those many Soviet refugees estimated?

Mr. NEWMAN. Yes. The recommendation for the $50 million for supporting assistance was based on the computations which took into account the resettlement costs for immigrants coming from the Soviet Union to Israel as well as additional defense costs.

USES OF SUPPORTING ASSISTANCE BY ISRAEL

Mr. O'CONNOR. Yes, but also, I certainly want to add that there is no present plan or commitment that the $50 million, assuming it is appropriated, would be used specifically for that purpose. There are a number of other ways in which it could be used.

Mr. SHRIVER. What other ways?

Mr. O'CONNOR. In the total additional burden, economically, that was measured.

Mr. NEWMAN. That was measured—a factor in the consideration.

Mr. SHRIVER. What other ways?

Mr. O'CONNOR. We are using it in 1972 for a commodity import program. The Israelis have given us their import list. They are going to use that money to buy those items in this country.

The counterpart could be used to take care of the refugees, it could be used in housing guarantee. It could, I suppose, be a cash grant. We prefer not to give it in that form.

GRANT TO SUPPORT TRANSPORTATION COSTS OF SOVIET JEWS

Mr. SHRIVER. As I understand it, they are coming out of Russia at about the rate of 2,000 a month, 24,000 a year.

I would think it would be a tremendous burden upon Israel to find jobs for these people, feed them, and meet their other needs. I was wondering if $50 million is going to be adequate. It is a very small amount that we put into International Committee on European Migration, into the United Nations Program on Refugee Assistance, and into our own U.S. refugee program.

Mr. O'CONNOR. There was a grant given Israel some 2 or 3 months ago to assist with their transportation of refugees. I have forgotten the amount of it.

Mr. NEWMAN. That goes to the international organizations to defray the transportation costs.

Mr. O'CONNOR. I believe it was for that specific purpose, was it not?

Mr. NEWMAN. For the transportation costs, that is right.

Mr. SHRIVER. Do we make separate appropriations to those organizations?

Mr. NEWMAN. That is right, sir.

OTHER COUNTRY CONTRIBUTIONS FOR RELIEF OF SOVIET JEWS

Mr. SHRIVER. What other countries are helping Israel, financially, in this refugee effort? I do not mean through the international organizations, but specifically, as we are.

Mr. O'CONNOR. Bilaterally?

Mr. SHRIVER. Yes.

Mr. O'CONNOR. You might like to comment on the political aspects of the refugee situation.

Mr. DAVIES. Yes.

Sir, as far as I know, we are the primary source of assistance in this respect.

Mr. SHRIVER. Are there any other countries?

Mr. DAVIES. May I check into that and provide it for the record?

Mr. O'CONNOR. There are; Germany gave to Israel, in the period of 1968 to 1971, an average of about $35 or $36 million a year. It does not say, but I imagine we could get it for the record what it was to be used for. I imagine it was concessional loans. There were very small amounts from DAC countries. That is all according to our records.

That goes through 1971, Mr. Shriver.

MULTILATERAL ASSISTANCE TO ISRAEL

There was multilateral assistance from the international institutions to Israel in 1970 of $45.7 million, and in——

Mr. SHRIVER. What would be our share of that?

Mr. O'CONNOR. It depends which institution; I would guess roughly 30 percent. If I can get anything better for you, I will perfect the record.

Mr. SHRIVER. All right.

Pull these things together for us, so we can have this information.

(The information follows:)

OTHER BILATERAL ASSISTANCE FOR ISRAELI IMMIGRANTS

We are not aware of other bilateral aid specifically for Israeli immigrants.

Mr. O'CONNOR. In 1971 multilateral assistance of $30.1 million——

Mr. SHRIVER. Do any of these multilateral organizations such as IDA, the World Bank, the International Monetary Fund, or any of these banks—not including the Export Bank—have loans or grants going to Israel?

Mr. O'CONNOR. I think the multilateral figures that I just gave you presumably would include what we call the international financial institutions. I will try to get that more specifically for the record.

(The information follows:)

U.S. SHARE OF MULTILATERAL ASSISTANCE

Generally, the U.S. share of technical assistance from agencies of the United Nations is about 30 percent. The United Nations extended $0.7 million in technical assistance to Israel in 1970 and $0.1 million in 1971.

Capital loans from the World Bank to Israel were $45 million in calendar year 1970 and $30 million in calendar year 1971. The United States has provided about one-third of the World Bank's capital.

Mr. O'CONNOR. It, of course, would not be the concessional window, in view of the general state of their economy. IBRD would be one.

JORDANIAN GROSS NATIONAL PRODUCT

Mr. SHRIVER. I notice on the data sheet for Jordan that the latest information on that country's gross national product is for 1967. I suppose it is not possible to get it more current than 1967?

Mr. BREECHER. If I may comment, I asked the same question. Their internal accounts are just not in sufficiently good shape to make a sensible estimate of what is left in Jordan.

Mr. SHRIVER. It is just an indication of where they are. They have not made too much progress since.

Mr. O'CONNOR. We have some production figures through 1971, but they appear to be only in the agricultural sector, sir.

EFFORTS TO INCREASE DOMESTIC REVENUES IN JORDAN

Mr. SHRIVER. You mention Jordan's serious efforts to increase domestic revenues. Would you tell us about those efforts, as a followup to the discussion we had a moment ago about Jordan's economy?

Mr. O'CONNOR. Yes, sir. I am trying to see the figures. In 1969—and these estimates I think for reasons already cited have to be regarded with some reserve, their accuracy—total domestic revenues were $93 million, rose to $101 million by 1971. I think, of course, the important thing is that their defense expenditures were substantially in excess of that, each in 1971.

JORDANIAN AGRICULTURAL PRODUCTION

As far as regular production, in an effort to increase their own domestic production, that has been largely to date been concentrated in the agricultural area, where there have been quite a number of experts out there trying to increase their agricultural production.

Mr. SHRIVER. Are they successful?

Mr. O'CONNOR. They have been successful.

Mr. SHRIVER. I mean there.

Mr. O'CONNOR. Yes; I think they have. The agricultural production index, an index of the period 1961 to 1965 as a basis of 100, went from 90 in 1968 to 117 in 1971; the per capita index—I do not understand why this is—is even more successful. In wheat, for example, it went from 173, again an index figure, to 220.

PUBLIC LAW 480 ASSISTANCE FOR JORDAN

Mr. SHRIVER. You mentioned wheat. How much Food for Peace assistance is planned for Jordan in 1973?

Mr. O'CONNOR. $1.8 million of title I, Public Law 480. They are clearly not self-sufficient in wheat.

OTHER PRODUCTIVE CAPABILITIES IN JORDAN

The tomato index, which happens to be a very good vegetable in that area, which we helped them with, went from 180 to 245. The largest export they have is phosphates, which they mine. We have been trying to help them, trying to develop such things as a glass industry and so on. That is coming relatively slowly.

Mr. SHRIVER. Off the record.

(Discussion off the record.)

EAST GHOR PROJECT IN JORDAN

Mr. DAVIES. On the question of productivity, one of the showcase point 4 projects of the U.S. Government was the so-called East Ghor project, which brought a strip of territory, about 63 kilometers in length, into very productive status.

Mr. SHRIVER. Where is that?

Mr. DAVIES. This is above the Jordan River on the plateau north of the present crossing. In other words, it runs from the northwest corner of Jordan, south of Irbid, down toward As-Salt. Because of the

problem of the Fedayeen who had taken over the area, and Israeli retaliation, all of the farmers fled from the area and went to the area around Amman.

As one of the byproducts of the stability resulting from the confrontation between the king and the Fedayeen in September of 1970, and more recently in the north, the farmers are back in place, the feeder canals have been repaired, and there should be a substantial increase in production in that area of Jordan.

FEASIBILITY STUDY FOR HIGHWAYS IN JORDAN

Mr. SHRIVER. Do you anticipate substantial U.S. assistance for highways in that country now being planned under the feasibility studies project?

Do you think we are going to be asked as a result of that feasibility study to supply the money for those highways?

Mr. O'CONNOR. At this stage of the game, we are only asking for funds for the feasibiilty study, as you noted. The question of who is going to construct and build the road is certainly open.

As for myself, I must say I would not think that was the kind of investment that we would necessarily want to get into, unless it was demonstrably one that is going to increase domestic production. That is certainly true in some places.

Mr. SHRIVER. We will probably hear about it again.

Mr. PASSMAN. No doubt.

TELECOMMUNICATIONS IN JORDAN

Mr. SHRIVER. Tell us about the status of the telecommunications improvement loan.

Mr. O'CONNOR. That, sir, is not a good story. The loan was made in 1966 and to date they have only disbursed 3 percent of its authorized amount.

Now, the reasons for it, of course, are that during the time in which it was being developed—or this project would have run—the war completely disrupted the work. The project has required all kinds of changes, set back because of the war, and we have had a lot of difficulties with the Ministry of Communications.

Mr. SHRIVER. The payments on that small amount are not up to date?

Mr. O'CONNOR. There is a 10-year grace period on the loan, sir, so there have not been any payments due yet, except for the interest.

Mr. PASSMAN. If the gentleman will yield, this is a fair example of really what is buried in this program—the gentleman from Kansas has an eagle eye.

Here we have this loan that you are going to deobligate. If you have to take money from the crucial and critical areas of Cambodia and Vietnam to give to Jordan, why would you not deobligate this loan and use these funds? You said you were going to deobligate it.

Mr. BREECHER. Two observations, Mr. Chairman.

I do not believe Mr. O'Connor said we are going to deobligate this.

Mr. PASSMAN. I thought he said he was going to deobligate it.

Mr. BREECHER. No. I think there is a misunderstanding.

The equipment is on order and we expect to disburse most of this loan during the next 6 months.

Mr. PASSMAN. Did you not say you were going to deobligate it?

Mr. O'CONNOR. No, sir, I did not.

Mr. PASSMAN. It goes back 6 years. I do not know why you would not.

Mr. O'CONNOR. I said only a very small amount had been liquidated—a very small amount was disbursed.

Mr. PASSMAN. It has been on the books for 6 years, since 1966.

Mr. O'CONNOR. Obviously we are not happy about it. It is the conditions in the area that have caused it.

Mr. PASSMAN. Premature obligations, before you even firm the project up.

Thank you, Mr. Shriver.

U.S. FUNDING UNDER MALTA AGREEMENT

Mr. SHRIVER. You say the Malta assistance program is a 7-year agreement. Does that mean that the total U.S. share will be $66.5 million?

Mr. O'CONNOR. 9.5 times seven, yes, sir.

Mr. SHRIVER. Why should the United States pay 25 percent of this agreement allowing for the replacement of British forces?

REASON FOR U.S. PARTICIPATION IN MALTA AGREEMENT

Mr. O'CONNOR. This has essentially been a NATO undertaking.

Mr. SHRIVER. Do we pay 25 percent of NATO?

Mr. O'CONNOR. I would guess, in total military terms, we probably pay more than that.

Mr. NEWMAN. I think so. We would have to check that, sir.

Mr. O'CONNOR. This is a base, a naval base in the Mediterranean, long considered to be one of the best and most important, and was considered to be important to retain in the hands of the NATO allies, at least retain it for their use.

Mr. SHRIVER. Does Great Britain pay some of the expense of maintaining our forces and our ships in Greece?

Mr. NEWMAN. In Greece? No.

Mr. SHRIVER. Why should we be paying for placement of British forces?

Mr. NEWMAN. These are not for British forces.

Mr. SHRIVER. What is it?

Mr. NEWMAN. These are for the maintenance of facilities on Malta. The agreement that the British reached on behalf of NATO——

Mr. SHRIVER. Whose forces are going to be there?

Mr. NEWMAN. They will be used by British forces for NATO purposes.

Mr. SHRIVER. That is what I said.

TERMS OF MALTA AGREEMENT

Mr. PASSMAN. The gentleman is making a good case. The British were paying less than $13 million total rent for the bases from 1960 until this year, but now they get Uncle Sam in on it. They now agree to pay $36 million, and we are coming in for $9.5 million of this total.

SPAIN AND PORTUGAL BASE AGREEMENTS

Mr. SHRIVER. Are the other countries contributing to Spain and Portugal in connection with the agreements with these countries about our own forces there?

Mr. NEWMAN. No, sir.

Mr. O'CONNOR. Those are not NATO forces in Spain, but I think they are in Greece.

Mr. NEWMAN. In Spain they are not NATO.

Mr. O'CONNOR. No. But I say I think in Greece they are. Mr. Shriver asked about the situation in Greece.

Mr. DAVIES. Greek forces are NATO committed.

Mr. O'CONNOR. What these payments represent, Mr. Shriver, to put it bluntly, they represent rent for that base.

Mr. SHRIVER. I understand.

Mr. O'CONNOR. They do not represent a contribution to whatever forces are maintained or anchored or repaired in those bases. It is not a military contribution in the sense of going to anybody's forces.

Mr. SHRIVER. It has been a long time since World War II, and we are still continuing in the name of our own security to put out an awful lot of money.

FINANCING UNITED NATIONS FORCE IN CYPRUS

You say the United Nations Force in Cyprus has a deficit of $20 million. Why?

Mr. O'CONNOR. In order to obtain the required Security Council votes for the establishment and continuation of UNFICYP, we agreed that UNFICYP should be financed on a voluntary basis. Therefore, a small group of interested countries have had to bear the costs of the entire operation. These governments, which make substantial contributions, have not been able to cover the entire cost of UNFICYP, and a deficit has accumulated. We are making special efforts in conjunction with the other major contributors to eliminate the deficit and place UNFICYP financing on a sound and sustainable basis. In this connection, we expect the Secretary General to launch in the near future a special effort, supported by the major current contributors, to obtain additional contributions from countries which do not contribute or contribute inadequately.

Mr. SHRIVER. You say our contribution, which as requested would amount to 26 percent of the total, would be "subject to fluctuation in UNFICYP costs." What does this mean?

Mr. O'CONNOR. If the Secretary General's estimates on UNFICYP's cost to the U.N. should rise or decline significantly, the United States would seek to raise or lower its contribution proportionately.

NEW HEALTH AND EDUCATION AND POLLUTION CONTROL PROGRAMS

Mr. SHRIVER. I know we covered the East Asia regional program a couple of days ago, but I think it is important to point out for the record that, at the time we are having to cut back in worthwhile health and education and pollution control programs here at home, you are proposing new projects for the East Asia region which have an estimated total cost of $15,650,000. Most of these projects, if needed at all,

should be completely funded by the countries involved. Would you care to comment?

Mr. O'CONNOR. We are very conscious of the limitations on funds and only propose new projects for the East Asia regional program, or any other program, when we are convinced that the projects are worth while and our help is needed. In the new projects in the regional program, such as the proposed Mekong Basin activities, we are in almost all cases one of many participants; and the host countries always contribute what they can. We think the regional projects represent a way to pool resources and cut costs, and at the same time achieve worthwhile development objectives that strengthen the region as a whole.

EAST ASIAN REGIONAL PROJECTS

Mr. SHRIVER. If you have not already done so, would you provide for the record the inputs of all other donor and participant nations for each of these East Asia regional projects which are shown on pages H–9 through H–27?

Mr. O'CONNOR. Gladly, Mr. Congressman.

(The information follows:)

Other Donor and Participant Nation Contributions to East Asia Regional projects

Project Title	Other Donors (Excluding U.S.)	Participant Nations (Host Countries)	Amount Estimated Through FY 1972
Mekong Basin Devel. Planning	$28,893,764*	$19,555,332*	$48,449,096*
Transportation/Communications Feas. Studies	2,000,000	100,000	2,100,000
International Rice Research Institute	7,500,000	-	7,500,000
SEA Fisheries Devel. Center	1,810,000	1,940,000	3,750,000
Asian Vegetable Devel. and Research Center	400,000	1,500,000	1,900,000
Cholera Research	1,877,000	9,510,000	11,387,000
Asian Institute of Technology	4,750,000	1,000,000	5,750,000
Regional Education Devel.	1,508,000	2,288,000	3,796,000

* Actual non-U.S. contributions to Mekong Coordinating Committee for pre-investment investigations and planning through December 31, 1971.

COSTS OF DRUG ABUSE IN THE UNITED STATES

Mr. SHRIVER. In justifying your request for $42.5 million for the international narcotics control program, it would be helpful to show for the record the latest estimates on the annual costs in the United States of drug abuse. If possible, include in this figure the estimated cost of criminal acts connected with drug abuse.

Mr. O'CONNOR. Because of the multitude of variables involved in such an estimate no figure can be cited with any precision. For example, in 1970 estimates of the cost of heroin to addicts ranged from $1,035,000,000 to $5,749,000,000. A recent report to the Ford Foundation contains estimates of funds obtained by an estimated 350,000 addicts annually from the following sources:

Property crime cost to victims	$2,379,426,150
Prostitution	457,408,875
Legal sources	103,285,875
Total	2,940,120,900

Of the $2,379,426,150, the report estimated the addicts net income from property crimes to be $914,817,750.

NARCOTICS CONTROL IN INDIA AND TURKEY

Mr. SHRIVER. As you mention on page I–1, India and Turkey are the only legitimate producers of opium for world medicinal requirements. Turkey now has a program to cease production. What steps has India taken in this regard?

You say India is not currently a known supplier of U.S. heroin—is that correct? But if Turkey completely shuts off the supply of opium, India could become a major supplier, could it not?

Mr. O'CONNOR. India is actually outside my area of responsibility but I can supply the information you request. India is taking no steps to cease production of illicit opium. The demand for legal opium for medicinal purposes, to make morphine and codeine, for example, has been steadily increasing. India is supplying this market as she is authorized to do by international convention.

India is not currently a supplier of U.S. heroin, nor do we foresee the likelihood of India becoming a major supplier of illicit narcotics. Production for the legitimate market is fairly closely controlled. In addition, the sizable Indian addict population appears to utilize most of the amount which does enter the illicit market.

Mr. SHRIVER. Do you anticipate any softening in Turkey's determination to end poppy production as a result of Prime Minister Erim's resignation last week?

Mr. O'CONNOR. Although Turkey is not one of the "supporting assistance" countries for which I am responsible, I am generally familiar with the Turkish situation as regards narcotics control. The answer to your question is "No." Turkey's decision was taken by the Council of Ministers and published as a Government of Turkey decree. Furthermore, representatives of Turkey have announced its pledge to end opium production in several international meetings.

TURKISH SUBSTITUTE FOR POPPIES

Mr. SHRIVER. If it is found feasible and popular with Turkish farmers to raise wheat instead of poppies, where would you expect this wheat to be marketed? Would all of it be consumed domestically?

Mr. O'CONNOR. As Turkish wheat production reaches the level required to meet internal demand we would expect some areas currently producing wheat, but capable of producing more profiitable export crops, will shift their production to these alternatives. This is particularly true of high rainfall, more temperate climate areas such as the coastal regions currently producing Mexican wheat. Other areas, for example, may shift production to meet the increasing demand for animal feed. In essence we do not believe Turkey will become a major exporter of wheat.

CONTROL OF DRUGS IN MEXICO AND NORTH AFRICA

Mr. SHRIVER. You sav the north African countries have very strict penalties for the use of hard drugs, and that they have almost no hard drug problem as a result. Would you tell us more about that? You have a similar statement concerning Mexico. Tell us about their drug abuse laws as compared with ours.

Mr. O'CONNOR. North Africa and Mexico are also outside of my area of responsibility, but I will obtain the information for you.

(The information follows:)

While narcotic laws and enforcement practices vary between North African countries, those in Tunisia have been singularly successful in limiting the production, trafficking, and use of kif (a cannabis derivative similar to marihuana). At the time of independence, the use of kif was widespread in the Tunisian population. The Tunisian Government inaugurated a program to limit the use of kif and production of cannabis which included assistance in crop substitution. Simultaneously, a law was enacted which prescribed a minimum 5-year imprisonment plus 5-year probationary period for the possession of kif. Through the strict enforcement of this law, which applies equally to tourists, and adherence to the original goal of eradicating cannabis production, the Tunisian Government has solved its narcotics problem among its citizens. The remaining North African countries have comparably strict narcotics laws; however, they have not enforced them with the same vigor as the Tunisians.

The lack of use of hard drugs (heroin, opium derivatives) by North Africans also may relate to their predominantly Muslim religion.

The Mexican penal code stipulates a penalty of from 2 to 9 years and a fine of from 1,000 to 10,000 pesos for the cultivation of marihuana. The manufacture, trafficking in, possession or purchase of narcotics are punishable by three to twelve years in prison and a fine of from Mex$2,000 to Mex$20,000. The Mexican Government is strict in enforcing these laws and in assessing heavy penalties. It is difficult to compare the above penalties with their equivalent in the United States, which vary by State. In general, the Mexican penalties and their enforcement are more severe than in the United States.

NARCOTICS CONTROL IN LATIN AMERICA

Mr. SHRIVER. It would appear from your statements that the Panamanian Government has not been cooperative at all in this drug control program. Congress has said that we should not continue foreign assistance to those countries which do not help in this effort. Wouldn't Panama qualify?

Mr. O'Connor. The Latin American countries are not within my area of responsibility, but I will obtain and submit a response to your question.

(The information follows:)

It is true that the U.S.-Panamanian cooperative efforts were severely damaged in March. However, the Government of Panama has indicated its desire to continue this program and has indicated its willingness to accept replacements for the three expelled BNDD agents. In addition to its cooperation with the BNDD, the Government of Panama has also been cooperating in other ways. For example, Panama recently hosted an AID Public Safety-sponsored narcotics seminar for police laboratory technicians from Guatemala, El Salvador, Honduras, Nicaragua, Costa Rica, Panama, and Colombia.

Under these circumstances, we believe Panama is cooperating with the United States in the fight against drug abuse and do not believe a decision to terminate assistance to Panama is warranted.

DRUG TRAFFIC IN VIETNAM

Mr. Shriver. Would you provide something for the record which summarizes U.S. military and South Vietnamese efforts to control the drug traffic in that country? You might give us your assessment of these efforts and their success or failure at this time.

Mr. O'Connor. On the U.S. military side, the most effective measure taken was the institution of a mass urinalysis testing procedure in June 1971. Figures available to me show that whereas some 10 percent of U.S. Army troops in Vietnam were using heroin before June, the percentage fell promptly to 5 percent thereafter, and, of course, the total number of troops in-country has continually diminished. On the South Vietnamese side, the most significant actions have been an increase in police enforcement activity—6,400 narcotics arrests in 1971 as against only 2,911 in 1969—the dismissal and replacement of the entire Vietnamese customs and police staffs at the Saigon airport in May 1971; and the smashing of the single largest heroin-importing operation in Vietnam in July 1971. As a result of these and other measures, the demand for heroin in Vietnam has dropped radically.

$3.7 MILLION PAYMENT TO ARMY CORPS OF ENGINEERS FROM CONTINGENCY FUNDS

Mr. Shriver. You describe briefly a $3.7 million payment from the contingency fund in fiscal 1971 to the U.S. Army Corps of Engineers "to pay a claim to a private U.S. contractor arising out of an AID construction project for which the Corps of Engineers was the implementing agency for AID." Tell us more about that.

Mr. O'Connor. Yes, sir. As I recall, the project was outside of my area in Somalia, Africa, and involved the construction of port facilities at Chisimaio, Somalia. I'll supply more details for the record.

(The information follows:)

AID initiated the project with grant funds in 1962, engaging the Corps of Engineers to supervise construction, which was performed by the Paul Smith Co. under contract to the corps. The company filed a number of claims, with the corps alleging increased costs due to changes in construction required and changed conditions. The result of an award of the Board of Contract Appeals of the corps and negotiations between the corps and company, was a settlement of $3.7 million. AID's General Counsel determined that AID was liable and that use of contingency funds was appropriate.

DEOBLIGATION OF FUNDS FOR USE IN JORDAN

Mr. PASSMAN. Before we recess the committee, let me say you had better have some pretty good excuses before you start taking funds from Cambodia, Laos, and Vietnam for this Jordan deal.

Last year, we cut your request quite substantially. If you people are able to find funds out of this supporting assistance program after our reductions to provide funds to Jordan, it means you were overfunded last year. You had us believing that you didn't have any elbow room.

We will have to have a closer look at this request this year. We thank you for your testimony. The committee is adjourned.

THURSDAY, APRIL 27, 1972.

ADMINISTRATIVE AND OTHER EXPENSES, DEPARTMENT OF STATE

WITNESSES

JOSEPH F. DONELAN, JR., ASSISTANT SECRETARY FOR ADMINISTRATION, DEPARTMENT OF STATE
RICHARD W. MURRAY, DEPUTY ASSISTANT SECRETARY FOR BUDGET AND FINANCE
RALPH J. McGUIRE, DIRECTOR, NATO AND ATLANTIC POLITICAL-MILITARY AFFAIRS, BUREAU OF EUROPEAN AFFAIRS
MURRAY E. JACKSON, DIRECTOR, OFFICE OF INTERNATIONAL CONFERENCES, BUREAU OF INTERNATIONAL ORGANIZATIONS AFFAIRS
JOHN GRANGER, DEPUTY DIRECTOR, OFFICE OF INTERNATIONAL SCIENTIFIC AND TECHNOLOGICAL AFFAIRS
CHARLES HIGGINSON, OFFICER IN CHARGE, OECD AFFAIRS, BUREAU OF EUROPEAN 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

Mr. PASSMAN. The committee will come to order.

We shall continue this afternoon to examine the budget requests for Foreign Aid and Assistance for fiscal year 1973. The first item we will take up will be that of the Administrative expenses, Department of State. This is not an all-inclusive item because the largest part of administrative expense would be, of course, under the Agency for International Development.

We have as the main witness today Mr. Joseph F. Donelan, Assistant Secretary of State for Administration.

I would assume you have a statement you would like to make to the committee?

Mr. DONELAN. Yes, sir.

General Statement

Mr. Chairman, I am Joseph F. Donelan, Assistant Secretary of State for Administration. I appreciate this opportunity to again appear before your committee to present our 1973 request for funds for administrative and other expenses, State Department.

The funds requested in this appropriation item cover the cost of four activities administered by the Department of State. They finance the salaries and operating expenses of the U.S. Mission to the North Atlantic Treaty Organization (USNATO) in Brussels, Belgium; the U.S. Mission to the Organization for Economic Cooperation and Development (USOECD) in Paris, France; the staff responsible for administering the Mutual Defense Assistance Control Act; and the staff responsible for administering the Military Assistance and Arms Sales Supervision activity.

The U.S. Mission to the North Atlantic Treaty Organization and the U.S. Mission to the Organization for Economic Cooperation and Development are responsible for the direction, coordination and administration of the U.S. policy and activities related to the international organizations.

The staff responsible for administering the Mutual Defense Assistance Control Act is concerned with prevention of the shipment of strategic items to nations threatening the security of the United States. They recommend to the Secretary of State, who is administrator of the Mutual Defense Assistance Control Act, commodities to be included on the Battle Act list, report of shipments, coordinate the activities of other U.S. agencies concerned with security trade controls, and conduct bilateral and multilateral negotiations.

The primary function of the Military Assistance and Arms Sales Supervision staff is to insure continuing foreign policy control and coordination over the level and character of worldwide U.S. military assistance and sales program.

Mr. Chairman, for these activities we are requesting an appropriation of $4,918,000 for fiscal year 1973. This request represents an increase of $455,800 over the amount estimated to be available for this purpose in the current fiscal year and $481,000 above the anticipated 1972 appropriation.

The increase of $455,800 requested for 1973 consists of the following items: $122,100 for statutory salary cost increases; $165,600 to cover nondiscretionary overseas local wage and price increases resulting from continuing price escalation in those areas where our missions are located and to cover increased operating costs resulting from the devaluation of the U.S. dollar, and $112,700 to permit full-year staffing in 1973 of all authorized positions. The balance requested, $71,900, is to provide for three items; $40,000 for international conference travel to cover the expenses of one additional Deputy Foreign Minister meeting to review the NATO Allies preparations for negotia-

tions to reduce tensions in Europe, to participate in committee meetings on ocean dumping and meetings of committees concerned with German questions and other political aspects of security; $28,000 for evironmental consultative assistance in the NATO and OECD Mission activities; and $3,900 for additional travel for the Battle Act staff in revision of trade lists.

These increases are offset by a reduction of $16,500 in nonrecurring expenses.

Mr. Chairman, with the exception of the request for the $71,900 I have just mentioned, the increases requested for 1973 will permit us to merely maintain the current level of operations for these important activities. Since 1967 we have reduced the staff of these activities by 25 positions and our increases have been primarily to cover statutory and other nondiscretionary cost increases. We have tried to be prudent in our appropriation requests. We believe our 1973 proposals are essential to the success of the activities financed by this appropriation and ask that your committee approve the amount requested.

Mr. Chairman, that completes my prepared statement. I will be pleased to answer any questions you and your committee may have regarding our request for 1973 funds. With your permission, Mr. Chairman, because of the diverse activities financed by this appropriation, I should like to ask that my colleagues here with me who are the Department's principal officers concerned with each of these activities assist me in providing any information the committee may desire.

JUSTIFICATION MATERIAL

Mr. PASSMAN. Thank you for your statement. We will insert the justifications at this point in the record.

(The material follows:)

637(b)-1

DEPARTMENT OF STATE

Administrative and Other Expenses, State, FY 1973

Comparative Summary by Function

Function	1971 Actual	1972 Estimate	1973 Estimate	Increase or Decrease
U.S. Mission to the North Atlantic Treaty Organization.....	$1,887,885	$1,879,700	$2,095,000	+$215,300
U.S. Mission to the Organization for Economic Cooperation & Development.....	1,112,791	1,192,800	1,306,200	+ 113,400
Mutual Defense Assistance Control Act (Battle Act).....	1,171,467	1,189,600	1,292,100	+ 102,500
Military Assistance and Arms Sales Supervision Function.....	178,200	200,100	224,700	+ 24,600
Total.....	4,350,343	4,462,200	4,918,000	+ 455,800

DEPARTMENT OF STATE

Administrative and Other Expenses, State

Appropriation Estimated, 1972	$ 4,221,000
Federal Salary Increase, House Doc. 92-267	216,000
Prior Year Balances Available for 1972	25,200
Total Availability in Fiscal Year 1972	4,462,200

	Positions				
		Overseas			
	Domestic	Americans	Locals	Total	
Fiscal Year 1972 Availability	34	76	12	122	4,462,200
Fiscal Year 1973 Estimate	34	76	12	122	4,918,000
Increase	-	-	-	-	455,800

EXPLANATION OF PROGRAM INCREASES AND DECREASES:

		Amount
DECREASES:		
Reduction in Number of Paid Days		- $15,000
Reduction in Communications Cost		- 1,500
Total Decreases		- 16,500
INCREASES:		
Annualization of Federal Salary Increase, P.L. 92-210, Effective January 9, 1972		82,000
Within-Grade Salary Increase		40,100
Overseas Wage and Price Increases		80,900
Dollar Devaluation Annualization		84,700
Annualization of Position and Support Cost		112,700
Program Increases		71,900
International Conference Travel	$40,000	
Consulative Services, Environmental Activities	28,000	
Battle Act Travel	3,900	
Total Increases		472,300
NET INCREASE		455,800

DEPARTMENT OF STATE

Administrative and Other Expenses, State

General Narrative Statement

Appropriation of $4,918,000 is requested for fiscal year 1973 for four activities conducted by the Department of State under 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 1971, as amended. These activities are: the U.S. Missions to the North Atlantic Treaty Organization (USNATO) and to the Organization for Economic Cooperation and Development (OECD), the Mutual Defense Assistance Control Act (Battle Act) and the Military Assistance and Arms Sales Supervision Activities (MAASS).

The fiscal year 1973 request represents an increase of $481,000 over the anticipated appropriation and pay supplemental for fiscal year 1972 and $455,800 over the amount estimated to be available in fiscal year 1972. A $25,200 carry-over balance is available in fiscal year 1972.

The major increase for fiscal year 1973 is required to meet statutory salary and benefit cost increases; continuing non-discretionary increases to cover overseas wage and price rises resulting from inflationary pressures and dollar devaluation costs. Also included are funds to annualize the staffing and support requirements of the missions and the Battle Act and Military Arms Sales and Supervision staffs and to provide additional consultative support for the USNATO and OECD activities. The increased activity will be focused on:

1) Continuing the thrust initiated in the President's proposed new forms of consultation on the challenges of modern society enunciated in his speech to the Ministerial Meeting of the North Atlantic Council in April 1969 commemorating the twentieth anniversary of the signing of the North Atlantic Treaty.

2) Meeting the increased emphasis on "qualitative economic growth" coupled with the recognized interrelationship between science, technology, and economic policy that has led to increased requirements for the involvement of the Organization for Economic Cooperation and Development.

THE NORTH ATLANTIC TREATY ORGANIZATION

The North Atlantic Treaty Organization, now in its 23rd year, helps to insure freedom and security for members of the Alliance and thereby permits the development of human and material resources to the fullest extent.

The cohesion, determination and effective military strength of NATO have all been major factors in contributing to the lessening of East-West tensions in recent years. Should NATO be allowed to decline, Western European countries would be individually vulnerable to political-military pressures from the Soviet Bloc nations. NATO must therefore, maintain adequate military strength and political solidarity to deter aggression and other forms of pressure and to defend the territory of NATO countries if aggression should occur. By remaining strong, NATO also provides a secure base for pursuing improvement in East-West relations.

The following are major decisions taken by the Allies at recent Ministerial meetings, and other significant developments concerning the Alliance.

1. In December 1970, NATO completed a comprehensive study of Alliance defenses for the 1970's, focusing attention on improvements needed in NATO's conventional forces. As a result of this study the European Allies proposed in December 1970 a $1 billion five-year program to improve their defenses, and in December 1971 announced that they would increase their common defense budget for 1972 by over $1 billion. In addition, in December 1971 the United States and the Federal Republic of Germany concluded an agreement to offset a large part of the cost of U.S. troops stationed in Germany.

2. During his visit to Europe in February 1969, President Nixon reaffirmed the positive role of the Alliance and underlined the contribution Allied unity makes to the U.S. ability to negotiate strategic arms limitations with the USSR. In Washington in April 1969, NATO welcomed U.S. intentions to engage in these negotiations, consulting closely with the Allies. When the President visited Europe again in 1970, he stressed the continuing role that the U.S. expects to play in NATO, particularly the maintenance of U.S. forces in Europe at present levels in the absence of reciprocal reduction negotiated with the Warsaw Pact countries. He stressed this role again in his recent talks with President Pompidou of France, Prime Minister Heath of Great Britain, and Chancellor Brandt of the FRG.

3. In December 1969 in Brussels, NATO issued a comprehensive Declaration on European security and East-West cooperation, which called for East-West discussion on specific issues in the fields of arms control and disarmament, Germany and Berlin, economic, technical and cultural exchange, the environment and oceanography. The Allies have also indicated their willingness to move toward a Conference on Security and cooperation in Europe -- long an objective of the Warsaw Pact countries -- and affirmed, most recently in December 1971, their readiness to open exploratory talks to this end when the final quadripartite protocol on Berlin has been signed. The Allies have emphasized to the Warsaw Pact that improved East-West relations must be based upon respect for generally recognized principles governing relations between nations including the right of European states to shape their own destinies free of external constraint and regardless of their political or social system. Subjects for possible multilateral negotiations include improved cooperation in economic, technical, scientific and environmental matters, as well as freer movement of people, ideas and information between East and West.

4. Since its Reykjavik Declaration of June 1968, NATO has repeatedly offered to explore with the East possibilities for Mutual and Balanced Force Reductions between NATO and the Warsaw Pact. In October 1971 Mr. Manlio Brosio, NATO's former Secretary-General, was designated as an "Explorer" to Moscow and other Eastern capitals. His mission was, and remains, to determine what common ground exists between East and West for moving to actual negotiations. Moscow has not as yet signalled its willingness to receive Mr. Brosio, although the Allied offer still stands.

5. The Allies have continued to stress the importance of inter-Allied consultation on the Mediterranean and continued virgilance in that area. They have noted the increasing potential security threat to the Alliance posed by the Soviet military buildup in the Mediterranean, commented approvingly on steps to strengthen Allied defenses there, and called for further appropriate measures.

6. In December 1969, in response to a U.S. Presidential initiative, NATO added a third or social dimension to its traditional activities in the military and political fields by creating a Committee on the Challenges of Modern Society (CCMS), where the Allies pool their resources to stimulate national and international action on urgent problems of the human environment. In its first two years the work of CCMS has already led to a major Allied decision to eliminate oil pollution of the high seas by the end of the Seventies. Other CCMS projects have been launched in air pollution, inland water pollution, earthquake and flood hazard reduction, emergency medical care, urban affairs, and road safety.

In addition, the members continued to use the Alliance machinery for consulting and planning on nuclear problems related to the defense of the North Atlantic Treaty area. Toward this end, the Allies have undertaken thoroughgoing consultations on Strategic Arms Limitation, Seabeds Arms Control and other proposals related to Law of the Sea.

NATO has begun its third decade, and all the Allies agree that the Alliance remains necessary to its members' security for the indefinite future.

U.S. MISSION TO THE NORTH ATLANTIC TREATY ORGANIZATION

	Positions				
		Overseas			
	Domestic	Americans	Locals	Total	Amount
Total Fiscal Year 1972 Estimated Availability	2	38	-	40	$ 1,879,700
Fiscal Year 1973 Estimate	2	38	-	40	2,095,000
Increase	-	-	-	-	+ 215,300

The Department requests authorization of 2 domestic and 38 overseas American positions and $2,095,000 in fiscal year 1973 to carry out the objectives of the U.S. Mission to the North Atlantic Treaty Organization (USNATO).

DECREASE:

Reduction in number of paid days -$5,100

Reduction in final communications system circuit costs -$1,500

INCREASES:

Annualization of Federal Salary increase, P.L. 92-210 +$27,000

Annualization of position and support costs +$34,700

The estimate provides for annualization of position costs +$29,000 and support costs +$5,700 for positions lapsed for short periods of time during the last half of FY 1972.

Annualization of dollar devaluation costs +$59,400

The increase is required to annualize the cost of increases in the costs of rents, allowances, goods and services resulting from the changes in exchange rates during December, 1971.

Consultative Services, Environmental Activities +$14,000

An increase of $10,000 is required for consultant employment and $4,000 for travel for participation in studies concerning the Air-Sea Interaction Program (long range weather predictions, undersea communications; air-sea communications); Computer Soft-Wave Institute; Pilot studies and projects dealing with air pollution, water pollution, road safety, disaster assistance; and environmental and regional planning.

International Conference Travel +$40,000

One additional Deputy Foreign Ministers Meeting: In addition to the regularly planned Deputy Foreign Ministers Meeting in FY 1973 it is anticipated that a special Deputy Foreign Ministers Meeting will be required to review the NATO Allies preparations for negotiations to reduce tensions in Europe..... $19,000

A Committee on the Challenges of Modern Society Conference on Ocean Dumping and an extra Plenary Session of the CCMS itself..... 11,000

A series of meetings of various committees and working groups concerned with German questions and other political aspects of European security..... 10,000

Within-Grade Salary Increases +$14,500

The amount requested for within-grade salary increases is the estimated net amount required for these statutory increases, taking into consideration the offsetting effect of personnel turnover, transfers and promotions.

Overseas Price Increases +$32,300

Inflationary conditions continue to steadily increase the costs of goods and services overseas. The increase is requested to meet the higher costs anticipated during fiscal year 1973 for allowances, rents, utilities and services.

U.S. MISSION TO THE NORTH ATLANTIC TREATY ORGANIZATION

	1971 Actual		1972 Estimate		1973 Estimate		Increase or Decrease	
	No.	Amount	No.	Amount	No.	Amount	No.	Amount
11 Personnel Compensation:								
Permanent American Salaries:								
Positions and Annual Rate	40	688,239	40	736,908	40	751,422		+ 14,514
Pay in Excess of 52-Week Base		2,647		5,100		-		- 5,100
Deduct: Lapse			- 1.2	- 30,508		- 1,522	+ 1.2	+ 28,986
Pay Act Lapse		- 17,000		- 25,800		-		+ 25,800
Total Permanent American Salaries	40	673,886	38.8	685,700	40	749,900		+ 64,200
Miscellaneous American Salaries:								
WAE Employment		13,000		-	+ 0.5	10,000	+0.5	+ 10,000
Overtime & Holiday Pay		8,040		8,600		8,600		-
Night & Sunday Differential		1,796		1,900		1,900		-
Total Miscellaneous American Salaries		22,836		10,500		20,500		+ 10,000
Total Personnel Compensation	40	696,722	38.8	696,200	40.5	770,400	+ 1.7	+ 74,200
12 Personnel Benefits:								
Allowances		73,056		95,500		108,900		+ 13,400
Payments to Other Funds:								
Americans: Health Insurance		6,674		6,700		7,300		+ 600
Life Insurance		2,719		2,800		3,000		+ 200
Retirement Contributions		47,173		49,300		52,800		+ 3,500
Total Payments to Other Funds		56,566		58,800		63,100		+ 4,300
Total Personnel Benefits		129,622		154,300		172,000		+ 17,700
Total Personnel Compensation and Benefits		826,344		850,500		942,400		+ 91,900
Other Obligations								
21 Travel and Transportation of Persons		146,927		123,700		178,400		+ 54,700
22 Transportation of Things		54,000		44,000		49,000		+ 5,000
23 Rents, Communications, and Utilities		301,451		305,400		323,200		+ 17,800
24 Printing and Reproduction		-		3,000		3,000		-
25 Other Services		54,700		56,600		62,700		+ 6,100
Services of Other Agencies		416,921		410,300		433,600		+ 23,300
Representation		21,773		23,600		23,600		-
Official Residence Expenses		35,677		43,000		45,900		+ 2,900
26 Supplies & Materials		23,043		12,800		26,100		+ 13,300
31 Equipment		6,949		6,700		7,000		+ 300
42 Insurance Claims & Indemnities		100		100		100		-
Total Other Obligations		1,061,541		1,029,200		1,152,600		+123,400
Total Obligations		1,887,885		1,879,700		2,095,000		+215,300

ORGANIZATION FOR ECONOMIC COOPERATION AND DEVELOPMENT (OECD)

Purpose. The OECD, formed in 1961 at U.S. initiative, to enhance the scope of Atlantic economic cooperation, now comprises 23 industrialized market economy countries which together account for over 70% of world trade, 60% of world industrial production, and 90% of the development assistance destined for the developing countries. The OECD provides a forum in which policy-level officials from the member countries consult directly on major economic issues of critical importance to the formulation of national policies. The OECD consultative process has diminished the risk of unilateral actions taken in ignorance of the views and interests of the other member countries. The United States is committed to the OECD goals: (1) to promote the highest sustainable economic growth and employment and a rising standard of living in the member countries, while maintaining financial stability; (2) to contribute to the sound economic expansion of both member states and other nations in the process of development; and (3) to further the expansion of world trade on a multilateral, non-discriminatory basis in accordance with international obligations.

Current Activities of Special Interest to the U.S.

Economic Growth and the Quality of Modern Life. The goal set in the OECD in 1961 for member countries to increase their combined real gross national product by 50% by 1970 was exceeded. A new goal of 65% has been set for the decade of the 1970's. Realizing that economic growth is not an end in itself, the OECD has begun to place increased emphasis on improving the quality of life as well as total production. Besides work in the environmental area started last year, the OECD has also begun the development of social indicators to supplement economic gauges of the level of living.

Economic Policy. The determined efforts of the U.S. and other important countries to improve their economic performance through the use of fiscal and monetary policies continue to highlight the role of the OECD as an international forum for cooperation and coordination in preventing the effects of national economic policies from conflicting with those of other industrial countries. The ability of the international economic system to withstand the strains of anti-inflationary policies, high interest rates and heavy speculative monetary flows in recent years has been due in no small part to the significant degree of international cooperation achieved in the Economic Policy Committee of the OECD in which the United States is represented by the Chairman of the President's Council of Economic Advisors. A recent example of the timely work of the EPC was the consensus reached on the desirable economic policies to be followed by Member Countries in the wake of the exchange rate realignment.

International Finance. The OECD's Working Party Three on the Balance of Payments, at which the Under Secretary of the Treasury represents the United States, has contributed substantially to the progress made in recent years in the field of international monetary cooperation. It was largely through the efforts of this Working Party and its non-OECD counterpart, the so-called Group of Ten, that agreement was reached on the establishment of the IMF Special Drawing Rights. With the international monetary system in crisis following the August 15 action to close the gold window, Working Party Three played a crucial role in determining the size of the turn-around needed in member countries' balance of payments, which served as a basis for the new exchange rate structure.

The OECD recently decided to expand its work on the effects of taxation policies through broadening the mandate of the Fiscal Affairs Committee to include the international effects of domestic taxation.

Environment. To emphasize the importance of the relationship of environment to economic growth, the OECD has established the Environment Committee. The OECD, with its international character and economic competence is the organization best suited to deal with the international economic consequences (especially in the trade field) of measures taken by individual countries to protect their environment.

Development Assistance. The Development Assistance Committee (DAC) continues to influence the formulation and coordination of the development assistance programs and policies of its member countries and the major multilateral institutions. The DAC's central thrust is its comprehensive effort to improve the terms, volume and effectiveness of the aid rendered to the developing countries. Currently, the DAC program is heavily influenced by the UN Second Development Decade, since the OECD is the coordinating body for the Western position and strategy for development in the 1970's.

The OECD's research-oriented Development Center continued to channel knowledge and experience from donor countries to the less developed countries. The program on population planning is highly regarded.

Trade. The developed countries have successfully used the Trade Committee to devise a system of generalized tariff preferences for developing countries. The system is going into effect as national legislatures in the developed countries approve their country's scheme. The Trade Committee also is furthering its effort to develop common guidelines among member countries on government procurement. The U.S. has strongly supported this effort in order to assure that U.S. suppliers will have fair access to foreign government markets. The Trade Committee also is engaged in major studies of the relation of trade measures to the balance of payments adjustment process, and of the extension of government supported export credit to developed countries. A special High Level Group on trade and related matters is preparing a report this year on trade problems, assess their relative urgency and considering how these problems might be dealth with and set out options for their solution.

Industry. The Industry Committee is occupied principally with the analysis of policies affecting industrial development, with emphasis on management and decision-making problems, the multinational firm, regional economic development, problems of small and medium-sized businesses, maximizing efficiency in the distribution sector, and the development of a compatible system of annual census-type statistics for manufacturing industries.

Agriculture. The Agricultural Committee is concerned with efforts to keep trade restrictions from interrupting the agricultural exports of the world's most efficient producers such as the United States. Its Dairy Working Party attempts to keep the world's current excess supply of dairy products under surveillance. Periodic meetings of policy level officials of member country agricultural ministries are seeking means for coordinating their respective agricultural policies so as to avoid international confrontations.

Maritime Transport. The Maritime Transport Committee (MTC) is a multilateral forum for consultation on the national shipping policies and activities of the major shipping nations of the world. The MTC currently is serving as the focal point for coordination of the policies of OECD members on (a) maritime issues being considered by UNCTAD, and (b) discriminatory shipping policies on non-OECD countries.

Science and Education. The Science Policy Committee is seeking to develop and coordinate national science policies within the context of economic and social development. The Committee is reviewing in depth the elements of the "research system" and the obstacles to its efficient operation.

Energy. The Energy Committee will continue to deal with the fiscal burden on various forms of energy, international cooperation in planning and development of electric power supply systems, and problems of the transportation and storage of various forms of energy.

Oil. The Oil Committee will continue in its well-established role as focal point for exchange of views and information and for the coordination of policy and action in the international petroleum field. This includes study of security-of-supply questions, monitoring of oil stock-piles in European OECD countries and coordination of action in the face of oil-supply emergencies.

Other Significant Current Activities

In addition to the major activities described above in which the United States is an active participant, the OECD sponsors more limited programs of primary interest to the European OECD members. The United States has observer status in these activities but does not contribute to their budgets. These include the European Conference of Ministers of Transport concerned with questions of inland transportation in Europe, the European Monetary Agreement concerned with European monetary and financial cooperation and assistance to member countries with temporary balance-of-payments difficulties, and the European Nuclear Energy Agency involved in harmonizing nuclear safety measures and several joint atomic energy research projects in Europe.

U.S. MISSION TO THE ORGANIZATION FOR ECONOMIC COOPERATION AND DEVELOPMENT

	Positions				
		Overseas			
	Domestic	Americans	Locals	Total	Amount
Total Fiscal Year 1972 Estimated Availability	2	23	8	33	$ 1,192,800
Fiscal Year 1973 Estimate	2	23	8	33	1,306,200
Increase	-	-	-	-	+ 113,400

The Department requests the authorization of 2 domestic, 23 overseas American and 8 local positions and $1,306,200 during fiscal year 1973 to carry out the objectives of the U.S. Mission to the Organization of Economic Cooperation and Development (OECD).

DECREASES:

Reduction in number of paid days - $3,800

INCREASES:

Annualization of Federal Salary increase, P.L. 92-210 +$19,200

Annualization of position and support costs +$21,200

The estimate provides for annualization of position costs +$15,000 and support costs +$6,200 for positions lapsed for short periods of time during the last half of FY 1972.

Annualization of dollar devaluation costs +$18,700

The increase is required to annualize the cost of increases in the costs of rents, allowanced goods and services resulting from the changes in exchange rates during December, 1971.

Consultative Services and increased support +$14,000

An increase of $10,000 is required for part-time employment of consultants for development of operating procedures for implementing the general principles developed by the OECD's Environmental Committee, participate in "Industry studies" to develop comparative environmental control costs in such industries as iron and steel; chemicals and non-ferrous metals and textiles; $4,000 is required for increased travel costs for the consultants.

Within-Grade Salary Increase +$7,300

The amount requested for within-grade salary increases is the estimated net amount required for these statutory salary increases, taking into consideration the offsetting effect of personnel turnover, transfers and promotions.

Overseas Wage and Price Increases +$36,800

Inflationary trends have continued the steady increases in the costs of goods and services. An estimated increase of $28,600 is required to meet higher costs anticipated in fiscal year 1973 for overseas allowances, rents, utilities and services. An increase of $8,200 is requested to meet increased local salary and within-grade salary costs for local employees. These wage increases are developed through comparative local wage surveys and provide local employees salary rates consistent with the rates paid by private industry for comparable skills.

U.S. MISSION TO THE ORGANIZATION FOR ECONOMIC COOPERATION AND DEVELOPMENT

	1971 Actual		1972 Estimate		1973 Estimate		Increase or Decrease	
	No.	Amount	No.	Amount	No.	Amount	No.	Amount
11 Personnel Compensation:								
Permanent American Salaries:								
Positions and Annual Rate	25	433,006	25	457,598	25	464,953		+ 7,353
Pay in Excess of 52-Week Base		1,666		3,400		-		- 3,400
Deduct: Lapse		-	- .8	-15,000	- .53		+ .8	+14,947
Pay Act Lapse		-11,763		-16,998		-		+17,000
Total Permanent American Salaries	25	422,909	24.2	429,000	25	464,900	+ .8	+35,900
Miscellaneous American Salaries:								
W.A.E. Employment		-		-	0.5	10,000	+0.5	+10,000
Overtime and Holiday Pay		1,035		4,400		4,400		-
Total Misc. American Salaries		1,035		4,400	0.5	14,400	+0.5	+10,000
Permanent Local Salaries:								
Positions and Annual Rate	8	60,000	8	63,800	8	71,500	-	+ 7,700
Pay in Excess of 52-Week Base		231		500		-		- 500
Deduct: Lapse	-0.6	- 4,358	-0.3	-3,000		-	+0.3	+ 3,000
Add Terminal Leave		1,630		-		-		-
Total Permanent Local Salaries	7.4	57,503	7.7	61,300	8	71,500	+0.3	+10,200
Miscellaneous Local Salaries:								
Overtime and Holiday Pay		4,164		4,000		4,600	-	+ 600
Total Misc. Local Salaries		4,164		4,000		4,600	-	+ 600
Total Personnel Compensation	32.4	485,611	31.9	498,700	33.5	555,400	+1.6	+56,700
12 Personnel Benefits:								
Allowances		82,110		106,000		115,000		+ 9,000
Payment to Other Funds:								
Americans: Health Insurance		4,093		4,300		4,700		+ 400
Life Insurance		1,650		1,700		1,800		+ 100
Retirement Contributions		29,603		30,900		32,600		+ 1,700
Locals: Retirement Contributions		3,841		4,300		5,500		+ 1,200
Total Payments to Other Funds		39,187		41,200		44,600		+ 3,400
Total Personnel Benefits		121,297		147,200		159,600		+12,400
Total Personnel Comp./Benefits		606,908		645,900		715,000		+69,100
Other Obligations								
21 Travel and Transportation of Persons		36,769		39,000		44,700		+ 5,700
22 Transportation of Things		34,056		35,000		37,100		+ 2,100
23 Rents, Communications, and Utilities		23,213		24,100		26,200		+ 2,100
25 Other Services		11,448		18,000		19,000		+ 1,000
Services of Other Agencies		361,651		390,100		419,200		+29,100
Representation		11,124		11,600		12,200		+ 600
Official Residential Expenses		12,600		14,100		14,200		+ 100
26 Supplies and Materials		4,568		6,000		7,500		+ 1,500
31 Equipment		10,456		17,000		13,100		- 3,900
Total Other Obligations		505,883		546,900		591,200		+44,300
Total Obligations		1,112,791		1,192,800		1,306,200		+113,400

78-827 O - 72 - pt.2 - 33

THE MUTUAL DEFENSE ASSISTANCE CONTROL ACT

The Secretary of State is Administrator of the Mutual Defense Assistance Control Act (Battle Act). The program is directly related to the overall defense efforts of the United States. The purpose of the Act is to prevent the shipment of strategic items to nations threatening the security of the United States.

The Department of State determines, after consultation with other interested agencies, the commodities to be included on the Battle Act list; makes reports on shipments; coordinates the activities of various United States agencies concerned with security trade controls; conducts bilateral and multilateral negotiations, and makes recommendations to the President regarding the termination of assistance to countries in violation of the trade controls.

The most recent revision of the Battle Act List, which became effective September 24, 1969, reflects the results of negotiations with the other cooperating countries in the multilateral strategic control system. The strategic lists are reviewed periodically and, after each multilateral review, the Battle Act List is revised consistent with the outcome of these negotiations. Such a multilateral review is in progress in FY 1972.

The Battle Act program has enabled the United States to cooperate effectively with the major industrialized nations of the free world in the operation of an agreed system of controls over strategic trade with Eastern Europe, the USSR, communist areas of East Asia and Cuba. Overseas posts make continuing reports to the Department on the trade of these countries and identify problems in connection with the Battle Act Program.

1. In carrying out the responsibility for determining the listing of strategic items under the Mutual Defense Assistance Control Act or Battle Act, the Administrator (by delegation the Assistant Secretary for Economic Affairs) is required to adjust the list "to current conditions on the basis of investigation and consultation" (Section 103(a)). This involves periodic negotiation with the other countries cooperating in the multilateral 15-nation Coordinating Committee (COCOM), the organization that sets a common policy on controls over strategic trade with the Communist countries by the NATO countries and Japan. The internationally agreed embargo list of approximately 167 items maintained by those countries will be in the final stages of a periodic list review that began in FY 1972. While the bulk of the review should be completed by the end of FY 1972 there will probably be some special problems that will be scheduled for further discussion in the first half of FY 1973.

2. In connection with this review the Bureau of Economic Affairs will be active in discussing particular items bilaterally with the interested countries either in Washington or abroad, as well as in developing interdepartmental analysis of specific proposals and agreement on negotiating positions.

The Bureau of Economic Affairs will draw on the geographic bureaus in State, on the economic defense officers in COCOM countries, and on the Department of Commerce for support in these negotiations. The Department of Commerce will provide extensive technical support and loan experts to assist in the negotiations. The Economic Bureau also details an officer to assist the resident U.S. Delegation to COCOM during the list review period. The Bureau of Intelligence and Research provides research and intelligence support in this activity.

3. Upon the conclusion of the COCOM review, there will be an appropriate revision in the Battle Act list itself. The revised list will then be transmitted to other cooperating countries and their continued observance of the list will be assured in accordance with Sections 103(a) and 301 of the Act.

4. There will continue to be during FY 1973 the necessity to evaluate many individual requests for exceptions to the agreed embargo -- i.e. shipments of listed items to Communist countries for demonstrably civilian uses. These require consultation with Commerce, Defense, CIA, and possibly other agencies, and the development of an appropriate U.S. Government position.

5. There will be the need during FY 1973 to work in cooperation with the Department of Commerce on further adjustments in the U.S. control system to reflect changes in the COCOM and Battle Act strategic lists. There will also be an increasing number of capital-equipment and production technology export licensing problems to be handled. The function of the Economic Bureau is to be certain that the decisions take adequate account of the Battle Act and COCOM strategic control requirements as well as the general policy interest in expanding sales of non-strategic goods and technology.

6. Because we expect that there will continue to be favorable developments in our general relations with most of the European Communist countries and the People's Republic of China, we expect expanded discussion of trade and related issues with individual countries -- particularly the USSR, Romania, Poland and Hungary -- as well as consultation with American firms on specific projects that involve judgments on the applicability of the strategic controls.

MUTUAL DEFENSE ASSISTANCE CONTROL ACT

	Positions				
		Overseas			
	Domestic	Americans	Locals	Total	Amount
Total Fiscal Year 1972 Estimated Availability	20	15	4	39	$1,189,600
Fiscal Year 1973 Estimate	20	15	4	39	1,292,100
Increase	-	-	-	-	+102,500

The Department requests the authorization of 20 domestic, 15 overseas American and 4 local positions and $1,292,100 in fiscal year 1973 to carry out the objectives of the Mutual Defense Assistance Control Act (Battle Act).

DECREASES:

Reduction in number of paid days -$4,700

The estimate provides for 2 less paid days - a decrease of -$4,700.

INCREASES:

Annualization of Federal Salary increases, P.L. 92-210 +$29,500

Within-Grade Salary Increases +$15,000

This increase is required to cover within-grade salary increases for the staff of 35 Americans assigned to this activity. The amount requested for within-grade salary increases is the estimated net amount required for these statutory salary increases taking into consideration the offsetting effect of personnel turnover, transfers and promotions.

Overseas Wage and Price Increases +$11,800

Inflationary conditions continue the steady increase in the costs of goods and services. An estimated increase of $7,800 is required to meet the higher costs anticipated in fiscal year 1973 for overseas allowances, rents, utilities, supplies and services. An estimated $4,000 is requested to meet the increased local salary and within-grade salary costs. These wage increases are authorized based on local wage surveys and provide local employees salary rates consistent with rates paid by private industry for comparable skills.

Annualization of Positions and Support Costs $40,400

The estimate includes $32,000 for position costs and $ 8,400 for support costs for resumption of full staffing of the Mutual Defense Assistance Control activities.

Annualization of Dollar Devaluation Costs +$6,600

Improved Support +$3,900

An increase of $3,400 is required for additional travel for the Battle Act staff in the revision of trade lists. $500 is required for additional printing costs.

Mutual Defense Assistance Control Act

	1971 Actual		1972 Estimate		1973 Estimate		Increase or Decrease	
	No.	Amount	No.	Amount	No.	Amount	No.	Amount
11 Personnel Compensation:								
Permanent American Salaries:								
Positions and Annual Rate	35	$651,100	35	$699,529	35	$710,232	-	$+10,703
Pay in Excess of 52-Week Base		2,026		4,700		-	-	- 4,700
Deduct: Lapse		- 70	- 2.5	- 32,029		- 32	+3.2	+31,997
Pay Act Lapse		- 8,978		- 21,200		-		+21,200
Total Permanent American Salaries	35	644,078	32.5	651,000	35	710,200	+3.2	+59,200
Miscellaneous American Salaries:								
Temporary Employment				700		700		-
Overtime and Holiday Pay		800		800		800		-
Total Miscellaneous American Salaries		800		1,500		1,500		-
Permanent Local Salaries:								
Positions and Annual Rate	4	33,600	4	33,900	4	38,900		+ 5,000
Pay in Excess of 52-Week Base		129		300		-		- 300
Deduct: Lapse		- 252	- 0.7	- 5,300		- 300	+0.7	+ 5,000
Add Terminal Leave		1,645		-		-		-
Total Permanent Local Salaries	4	35,122	3.3	28,900	4	38,600	+0.7	+ 9,700
Total Personnel Compensation	39	680,000	35.8	681,400	39	750,300	+3.9	+68,900
12 Personnel Benefits:								
Allowances		59,554		67,000		75,300		+ 8,300
Payment to Other Funds:								
Americans: Health Insurance		3,821		3,800		4,200		+ 400
Life Insurance		1,991		2,200		2,300		+ 100
Retirement Contributions		46,612		46,000		50,900		+ 4,900
Locals: Retirement Contributions		2,343		2,000		2,500		+ 500
Total Payments to Other Funds		54,767		54,000		59,900		+ 5,900
Total Personnel Benefits		114,321		121,000		135,200		+14,200
Total Personnel Compensation and Benefits		794,321		802,400		885,500		+83,100
Other Obligations								
21 Travel and Transportation of Persons		47,749		49,000		51,400		+ 2,400
22 Transportation of Things		17,906		18,000		18,000		-
23 Rents, Communications, and Utilities		16,628		16,800		19,800		+ 3,000
24 Printing and Reproduction		7,767		7,800		8,200		+ 400
25 Other Services		14,800		14,600		15,000		+ 400
Services of Other Agencies		264,594		273,300		286,500		+13,200
26 Supplies and Materials		4,896		4,900		4,900		+ -
31 Equipment		2,808		2,800		2,800		+ -
Total Other Obligations		377,148		387,200		406,600		+19,400
Total Obligations		1,171,467		1,189,600		1,292,100		+102,500

MILITARY ASSISTANCE AND ARMS SALES SUPERVISION FUNCTION

Section 622(c) of the Foreign Assistance Act of 1961, as amended, stipulates that the Secretary of State shall be responsible for the "continuous supervision and general direction of economic assistance and military assistance programs including but not limited to determining whether there shall be a military assistance (including civic action) program for a country and the value thereof...". Section 2b of the Foreign Military Sales Act gives the Secretary similar responsibility for export sales authorized by the Act.

To focus the Department's exercise of this responsibility, the Secretary of State, has delegated responsibility to the Director of the Bureau of Politico-Military Affairs for the continuous supervision and general direction of the military assistance and the foreign military sales programs authorized by the Foreign Assistance Act and the Foreign Military Sales Act, respectively.

The Office of Military Assistance and Sales was created to staff the Bureau Director's responsibility. Its main function is to insure continuing foreign policy control over the level and character of worldwide U.S military assistance and sales programs. The performance of these responsibilities requires close consultation and coordination with the Department of Defense, Agency for International Development, Arms Control and Disarmament Agency, Treasury, and other interested agencies as well as with the regional bureaus and other offices within the Department of State.

637(b)-23

MILITARY ASSISTANCE AND ARMS SALES SUPERVISION FUNCTION

	Positions	Amount
Total Fiscal Year 1972 Estimated Availability	10	$ 200,100
Fiscal Year 1973 Estimate	10	224,700
Increase	-	+24,600

The Department requests authorization of 10 domestic positions and $224,700 to carry out under Section 622(c) of the Foreign Assistance Act and Section 2(b) of the Foreign Military Sales Act the supervision of the military assistance and sales program.

DECREASES:

Reduction in number of paid days -$1,400

INCREASES:

Annualization of position costs +$16,400

Within-Grade Salary Increases +$3,300

Military Assistance and Arms Sales Supervision Function

	1971 Actual		1972 Estimate		1973 Estimate		Increase of Decrease	
	No.	Amount	No.	Amount	No.	Amount	No.	Amount
11 Personnel Compensation:								
Permanent American Salaries:								
Positions and Annual Rate	8	$160,695	10	$194,400	10	$197,869	-	$+ 3,469
Pay in Excess of 52-Week Base		618		1,400		-		- 1,400
Deduct:								
Lapse		- 2,925	-1.5	-16,400		- 2,669	+1.5	+13,731
Pay Act Lapse		- 4,500		- 6,300		-		+ 6,300
Total Permanent American Salaries	8	153,888	8.5	173,100	10	195,200	+1.5	+22,100
Miscellaneous American Salaries:								
Overtime and Holiday Pay		680		500		500		-
Total Personnel Compensation	8	680	8.5	500	10	500		-
12 Personnel Benefits:								
Payments to Other Funds:								
Americans:								
Retirement Contributions		10,772		11,400		13,500		+ 2,100
Health Insurance		924		1,000		1,200		+ 200
Life Insurance		616		700		900		+ 200
Total Personnel Benefits		12,312		13,100		15,600		+ 2,500
Total Personnel Compensation and Benefits		166,880		186,700		211,300		+24,600
Other Obligations								
21 Travel and Transportation of Persons		1,449		3,000		3,000		-
25 Other Services		7,721		8,400		8,400		-
26 Supplies and Materials		400		1,000		1,000		-
31 Equipment		1,750		1,000		1,000		-
Total Other Obligations		11,320		13,400		13,400		-
Total Obligations		178,200		200,100		224,700		+24,600

FISCAL YEAR 1973 REQUEST FOR DEPARTMENT OF STATE ADMINISTRATION EXPENSES

Mr. PASSMAN. As I read the record, it would appear that your request for fiscal 1973 is $4,775,000. Is that correct?

Mr. DONELAN. Yes, sir.

Mr. PASSMAN. That is $554,000 more than the 1972 appropriation. Is that correct?

Mr. DONELAN. Yes, Mr. Chairman.

Mr. PASSMAN. Putting it into the words of that grand gentleman, the AID Administrator, Dr. John Hannah, there is an asking price and a taking price. I shall assume the $4,775,000 is your asking price?

Mr. DONELAN. Yes, it is, Mr. Chairman.

Mr. PASSMAN. This excludes $143,000 for pay costs scheduled to be transferred into the account from AID. Is that correct?

Mr. DONELAN. Yes.

Mr. PASSMAN. It also excludes $216,000 for pay costs scheduled to be transferred into the account from AID for 1972?

Mr. DONELAN. Yes.

Mr. PASSMAN. I would assume, to have an accurate record, you would have to add these two items to the requests to get the difference; is that correct?

Mr. DONELAN. Yes.

Mr. PASSMAN. The answer is not as good as it sounds because to the $4,775,000, fiscal 1973 estimate, we would have to add some $143,000 to get the grand total; is that correct?

Mr. DONELAN. Yes.

Mr. PASSMAN. That would bring it up, to $4,918,000 compared to $4,437,000 for fiscal 1972.

Mr. DONELAN. That is correct.

REQUEST FOR TRANSFER AUTHORITY

Mr. PASSMAN. According to the budget amendment received, you are requesting transfer language in the fiscal year 1973 appropriation bill to cover the increased pay costs of $143,000. Why are you requesting this transfer authority now instead of conforming to past practices and requesting it in a supplemental next spring?

Mr. DONELAN. The pay measure was effective at a point early enough in the fiscal year so that the documentation could be amended in order to reflect the latest pay increase. The administration considered this as preferable to asking later for supplemental funds.

INCREASES REQUESTED FOR 1973

Mr. PASSMAN. Would you explain briefly the need for the increase in funds requested for fiscal year 1973?

Mr. DONELAN. This is an increase of $455,800 over the amount available in fiscal year 1972. Of this amount, $122,100 is required to cover statutory salary and benefits increases, $80,900 is required to fund overseas wage and price increases, and $84,700 is necessary to annualize dollar devaluation costs. $184,600 is required to annualize position and support costs and provide for increased requirements in international conference travel, environmental consultation services and Battle Act

travel. The increases are partially offset by a reduction of $16,500 in requirements that are based on fewer paid days and nonrecurring communication costs.

Mr. PASSMAN. Would you please provide for the record a table showing the amount of the fiscal year 1973 request which will be allocated to each of the four activities?

Mr. DONELAN. Yes, Mr. Chairman. I will have it inserted at this point.

(The information follows:)

Function	*Fiscal year 1973 estimate*
U.S. Mission to the North Atlantic Treaty Organization (NATO)	$2,095,000
U.S. Mission to the Organization for Economic Cooperation and Development (OECD)	1,306,200
Mutual Defense Assistance Control Act (Battle Act) (MDAC)	1,292,100
Military Assistance and Arms Sales Supervision Function (MAASS)	224,700
Total	4,918,000

UNOBLIGATED BALANCE

Mr. PASSMAN. On page 2 you indicate that $25,200 will be available in fiscal year 1972 from prior year balances. Was this amount unobligated in fiscal year 1971 and carried over into the current fiscal year?

Mr. DONELAN. The $25,200 available from prior year balances includes $21,796 unobligated balance from fiscal year 1971 and $3,406 available from adjustments of obligations prior to fiscal year 1971.

PERSONNEL LEVELS

Mr. PASSMAN. I see you plan to keep the total personnel levels the same in fiscal year 1972. Would you provide the breakdown of the total personnel anticipated to be on board in fiscal year 1973?

Mr. DONELAN. Yes, Mr. Chairman. We are requesting a total of 122 positions for 1973. At our mission to NATO in Brussels, US NATO, we have in fiscal year 1973, 38 American employees and two others supporting them here in Washington. For our mission at the OECD in Paris there are 23 Americans employees and eight local employees. There are two employees here in Washington supporting the OECD mission. For the Mutual Defense Assistance Control Act, commonly called the Battle Act, we have 20 American employees here in Washington, six in Paris, two each in London and Paris, and one each in Belgrade, Bern, Bonn, Hong Kong, and Tokyo. We have three local employees in Paris and one in Rome. In our office of Military Assistance and Arms Sales Supervision we have 10 employees, all stationed in Washington.

1973 INCREASES

Mr. PASSMAN. Would you please explain the following increases that are listed on page 2; $84,700 dollar devaluation annualization; $40,000 international conference travel; and $28,000 consultative services, environmental activities.

DOLLAR DEVALUATION

Mr. DONELAN. Mr. Chairman, the first item for $84,700 on dollar devaluation annualization is the increased cost which has come about as a result of the dollar's worldwide devaluation which took place this year. The two currencies involved in this budget are the Belgian franc and the French franc. In the first case the Belgian franc, which directly affected our NATO Mission in Belgium, the currency revalued nearly 11 percent. In France our Mission at OECD was affected by the increase in value of the franc by over 8 percent. At both Missions these currency realignments affect all of their operations which are paid in local currencies, such as rents, utilities, salaries of foreign nationals and other local expenses.

INTERNATIONAL CONFERENCE TRAVEL

The "International Conference" item for the $40,000 increase is to permit us to fund our participation in three areas of needed international conferences. The first is for one additional Deputy Foreign Minister meeting in fiscal year 1973. In addition to the regularly planned Deputy Foreign Ministers meeting it is anticipated that a special Deputy Foreign Ministers meeting will be required to review the NATO allies preparations for negotiations to reduce tensions in Europe. This is expected to cost $19,000. A committee on the Challenges of Modern Society conference on Ocean Dumping and an extra plenary session of this conference will cost $11,000; and a series of meetings of various committees and working groups concerned with German questions and other political aspects of European security are planned that will cost $10,000.

CONSULTATIVE SERVICES AND ENVIRONMENTAL ACTIVITIES

The final item for $28,000 is for consultative services and environmental activities, of which $14,000 is required for each mission. For USNATO an increase of $10,000 is for consultant employment and $4,000 for travel for participation in studies concerning long-range weather predictions, undersea and air-sea communications, pilot studies and projects dealing with air and water pollution, road safety, disaster assistance, and environmental and regional planning. At USOECD the $14,000 is for part-time employment of consultants, participation in studies to develop comparative environmental control costs in such industries as iron and steel, chemicals, and nonferrous metals and textiles.

U.S. MISSION TO NATO

Mr. PASSMAN. In connection with the U.S. Mission to the North Atlantic Treaty Organization, what is your request for fiscal year 1973, and how does this compare to the current fiscal year?

Mr. DONELAN. The request for fiscal year 1973 of $2,095,000 is $215,300 over the estimated fiscal year 1972 level.

PURPOSE OF APPROPRIATION

Mr. PASSMAN. Please explain briefly what is accomplished with this appropriation.

Mr. DONELAN. The appropriation pays salaries and other operating expenses for State Department personnel assigned to our mission to NATO. This mission represents the U.S. participation in the direction of the North Atlantic Alliance which is now in its 23d year. We continue to feel that NATO is an essential link in our efforts to continue to seek peace and insure freedom and security for all members of the alliance.

PERSONNEL

Mr. PASSMAN. How many employees are involved in this activity—the number in the United States and the number overseas?

Mr. DONELAN. Two domestic and 38 overseas.

Mr. PASSMAN. Doesn't NATO receive additional U.S. funds from other sources?

Mr. DONELAN. There are no other State Department funds used for the U.S. mission to NATO. Contributions to the NATO civilian headquarters budget are, however, part of the State Department appropriation for contributions to international organizations. DOD and USIA personnel assigned to the U.S. mission to NATO are paid by their own agencies. Contributions to the NATO military headquarters budget are paid by DOD.

FUNDING IN 1973

Mr. PASSMAN. How much is NATO to receive in fiscal year 1973 in addition to this request for U.S. funds?

Mr. DONELAN. U.S. contributions to the NATO civilian headquarters budget for fiscal year 1973 are estimated at $5,914,955, which represents 24.2 percent of the total budget.

OTHER COUNTRY PARTICIPATION

Mr. PASSMAN. Are European nations trying to shoulder a greater burden of the NATO defenses?

Mr. DONELAN. Yes, the allies are shouldering a greater burden of NATO defenses. They are spending about $28 billion annually on defense, practically all of which goes toward the defense of the NATO area. In December 1970 defense ministers, representing 10 allied nations, announced a special European defense improvement program totaling about $1 billion. In December 1971 they announced that their defense budgets would increase by over $1 billion in 1972. They are continuing to make qualitative defense improvements, spending nearly $3 billion a year on new weapons systems, modern tanks, and aircraft. Moreover, benefits accruing to the United States from the offset agreements of December 10, 1971, with the Federal Republic of Germany will total approximately $2 billion.

Mr. PASSMAN. Does the United States have any plans to reduce its troop levels in Europe in the near future?

Mr. DONELAN. The United States intends to maintain and improve its forces in Europe, and not to reduce them except on the basis of an agreement with our adversaries to carry out mutual and balanced force reductions.

ENVIRONMENTAL ACTIVITIES

Mr. PASSMAN. On page 6 you indicate that NATO has created a committee to pool resources to stimulate national and international action on urgent problems of the human environment, and on page 7 you state that an increase of $14,000 is needed for "consultative services, environmental activities." Why is NATO involved in environmental problems?

Mr. DONELAN. NATO's Committee on the Challenges of Modern Society (CCMS) was set up in November 1969, following a proposal by President Nixon at the 20th anniversary meeting of the North Atlantic Council in Washington in April of that year. The President called for addition of a third, special dimension to the alliance's existing responsibilities for military security and political consultation.

NATO was seen as offering unusual potential for environmental activity because of the high-priority political attention and response generally accorded in member countries to matters raised in the NATO forum, as well as the organization's long experience in achieving a practical allied consensus on a variety of complex questions affecting the alliance and its members.

Accordingly, CCMS is designed to bring together the talents and resources of the NATO Allies to deal with major problems—mainly environmental—of our advanced technological era and to serve as a catalyst to further remedial measures on both the national and international levels. Rather than duplicate the work of existing bodies, CCMS seeks to complement or, in some cases, anticipate their efforts, accelerating the achievement of concrete results and making its findings available to others.

Mr. PASSMAN. As you know, last year in the House report we denied an "environmental protection officer and one secretary." Have you now decided to not ask for a permanent position, but use consultants for this activity?

Mr. DONELAN. Yes, sir. While we have not closed the door on the possibility of asking for permanent positions for this function at a later time, we believe that our immediate and most pressing requirements can be met through the use of consultative services. This activity, however, continues to be of very high priority.

Mr. PASSMAN. How much are you requesting in fiscal year 1973 for "environmental activities"?

Mr. DONELAN. We are requesting $14,000.

Mr. PASSMAN. Would you please explain the need for the large increase listed for "travel and transportation of persons"?

Mr. DONELAN. The NATO estimate provides for an increase of $54,700. This increase is composed of increased travel required for the second Deputy Foreign Ministers meeting which will cost $14,500; increased travel of $9,400 for Conference on Ocean Dumping and an extra plenary session of the CCMS; increased travel of $9,800 for 14 NATO ad hoc meetings; increased travel for other conference activity

costs estimated at $6,600; increased costs of travel due to dollar devaluation annualization costing $6,000; consultant travel on environmental activities costing $4,000; and finally $4,400 for assignment travel which will be somewhat greater in 1973.

REPRESENTATION EXPENSES

Mr. PASSMAN. What is included in the $23,600 listed in fiscal year 1973 for representation?

Mr. DONELAN. Included in the $23,600 fiscal year 1973 representation estimate are funds to provide partial reimbursement to officers for expenditures incurred in official entertainment required by their duties with the following organizations:

U.S. mission to NATO	$18,800
NATO's Supreme Allied Commander Atlantic (SACLANT)	1,000
Office of International Conferences	3,800
Total	23,600

U.S. MISSION TO THE OECD

Mr. PASSMAN. What is the fiscal year 1973 request for the U.S. mission to the Organization for Economic Cooperation and Development (OECD), and how does this compare to the current year?

Mr. DONELAN. The fiscal year 1973 request for the administrative and other expenses of our mission to the OECD is $1,306,200. The current year amount is $1,192,800. This represents an increase of $113,400 over fiscal year 1972.

Mr. PASSMAN. Is this the organization that is based in Paris that tries to talk other nations into giving their wealth away for foreign aid?

Mr. DONELAN. The OECD's headquarters is in Paris and one of its nine major committees is the Development Assistance Committee (DAC). The DAC has as its fundamental objective the expansion of total resources presently made available to the less-developed countries.

PERSONNEL

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. This budget pays for two employees in Washington who work full time on OECD matters and 31 employees at the U.S. mission to the OECD in Paris.

Mr. PASSMAN. Doesn't AID have personnel assigned to this organization which are paid out of AID funds?

Mr. DONELAN. Yes. There are seven AID employees detailed to our OECD mission to work in the development assistance field and are paid by AID.

TOTAL FUNDING—1973

Mr. PASSMAN. What is the total amount of U.S. funds which will be allocated to this organization in fiscal year 1973?

Mr. DONELAN. The U.S. contribution to the OECD in fiscal year 1973 is estimated at $7,930,758. This includes our entire mission to the

OECD, and the U.S. contribution to the OECD budget funded from our contributions to international organizations appropriation.

Mr. PASSMAN. What does this appropriation item cover with regard to the organization?

Mr. DONELAN. This appropriation covers the cost of Department of State employees at the U.S. mission to the OECD in Paris.

ENVIRONMENTAL ACTIVITIES

Mr. PASSMAN. I see the OECD is also getting involved in environmental problems. How much are you requesting in fiscal year 1973 for this activity in the organization?

Mr. DONELAN. We are requesting $14,000.

REPRESENTATION EXPENSES

Mr. PASSMAN. Please explain the representation item for which the fiscal year 1973 request is $12,200.

Mr. DONELAN. This item permits partial reimbursement to our OECD officers for their costs incurred for official entertainment required by their duties. These expenditures are made in supporting the promotion of U.S. national interests and economic activities. The majority of these entertainment functions are composed of small working luncheons and informal dinners.

OFFICIAL RESIDENCE EXPENSES

Mr. PASSMAN. What are the "Official Residential Expenses" listed for fiscal year 1973?

Mr. DONELAN. These expenses are for unusual costs reimbursed to our Ambassador and his principal deputies incurred in the operation and maintenance of their official residences. These reimbursements are only for those costs in excess of the usual expenses incident to the operation and maintenance of a residence the officer would occupy if he were serving at the post in any other capacity.

BATTLE ACT (MDAC)

Mr. PASSMAN. What is the fiscal year 1973 request for the Mutual Defense Assistance Control Act (Battle Act) activity and how does this compare to the current year?

Mr. DONELAN. The fiscal year 1973 request is for $1,292,100 compared with fiscal year 1972 estimated availability of $1,189,600. This represents an increase of $102,500.

Mr. PASSMAN. What is 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. This program enables the United States to cooperate 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.

PERSONNEL

Mr. PASSMAN. What is the total employment requested for fiscal year 1973 and how many will be in the United States and how many overseas?

Mr. DONELAN. The request includes 20 positions here in Washington, 15 overseas, plus four oversea local positions.

OTHER AGENCY PARTICIPATION

Mr. PASSMAN. Are other U.S. agencies involved in administering the Battle Act?

Mr. DONELAN. The Secretary of State has been designated by the President as administrator of this act. Accordingly, although Department of State administers the act, it consults with the Departments of Commerce and Defense, the Atomic Energy Commission, and other departments and agencies as appropriate.

Officials from these departments and agencies assist us in negotiations with other countries on strategic trade control matters and provide technical support and analysis on specialized questions.

TOTAL U.S. COSTS—BATTLE ACT

Mr. PASSMAN. What would be the total U.S. costs in fiscal year 1973 for administering the act?

Mr. DONELAN. The cost of administering the act by the Department of State is $1,292,100 which includes $274,200 for support of Commerce activity on behalf of the Battle Act program. The participation and support of other departments and agencies does not require or receive special support.

Mr. PASSMAN. Have any countries this past year been found to be in violation of the Battle Act?

Mr. DONELAN. No, sir.

MILITARY ASSISTANCE AND ARMS SALES SUPERVISION

Mr. PASSMAN. What is the fiscal year 1973 request for the Military Assistance and Arms Sales Supervision function and how does this compare to the current year?

Mr. DONELAN. The 1973 request for the Military Assistance and Arms Sales Supervision function is $224,700, which represents an increase of $24,600 over the current year.

PERSONNEL

Mr. PASSMAN. How many people are involved in this activity and are all of them located in the United States?

Mr. DONELAN. There are 10 positions involved in this function and all of them are located here in Washington, D.C.

PURPOSE OF APPROPRIATION

Mr. PASSMAN. What is the purpose of this activity?

Mr. DONELAN. This office provides supervision and general direction to military assistance and sales programs, as well as to the ship loan program.

Mr. PASSMAN. Mr. Shriver.

UNOBLIGATED BALANCE

Mr. SHRIVER. Mr. Donelan, you say you had a carryover available in fiscal 1972 of $25,500. Why?

Mr. DONELAN. We had a balance of $3,406 develop from obligations which when liquidated after the end of the fiscal year resulted in smaller total expenditures than the original amounts estimated. We also had $21,796 unobligated at the end of fiscal year 1971 due to short delays in incurring certain items of expense.

U.S. NATO

Mr. SHRIVER. In the NATO justification you mention the "maintenance of U.S. forces in Europe at present levels in the absence of reciprocal reduction negotiated with the Warsaw Pact countries." I think this is hard for many members of Congress to understand over 25 years after the end of World War II. These European allies are highly developed economically and militarily. Would you tell us now or place in the record the percentage of central government expenditures each of our NATO allies spend for their own defense and for the defense of the alliance?

Mr. DONELAN. I have a table here which I would like to read that gives this information. Based on 1970 data, the NATO Allies Defense Expenditures as a percentage Government Expenditures were:

(The table follows:)

	Percent		*Percent*
Belgium	12.9	Luxembourg	3.5
Canada	17.2	Netherlands	13.6
Denmark	8.6	Norway	13.9
Germany	25.1	Portugal	36.1
Greece	19.5	Turkey	18.9
Italy	11.8	United Kingdom	16.5

Mr. SHRIVER. In terms of troops and expenditures, what percentage of NATO defense commitments comes from the United States?

Mr. DONELAN. The proportion of NATO defense commitments from the United States are:

	Percent		*Percent*
Manpower	11	Bombers/fighter bombers	11
Armored divisions	21	Interceptors	20
Other combat divisions	3½	Reece aircraft	15
Tanks	13	Expenditures	20

SOVIET BUILDUP IN MEDITERRANEAN

Mr. SHRIVER. You say the Allies at a recent Ministerial meeting "called for further appropriate measures" regarding the Soviet buildup in the Mediterranean. What does this mean?

Mr. DONELAN. Since 1968 the Ministers have requested a special watch on developments occurring in the Mediterrean area, and since that date, reports on the political, military and economic aspects of Soviet penetration into the area have been closely reviewed. Measures taken by the alliance include expediting the airfield protection program, operating a surveillance coordination center, upgrading the equipment used by local forces for maritime patrol and coastal protection, increasing the frequency of joint naval exercises, and generally increasing the reconnaissance capability of the alliance in the area.

78-827 O - 72 - pt. 2 - 34

OIL POLLUTION

Mr. SHRIVER. You also say there has been "a major Allied decision to eliminate oil pollution of the high seas by the end of the seventies." How will this be accomplished?

Mr. DONELAN. As part of the Coastal Water Pollution project of NATO's Committee on the Challenges of Modern Society (CCMS), an international conference on pollution of the sea by oil spills was held in Brussels in November 1970. This meeting resulted in Allied agreement on a resolution, later approved by the North Atlantic Council, whereby the NATO countries resolved "to start work at once in order to achieve by 1975 if possible, but not later than the end of the decade, the elimination of international discharges of oil and oily wastes into the sea." As a first step the nations resolved to seek early implementation of the 1969 amendments to the Convention for Prevention of Pollution of the Sea by Oil, 1954, as amended. They also committed themselves to work urgently on programs to minimize the risk and consequences of accidental spills, to promote research on scientific aspects of oil pollution at sea, to promote development of technological counter-measures for dealing with oil spills, and to render each other all possible assistance to minimize and prevent damage from spills or the threat of spills. These resolutions are now in the stage of active implementation by the Allied countries. Monitoring of Allied international and national follow-up is the responsibility of the CCMS project pilot country, Belgium, which compiles a consolidated annual report for submission to CCMS and, ultimately, to the North Atlantic Council on implementation actions taken by the member countries of the Alliance.

DEPUTY FOREIGN MINISTERS MEETING

Mr. SHRIVER. Tell us more about why one additional meeting of the Deputy Foreign Ministers is needed, for which you are requesting increased funds.

Mr. DONELAN. Given the direction and tempo of developments on mutual balanced force reductions and of preparations for a Conference on Security and Cooperation in Europe, it is anticipated that there will be a second Deputy Foreign Ministers meeting called prior to the normal spring NATO Ministerial Meeting to review the progress in negotiations and various Allied positions.

This meeting will be in addition to the regularly planned Deputy Foreign Ministers Meeting which will be held prior to the December NATO Ministerial Meeting.

U.S. OECD

Mr. SHRIVER. Concerning the Organization for Economic Cooperation and Development (OECD), would you tell us about the "consensus" reached on the desirable economic policies to be followed by member countries in the wake of the exchange rate realinement, which you mention on page 10?

Mr. DONELAN. The Economic Policy Committee of the OECD met in early February 1972 to monitor the economic conditions in the OECD member countries in the wake of the Smithsonian agreement. There was widespread agreement on the importance of avoiding statements which might tend to undermine the agreement. It was noted that some major European countries and Japan would be growing below their capacity rates in 1972, and, to ease the adjustments foreseen by the Smithsonian agreement, they should restimulate their economies. All members agreed that whenever economic expansion occurred, every effort should be made to avoid inflation.

TAXATION

Mr. SHRIVER. You say the Fiscal Affairs Committee of the OECD will expand its activities in the area of the "international effects of domestic taxation." What benefits for the United States would you anticipate from these activities?

Mr. DONELAN. The broadened fiscal mandate of the OECD includes taxation and international flows of financial capital; international impact of company taxation; and standard classification of tax revenues. Tax policies are important in private decisions about investment in securities, in location of production facilities, borrowing and lending. These decisions determine the direction and extent of international capital flows, both financial and for direct investment. We believe that knowledge and understanding of the role of taxes in effecting these flows will lead to less distorted tax policies and more efficient use of resources. U.S. companies will benefit from this knowledge and our officials working in this area will be better able to reduce harmful distortions.

TRADE COMMITTEE

Mr. SHRIVER. You also say that "the developed countries have successfully used the Trade Committee of the OECD to devise a system of generalized tariff preferences for developing countries." Since this committee is responsible for our bilateral and multilateral assistance programs for underdeveloped countries, explain that further.

Mr. DONELAN. The developed countries have worked out in the OECD a system of generalized tariff preferences for developing countries. All major developed countries except the United States and Canada have implemented their generalized preference schemes. In those countries where generalized preferences are in effect most manufactured and semimanufactured goods from less developed countries enter developed countries duty free. Certain primary products and agricultural products from the less developed countries also enter developed countries either at reduced tariff rates or at zero duty.

The generalized preference schemes of the developed countries are not identical in all respects, but the developed countries intend that their schemes will yield comparable results. Thus, there will be periodic reviews of the operation of the generalized preferences system to verify that this is so.

The President in his foreign policy reports to the Congress in 1971 and 1972, expressed pleasure regarding the move toward generalized preferences, and states his intention to introduced legislation to authorize U.S. participation. The department has consulted informally with individual Congressmen in the past regarding U.S. participation. Interested Washington agencies are now considering the possible content of such legislation. We are not certain when the legislation will be ready to be introduced.

AGRICULTURE COMMITTEE

Mr. SHRIVER. I wish you would also comment on the work of the Agriculture Committee of the OECD. Our agricultural community is not very pleased with the lack of cooperation of our European allies in the field of fair access to their markets for our efficiently produced commodities. What can be done about this?

Mr. DONELAN. U.S. agricultural exports reached a record level of $1.8 billion last year. Nevertheless, the community variable levy system of broader taxes has held back our exports to some extent. We pursue our complaints in two ways, depending on their nature. First, with respect to agricultural policies, market situations, and production levels, we conduct broad examinations in the Agricultural Committee itself and in separate working parties on meat, dairy products, and fruits and vegetables. To examine specific trade problems in agricultural commodities, a joint working party of the agriculture and trade committees has been set up. This forum provides members an informal opportunity to discuss looming concerns before they become problems as well as a profesisonal arena where countries can explain their policies when prior discussion was not possible. While the working party meetings are generally not considered negotiations, the discussions are directed at eliminating areas of conflict and, at a minimum, providing adequate information to lay the groundwork for future negotiations in other forums.

OIL COMMITTEE

Mr. SHRIVER. Tell us more about the activities of the Oil Committee of the OECD.

Mr. DONELAN. The OECD Oil Committee provides a unique and indispensable forum for consultation and the development of joint action, during real or threatened oil-supply crises, by the major consuming countries of the non-Communist world. The committee was the major inter-Government instrument in the successful redeployment of the world's available tanker fleet during the 1956 Suez Canal crisis, and it performed the same role in 1967, guaranteeing the continuance of adequate oil supplies to Western Europe and North America. Since then the committee, through its meetings attended by policy level officials from capitals, has kept oil supply developments under continuing review, and has facilitated the development of common views and actions by member governments. Among its continuing tasks is the monitoring of a European-member oil stockpiling scheme initiated under the committee's auspices, and the publication of comprehensive quarterly and annual oil statistics. The committee is also completing work on two major studies. The first is entitled "The Search for and

Exploitation of Oil and Natural Gas in the OECD European Area," and the second is an updating of its well received stock-taking assessment of 1964, "Oil Today." The revised version will contain important projections of growth in the consumption of oil and gas during the next decade.

SECURITY TRADE CONTROLS

Mr. SHRIVER. You say you coordinate the activities of various U.S. agencies concerned with security trade controls. Would you list these agencies and tell use something about their activities in this area for the record?

Mr. DONELAN. Yes, sir. The Department of Commerce administers the U.S. export control program and provides expert technical advice in maintaining up-to-date Coordinating Committee on Export Controls (COCOM) and Battle Act strategic listings, analyses of COCOM exception cases, tabulation of East-West trade statistics, and assistance in enforcement of the multilateral security export controls.

The Department of Defense provides technical advice on military and related equipment and technology, evaluates strategic significance of COCOM exception cases, and assists in negotiations of COCOM control lists.

The Atomic Energy Commission assists in the control effort particularly in connection with atomic energy materials and equipment.

The National Aeronautics and Space Administration provides advice and support in connection with control of strategic equipment and technology especially in the aerospace area.

The Department of Treasury assists in enforcement of controls over transactions in strategically rated items.

The Central Intelligence Agency provides intelligence and analytical support in continuing reevaluation of strategic lists and in judging particular cases.

Mr. SHRIVER. What sanctions are available if some country were to violate the agreed-on list of strategic commodities and send such commodities to the Soviet Union or the Peoples Republic of China?

Mr. DONELAN. All cooperating countries have national export control and enforcement regulations that are comparable with those included in the U.S. Export Administration Act of 1969. Penalties include denial of trading privileges, fines, and imprisonment. A description of the domestic export controls and penalties maintained by the principal cooperating countries are summarized in appendix C of the 23d Report to Congress under the Mutual Defense Assistance Control Act of 1951 (*The Battle Act Report 1970*).

RELATIONS WITH COMMUNIST COUNTRIES

Mr. SHRIVER. You discuss briefly your anticipation of favorable developments in our relations with the communistic countries. Tell us more about what effects that would have on your activities.

Mr. DONELAN. There has been a steady increase in U.S. trade with the Communist area countries since 1969. This increase, which we expect to continue as our relations generally with individual Communist countries continue to improve, means that there is an increasing number of individual transactions to be evaluated from the standpoint of

export control. Many of these cases are clearly nonstrategic, but others, particularly those involving advanced production technology and equipment, have dual-use characteristics that must be carefully analyzed.

Despite increased trade by the United States and other Western countries with the Communist area, we expect that there will continue to be a need for careful control of special goods and technology having potential strategic significance.

We expect, therefore, that our activities in administering the policies set forth in the Battle Act will continue to require maintenance of a multilateral strategic trade control system while allowing ample scope for enlarged nonstrategic trade.

BATTLE ACT (MDAC) ACTIVITIES

Mr. SHRIVER. You say that your request would provide for the "resumption" of full staffing for these Battle Act activities. Have you been working with a reduced staff in fiscal 1972? If so, how has this affected your responsibilities and activities?

Mr. DONELAN. Yes, sir; we have not been fully staffed in 1972. This has made it necessary to defer certain studies on the interrelationship of strategic and nonstrategic categories and of the impact of strategic controls on the potential for increase in U.S. trade with the Communist countries. We have also been unable to provide as much analysis and technical or intelligence support for U.S. participation in the multilateral COCOM list review as would have been desirable. This is one reason why the COCOM list review has gone slowly and may extend into the next fiscal year. Our preparation of the annual report to the Congress on operations under the Mutual Defense Assistance Control Act has also been necessarily delayed although we expect it to be completed in May. This is later than it has ever appeared previously.

Mr. PASSMAN. If there are no further questions, thank you very much, Mr. Donelan.

Mr. DONELAN. Thank you very much, sir.

Mr. PASSMAN. That concludes the hearings on this portion of the AID request.

THURSDAY, APRIL 27, 1972.

ADMINISTRATIVE EXPENSES, AGENCY FOR INTERNATIONAL DEVELOPMENT, AMERICAN SCHOOLS AND HOSPITALS ABROAD, INTERREGIONAL AND PROGRAM SUPPORT ACTIVITIES, AND OTHER PROGRAMS

WITNESSES

HON. JAMES F. CAMPBELL, ASSISTANT ADMINISTRATOR FOR PROGRAM AND MANAGEMENT SERVICES, AGENCY FOR INTERNATIONAL DEVELOPMENT

JAMES E. WILLIAMS, DEPUTY ASSISTANT ADMINISTRATOR, PROGRAM AND MANAGEMENT SERVICES, AGENCY FOR INTERNATIONAL DEVELOPMENT

ARTURO G. COSTANTINO, DIRECTOR, OFFICE OF AMERICAN SCHOOLS AND HOSPITALS ABROAD, AGENCY FOR INTERNATIONAL DEVELOPMENT

KENNETH S. LEVICK, ASSOCIATE ASSISTANT ADMINISTRATOR, OFFICE OF PROGRAM AND METHODOLOGY, TECHNICAL ASSISTANCE BUREAU, AGENCY FOR INTERNATIONAL DEVELOPMENT

MICHAEL A. CODI, DEPUTY DIRECTOR, OFFICE OF AMERICAN SCHOOLS AND HOSPITALS ABROAD, AGENCY FOR INTERNATIONAL DEVELOPMENT

RICHARD L. PODOL, DEPUTY DIRECTOR, OFFICE OF RESOURCES AND SYSTEMS, BUREAU FOR PROGRAM AND POLICY COORDINATION, AGENCY FOR INTERNATIONAL DEVELOPMENT

ALLAN R. FURMAN, DEPUTY DIRECTOR, OFFICE OF LEGISLATIVE AFFAIRS, AGENCY FOR INTERNATIONAL DEVELOPMENT

International Organizations And Programs

Program and Financing (in thousands of dollars)

Identification code 04-10-1005-0-1-152	1971 actual	1972 est.	1973 est.
Program by activities:			
1. United Nations technical assistance and other programs	108,360	131,647	124,835
2. Indus Basin development, loans	6,980	12,000	18,000
3. Indus Basin development, grants	4,925	15,000	25,000
4. Population	3,500	7,500	7,500
10 Total obligations	123,765	166,147	175,335
Financing:			
17 Recovery of prior year obligations	−118	.....	.....
21 Unobligated balance available, start of year	−63	−147	.....
22 Unobligated balance transferred from other accounts	−7,016	.....	.....
24 Unobligated balance available, end of year	147	.....	.....
40 **Budget authority (appropriation)**	116,715	166,000	175,335
Relation of obligations to outlays:			
71 Obligations incurred, net	123,647	166,147	175,335
72 Obligated balance, start of year	163,530	158,378	152,420
74 Obligated balance, end of year	−158,378	−152,420	−148,755
90 Outlays	128,799	172,105	179,000

Contingency Fund

Program and Financing (in thousands of dollars)

Identification code 04-15-1078-0-1-152	1971 actual	1972 est.	1973 est.
Program by activities:			
10 President's Foreign Assistance Contingency Fund (total obligations)	26,188	30,766	100,300
Financing:			
17 Recovery of prior year obligations	−3,629	−300	−300
21 Unobligated balance available, start of year	−3,530	−466	.....
23 Unobligated balance transferred to other accounts	3,000	.....	.....
24 Unobligated balance available, end of year	466	.....	.....
25 Unobligated balance lapsing	5	.....	.....
40 **Budget authority (appropriation)**	22,500	30,000	100,000
Relation of obligations to outlays:			
71 Obligations incurred, net	22,559	30,466	100,000
72 Obligated balance, start of year	34,101	30,218	37,948
74 Obligated balance, end of year	−30,218	−37,948	−91,486
90 Outlays	26,442	22,736	46,462

Grants And Other Programs

Program and Financing (in thousands of dollars)

Identification code 04-10-9999-0-1-152	1971 actual	1972 est.	1973 est.
Program by activities:			
1. Worldwide technical assistance	176,561	185,827	170,392
2. Alliance for Progress—technical assistance	87,126	92,286	89,020
3. American schools and hospitals abroad	13,407	30,016	15,575
4. Administrative expenses, Agency for International Development	61,974	55,323	63,773
5. Administrative and other expenses, State	4,350	4,425	4,775
6. South Asian relief	----------	250,000	100,000
7. Population	(1)	(1)	110,000
10 Total obligations	343,418	617,877	553,535
Financing:			
14 Receipts and reimbursements from: Non-Federal sources	−39,306	−43,641	−43,000
17 Recovery of prior year obligations	−16,434	−11,841	−11,604
21 Unobligated balance available, start of year	−22,911	−24,536	−20,000
22 Unobligated balance transferred from other accounts	---------	---------	−2,573
23 Unobligated balance transferred to other accounts	39,306	43,641	43,000
24 Unobligated balance available, end of year	24,536	20,000	20,000
25 Unobligated balance lapsing	117	---------	---------
Budget authority	328,726	601,500	539,358
Budget authority:			
40 Appropriation	317,620	597,900	535,758
42 Transferred from other accounts	11,106	3,600	3,600
43 Appropriation (adjusted)	328,726	601,500	539,358
Relation of obligations to outlays:			
71 Obligations incurred, net	287,678	562,395	498,931
72 Obligated balance, start of year	269,110	252,544	243,557
73 Obligated balance transferred	7,576	---------	---------
74 Obligated balance, end of year	−252,544	−243,557	−181,423
90 Outlays	311,820	571,382	561,065

[1] Funded from other appropriations.

Alliance For Progress, Development Loans

Program and Financing (in thousands of dollars)

Identification code 04-10-4111-0-3-152	Budget plan (loan commitments and expenses)			Costs and obligations		
	1971 actual	1972 est.	1973 est.	1971 actual	1972 est.	1973 est.
Program by activities:						
Capital outlay:						
1. Loans to less developed countries	232,460	271,818	309,500	248,076	201,625	215,486
2. Interest capitalized				95		
Total capital outlay, funded	232,460	271,818	309,500	248,170	201,625	215,486
Change in selected resources (loan obligations)[1]				−34,395	99,393	78,814
Adjustment in selected resources (loan obligations)				16,530	19,000	15,200
Total obligations (development loans)	232,460	271,818	309,500	230,305	320,018	309,500
Population grant program:						
3. Obligations funded	36,021	32,500	14,100	36,021	32,500	14,100
Change in selected resources [1]	23,755	−32,500	−14,100	23,755	−32,500	−14,100
Adjustment in selected resources	1,351			1,351		
Total obligations (population grant program)	61,127			61,127		
Operating costs, funded:						
4. Expenses (obligations funded)	300	200	200	300	200	200
10 Total obligations	293,887	272,018	309,700	291,732	320,218	309,700

Program and Financing (in thousands of dollars)

Identification code 04-10-4103-0-3-152	Budget plan (loan commitments and expenses)			Costs and obligations		
	1971 actual	1972 estimate	1973 estimate	1971 actual	1972 estimate	1973 estimate
Financing:						
14 Receipts and reimbursements from: Non-Federal sources:						
Interest earned on loans	−25,353	−28,200	−32,284	−25,353	−28,200	−32,284
Loan repayments	−4,324	−8,380	−13,065	−4,324	−8,380	−13,065
17 Recovery of prior year obligations:						
Loan program	−16,530	−19,000	−15,200	−16,530	−19,000	−15,200
Population grant program	−1,351	----------	----------	−1,351	----------	----------
Adjustment in prior year commitments	−47,575	----------	----------	----------	----------	----------
21 Unobligated balance available, start of year:						
Available for new loan commitments	−1,013	−1,493	----------	−1,013	−1,493	----------
For loan commitments outstanding	----------	----------	----------	−293,620	−248,200	−200,000
22 Unobligated balance transferred from other accounts	----------	−8,445	−24,651	----------	−8,445	−24,651
23 Unobligated balance transferred to other accounts	48,266	----------	----------	48,266	----------	----------
24 Unobligated balance available, end of year:						
Available for new loan commitments	1,493	----------	----------	1,493	----------	----------
For loan commitments outstanding	----------	----------	----------	248,200	200,000	200,000
Budget authority	247,500	206,500	224,500	247,500	206,500	224,500
Budget authority:						
40 Appropriation	287,500	206,500	224,500	287,500	206,500	224,500
41 Transferred to other accounts	−40,000	----------	----------	−40,000	----------	----------
43 Appropriation (adjusted)	247,500	206,500	224,500	247,500	206,500	224,500
Relation of obligations to outlays:						
71 Obligations incurred, net				244,173	264,638	249,151
72 Obligated balance, start of year				738,641	749,602	803,216
73 Obligated balance transferred, net				3,655	----------	----------
74 Obligated balance, end of year				−749,602	−803,216	−865,101
90 Outlays				236,867	211,024	187,266

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

Worldwide, Development Loans

Program and Financing (in thousands of dollars)

Identification code 04-10-4103-0-3-152	Budget plan (loan commitments and expenses)			Costs and obligations		
	1971 actual	1972 estimate	1973 estimate	1971 actual	1972 estimate	1973 estimate
Program by activities:						
Capital outlay:						
1. Loans to less developed countries	463,900	501,106	590,000	620,029	433,959	275,703
2. Interest capitalized	16	----------	----------	16	----------	----------
3. Notes receivable exchanged for stock	56	----------	----------	56	----------	----------
Total capital outlay, funded	463,973	501,106	590,000	620,101	433,959	275,703
Change in selected resources [1]	----------	----------	----------	−163,056	46,779	293,578
Adjustment in selected resources, loan obligations	----------	----------	----------	35,428	28,568	20,719
Total capital outlay	463,973	501,106	590,000	492,473	509,306	590,000
Population grant program:						
4. Obligations, funded	15,810	29,500	12,840	15,810	29,500	12,840
Change in selected resources [1]	14,502	−29,500	−12,840	14,502	−29,500	−12,840
Adjustment in selected resources	688	----------	----------	688	----------	----------
Total population grant program	31,000	----------	----------	31,000	----------	----------
Operating costs, funded:						
5. Expenses (obligations funded)	377	300	300	377	300	300
10 Total obligations	495,350	501,406	590,300	523,850	509,606	590,300

Program and Financing (in thousands of dollars)

Identification code 04-10-4111-0-3-152	Budget plan (loan commitments and expenses)			Costs and obligations		
	1971 actual	1972 est.	1973 est.	1971 actual	1972 est.	1973 est.
Financing:						
14 Receipts and reimbursements from: Non-Federal sources:						
Interest earned on loans	−58,280	−70,698	−78,670	−58,280	−70,698	−78,670
Other income	−12			−12		
Loan repayments	−13,370	−15,049	−36,172	−13,370	−15,049	−36,172
17 Recovery of prior year obligations:						
Loans	−35,428	−28,568	−20,719	−35,428	−28,568	−20,719
Population grant program	−688			−688		
Adjustment of prior year commitments	−5,443					
21 Unobligated balance available, start of year:						
Available for new loan commitments	−141	−75,478		−141	−75,478	
For loan commitments outstanding				−172,143	−138,200	−130,000
22 Unobligated balance transferred from other accounts	−97,605	−61,613	−47,312	−97,605	−61,613	−47,312
23 Unobligated balance transferred to other accounts	53,133		2,573	53,133		2,573
24 Unobligated balance available, end of year:						
Available for new loan commitments	75,478			75,478		
For loan commitments outstanding				138,200	130,000	130,000
Budget authority	412,994	250,000	410,000	412,994	250,000	410,000
Budget authority:						
40 Appropriation	420,000	250,000	410,000	420,000	250,000	410,000
41 Transferred to other accounts	−7,006			−7,006		
43 Appropriation (adjusted)	412,994	250,000	410,000	412,994	250,000	410,000
Relation of obligations to outlays:						
71 Obligations incurred, net				416,072	395,291	454,739
72 Obligated balance, start of year				1,014,629	846,679	887,373
73 Obligated balance transferred, net				−18,366	−200	−200
74 Obligated balance, end of year				−846,679	−887,373	−1,166,500
90 Outlays				565,655	354,397	175,412

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

Supporting Assistance

Program and Financing (in thousands of dollars)

Identification code 04-09-1006-0-1-152	1971 actual	1972 est.	1973 est.
Program by activities:			
Supporting assistance:			
Country and regional programs	568,171	656,613	839,586
U.N. Forces in Cyprus	4,800	4,800	4,800
10 Total obligations	572,971	661,413	844,386
Financing:			
17 Recovery of prior year obligations	−31,624	−44,292	−36,986
21 Unobligated balance available, start of year	−768	−2,721	.....
22 Unobligated balance transferred from other accounts	−37,800	.....	.....
24 Unobligated balance available, end of year	2,721	.....	.....
Budget authority	505,500	614,400	807,400
Budget authority:			
40 Appropriation	569,600	618,000	811,000
41 Transferred to other accounts	−64,100	−3,600	−3,600
43 **Appropriation (adjusted)**	505,500	614,400	807,400
Relation of obligations to outlays:			
71 Obligations incurred, net	541,347	617,121	807,400
72 Obligated balance, start of year	595,601	676,948	710,069
74 Obligated balance, end of year	−676,948	−710,069	−721,381
90 Outlays	460,000	584,000	796,088

Mr. PASSMAN. The next item will be "Administrative Expenses, Agency for International Development."

We have as the chief witness here today the Honorable James F. Campbell, Assistant Administrator for Program and Management Services, with certain supporting witnesses.

I would assume you have a statement you would like to make to the committee?

Mr. CAMPBELL. Yes, sir.

GENERAL STATEMENT OF THE ASSISTANT ADMINISTRATOR FOR PROGRAM AND MANAGEMENT SERVICES, AID

Mr. Chairman: I am pleased to appear before the committee today to discuss with you our budget requests for AID Administrative Expenses, program support and interregional activities, and American schools and hospitals abroad.

I would first like to speak of the scope and magnitude of the AID management responsibilities, and the steps we are taking to improve the efficiency and effectiveness of this management.

MANAGEMENT RESPONSIBILITY AND REFORM

The scope and magnitude of AID's management responsibilities include the following:

Managing and monitoring a portfolio of almost 500 active dollar loans, totaling over $5 billion.

Managing and monitoring an active technical assistance program consisting in fiscal year 1971 of 1,044 projects in 52 countries.

Authorizing and monitoring a wide range of commodity transactions, totaling almost $1 billion in fiscal year 1971, involving about 4,000 American companies and firms.

Participating with the Department of Agriculture in the development and administration of Public Law 480 title I programs in 24 countries and totaling $764 million in fiscal year 1971.

Planning, managing, and monitoring Public Law 480 title II food donation programs involving $417 million in fiscal year 1971.

Arranging training for 13,110 participants (in fiscal year 1971) in the United States and other countries.

Negotiating, administering, and monitoring 1,261 technical service contracts with a total value of $682 million.

Managing 361 interagency contracts with 16 other Federal agencies (for example, USDA, HEW, Commerce, Transportation, Labor, IRS, et cetera).

Coordinating the U.S. Government and private sector response to foreign disasters. In fiscal year 1971, contributions made by the United States were valued at $106 million and involved 49 disasters affecting 23 million people in 39 countries.

AID plans, manages, implements and monitors these programs with a total direct-hire staff of 12,729, composed of 6,273 Americans and 6,456 foreign nationals at the end of February 1972. Of the Americans, 3,101 are stationed in Washington and 3,172 are stationed overseas. In response to presidential instructions and congressional urging, the number of direct-hire employees has been drastically reduced. We shall

have reduced our direct-hire staff from a total of 17,569 at the end of fiscal year 1968 to a total of 12,400 at the end of fiscal year 1972—a reduction of 5,169 employees, or almost 30 percent. During this period, direct-hire American employees overseas will have been cut by 1,698—nearly 35 percent. By the end of fiscal year 1973, the number of these overseas employees will decline by another 332 employees—an additional 10 percent.

Mr. Chairman, AID is attempting to achieve more efficient management through internal reform. The basic elements of our reform plan are further concentration of our program on a limited number of priorty development problems, greater multilateral coordination, increased reliance on developing countries and intermediaries to execute programs, further centralization of AID operations in Washington, and the consolidation of AID program and management support functions. To provide assistance in a more efficient, effective manner, AID must not only change its style of operations but must also adapt new ways of formulating its policies, articulating these policies, establishing management responsibility, and developing new management systems.

Greater central policy and program direction will be exercised through:

An Administrator's Advisory Council, composed of the top officials of the Agency, to consider broad program and operational issues on a continuing basis.

A Project Approval Committee to review proposed projects to insure that they conform to our policy on priority problem concentration, the infusion of research and training, and economies in the delivery of AID resources.

A strengthened Bureau for Program and Policy Coordination to assist in achieving more effective central policy and program direction.

Redirection of our program planning and implementation responsibilities in sectoral terms, focused on priority development problems.

A new Bureau for Population and Humanitarian Assistance has been established to strengthen AID's programs for humanitarian assistance and improving its disaster relief capability. This new Bureau will serve as a focal point for responding to basic humanitarian assistance needs, disasters and emergencies, and the pressures of population on an environment with limited resources.

A new Supporting Assistance Bureau has been formed to coordinate all supporting assistance activities. A single Bureau for Asia has also been formed to combine the administration of our development assistance programs in East Asia, South Asia, and the Near East.

A new Bureau for Program and Management Services has been established to consolidate and centralize support functions. Responsibilities for these functions are now being moved to the new Bureau from the regional and other bureaus and offices. This service-oriented Bureau will provide responsive and more efficient central support to the Agency as a whole in the following areas:

1. Program support, including central offices for training, contracts, procurement, and engineering.

2. Management services, including central offices for controller, management planning, computer services, and other administrative support functions.

3. Personnel management.

Centralizing these common support functions will assure greater consistency in the application of policies with outside organizations and permit flexibility to respond more quickly to the requirements for service throughout the Agency. Centralization will also facilitate more effective professional service to the Agency as a whole, and provide greater opportunity for upgrading of professional competence and for career mobility within each professional group. We shall also achieve savings of manpower through the consolidation of similar and in some respects duplicating functions and staffs; and by eliminating unnecessary overhead, thus permitting a gradual but significant reduction in the number of positions required. A consolidated approach to common support functions will be a more effective and less costly way of meeting Agency needs.

Mr. Chairman, through the foregoing measures we intend to improve the management of our foreign assistance programs and reduce the costs of meeting Agency requirements. We hope your committee will approve our request so that we may proceed to carry out these plans in an orderly, effective manner.

ADMINISTRATIVE EXPENSES

AID management costs are generally categorized as either administrative expenses or as program support expenses.

The administrative expense category includes the salaries and support costs of some 2,800 AID personnel who are engaged in activities of primary interest to the United States. These contrast with program support costs, which are included in the program categories of the AID budget request and which are composed of costs of activities of mutual interest to cooperating Governments or international organizations as well as to the U.S. Government.

Administrative funds are used for the direction and supervision of the programs in Washington and overseas. This includes establishing program policies and standards; planning, supervising, and reviewing the implementation of these policies; auditing and inspection of program implementation; and providing such essential management services as accounting, personnel administration, and management analysis in support of the foregoing functions.

Our fiscal year 1973 administrative expense requirements total $58,800,000. This amount is $2,200,000 less than the total of $61 million which was available in fiscal year 1972 for administrative expense purposes. Our fiscal year 1973 requirements are composed of the following:

New obligational authority of $50 million is requested, the amount authorized by the Foreign Assistance Act.

An additional $2,278,000 is required to cover costs of the January 1972 pay raise for U.S. Government employees authorized by Executive Order 11637. We have requested authority to transfer this amount from other AID appropriations.

Transfer of $3,600,000 will be required from the "supporting assistance" appropriation, as authorized by section 610(b) of the Foreign Assistance Act for extraordinary administrative expenses incurred in connection with the Vietnam program.

78-827 O - 72 - pt. 2 - 35

We anticipate reimbursements of $1,922,000, primarily for costs of services provided to and funded by other U.S. Government agencies, and recoveries of $1 million from obligations incurred in prior years.

PROGRAM SUPPORT COSTS

Program support costs are estimated at $58,205,000 for fiscal year 1973, covering management activities associated with the implementation and backstopping of worldwide programs and certain direct program-related activities in Washington. The majority of these costs—around 64 percent of the proposed fiscal year 1973 total—are for salaries and benefits of Washington-based professional employees, such as contract officers, training officers, program officers, research personnel, and technicians. Also included are travel costs to review programs in the field, contractual services such as technicians provided by other Government agencies, maintenance of automatic data systems and related equipment, employee training, and other miscellaneous support costs. In addition, the estimate includes the pro rata share of costs for common services furnished by the Department of State, such as health facilities for AID employees, custodial services, and telegraphic communications.

Our proposal also includes $2,500,000 for the support of staffing, teaching materials, and educational facilities for dependents as authorized under section 636(d) of the Foreign Assistance Act; and $300,000 for construction authorized under section 636(c) of the act.

INTERREGIONAL PROGRAMS

A total of $31,190,000 is requested for interregional technical assistance programs. These activities provide guidance and support for AID's worldwide programs which either cannot be handled on a regional or country basis, or have significance for more than one geographic region.

General Technical Services activities support efforts to identify priority development problems occurring in a number of developing countries and seek solutions to these problems.

Institutional development activities are carried out under section 211(d) of the Foreign Assistance Act to strengthen U.S. institutions and their ability to participate in economic development programs overseas.

Development research activities focus on efforts to adapt U.S. technology to the priority problems of the developing countries, and to build institutional capabilities in those countries through the creation of international research networks. Through AID's central research program, we can mobilize the best U.S. scientific and technological talent to conduct research on the most important development problems and help develop better research capabilities in the developing countries themselves. We have requested an increase from $9 million to $12 million in the ceiling on our central research program. The cost of ongoing research projects in fiscal year 1973 will exceed the current $9 million ceiling, so that cutbacks in these projects will be

necessary unless the ceiling is raised. We have placed greater emphasis on our research program since the fiscal year 1973 budget was submitted and request the authority to use up to $12 million for these projects in fiscal year 1973.

Other technical assistance activities emphasize increasing the export potential of the less developed countries, encouraging popular participation in the development process, evaluating effectiveness of AID programs, and supplementing oversea labor programs.

Participant training support activities of a worldwide nature are managed on a central rather than a regional or country basis to insure greater efficiency and better control of the range of training programs supported by AID.

AMERICAN SCHOOLS AND HOSPITALS ABROAD PROGRAM

In addition to my administrative duties, I am also responsible for the American schools and hospitals abroad program administered by the Agency for International Development.

During the past year the Agency has (*a*) defined a policy which it believes should govern section 214 grants, (*b*) developed criteria for the screening of grant applications which, as you know, have vastly increased over prior year levels, and (*c*) established an office with clear responsibility for the administration of the program.

As our budget request for fiscal year 1973 indicates, AID is asking for $15,575,000. In addition, there are local currency requirements totaling the equivalent of $5,350,000. The foreign currencies required are U.S.-owned and derived from sales of Public Law 480 surplus agricultural commodities in Egypt and Poland.

As indicated in our presentation, we believe that the specific amounts which are illustratively programed for fiscal year 1973 within the budget request should not be publicized.

JUSTIFICATION MATERIAL

Mr. PASSMAN. Thank you for your statement. We will insert certain justifications in the record at this point.

(The material follows:)

ADMINISTRATIVE EXPENSES

Administrative Expenses funds are used for management functions related to the direction and supervision of the programs in Washington and overseas. These functions include establishment of program policies and standards; planning, supervising and reviewing the implementation of these policies; auditing and inspection of program implementation; and providing basic management services such as accounting, personnel administration, and management analysis in support of the foregoing functions.

Management Responsibilities

The scope and magnitude of A.I.D.'s management responsibilities are substantial. A.I.D. has to:

-- manage and monitor a portfolio of almost 500 active dollar loans totalling over $5 billion in 55 countries.

-- manage and monitor an active technical assistance program of 1,044 projects in 52 countries in FY 1971.

-- authorize and monitor a wide range of commodity transactions totalling $1 billion involving about 4,000 American companies and firms in FY 1971.

-- participate with the Department of Agriculture in the development and administration of PL 480 Title I programs totalling $897 million in 26 countries in FY 1971.

-- plan, manage and monitor PL 480 Title II food donation programs totalling $330 million in 67 countries in FY 1971.

-- arrange or monitor programs for 13,110 participants who were in training in the United States and other countries in FY 1971.

-- negotiate, administer and monitor 1,191 direct technical service contracts with a total value of $679 million in 58 countries.

-- manage 361 inter-agency contracts with 16 other federal agencies (e.g., USDA, HEW, Commerce, Transportation, Labor, IRS, etc.).

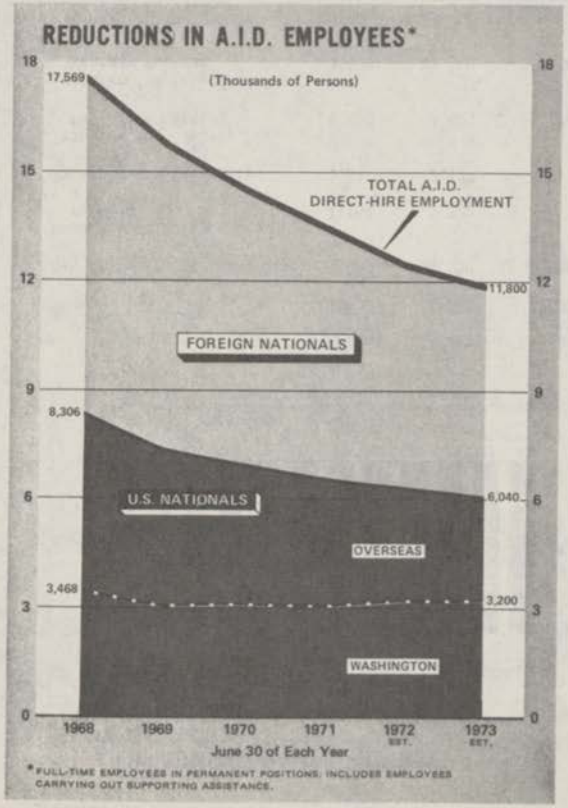
-- coordinate the United States Government and private sector response to foreign disasters. In FY 1971, contributions made by the United States were valued at $106 million and involved 49 disasters affecting 23 million people in 39 countries.

A.I.D. Personnel Reductions

A.I.D. plans, manages, implements and monitors these programs with a total direct-hire staff of 6,273 American and 6,456 foreign national employees at the end of February 1972. Of the Americans, 3,101 are stationed in Washington and 3,172 are stationed overseas. In response to Presidential instructions and Congressional urging the number of direct-hire employees has been drastically reduced since the end of FY 1968. During this period direct-hire American employees overseas were cut by 1,666--nearly 35 percent. By the end of FY 1973 the number of these overseas employees will decline by another 332 employees--an additional 10 percent.

	End of Fiscal Year					
A.I.D. Direct Hire Personnel	1968	1969	1970	1971	1972	1973
Americans	8,306	7,352	6,939	6,513	6,277	6,040
Foreign Nat'ls.	9,263	8,401	7,547	6,964	6,123	5,760
Total	17,569	15,753	14,486	13,477	12,400	11,800
Cumulative Percentage Decrease						
Americans	-	11%	17%	22%	24%	27%
Foreign Nat'ls.	-	9	18	25	34	38
	-	10%	18%	23%	29%	33%

The internal reforms of A.I.D., described in an earlier section of this presentation, will result in further progress



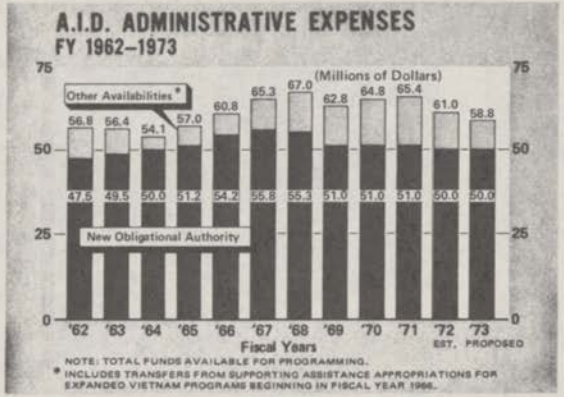
towards an efficient, well-managed and effective foreign assistance program. Additional manpower savings are expected through implementation of the major reforms of program concentration, increased reliance on developing countries and intermediaries to execute programs, further centralization of operations in Washington, and the consolidation of program and management support functions. Employees funded from the Administrative Expense appropriation are included in the above employment levels and estimates. Levels of and reductions in administrative-funded personnel have followed these overall patterns.

FY 1972 Availabilities

The FY 1972 Administrative Expenses appropriation was $50 million. A total of $1.7 million of unobligated funds was carried over from FY 1971 and reappropriated for use in FY 1972, and $2.2 million was available from reimbursements and recoveries. Transfer of $3.6 million from the Supporting Assistance appropriation was made in accordance with Section 610(b) of the Foreign Assistance Act for administrative expenses incurred in connection with the expanded Vietnam program. In addition, authority to transfer $3.5 million from other A.I.D. appropriations was requested to fund requirements of the Federal pay raises authorized by Executive Orders 11576 and 11637. The total FY 1972 availability for Administrative Expenses will therefore be $61 million.

FY 1973 Requirements

Requirements for Administrative Expenses funds in FY 1973 are now estimated to be $58.8 million, a reduction of $2.2 million from FY 1972. Because almost 80% of the costs paid from this account are for salaries and benefits, further reductions are not feasible. In fact, the proposed reductions in personnel will be largely offset by the added costs of the January 1972 federal pay raise. Therefore, an amendment to the FY 1973 Budget was sent to the Congress to provide a similar authority to transfer $2.3 million from other economic assistance accounts to Administrative Expenses to meet those added costs.



Estimated Availability	Actual FY 1971 ($000)	Estimated FY 1972 ($000)	Proposed FY 1973 ($000)
New Obligational Authority	51,000	50,000	50,000
Unobligated Balance Brought Forward	1,104	1,723	-
Receipts and Recoveries	2,941	2,177	2,922
Transfer for January 1972 Pay Raise Costs	6,800	3,500	2,278
Transfer for Expanded Vietnam Program	3,600	3,600	3,600
Unobligated Balance Carried Forward	-1,723	-	-
Total	63,722	61,000	58,800

Washington Management Budget

A total of $32.4 million--about 55%--of the proposed FY 1973 Administrative Expenses availabilities will be used to fund the Washington costs of directing and supervising the A.I.D. program. Almost 84% of that amount is for salaries and benefits of employees, including personnel in the Administrator's office, the general counsel staff, auditors and investigators, accountants and other controller personnel, management analysts, policy and program coordination staff, staffs responsible for personnel management, computer systems, and general housekeeping functions and the Assistant Administrators and office directors and management offices in the bureaus and offices. The Washington budget estimates are as follows:

	Actual FY 1971 ($000)	Estimated FY 1972 ($000)	Proposed FY 1973 ($000)
Salaries & Benefits	31,615	28,298	27,407
Travel & Transportation	1,017	1,141	1,078
Rent, Utilities & Comm.	1,517	1,430	1,495
Contractual Services	652	717	760
Security Investigations	146	51	70
Services of other Agencies	325	403	256
State Dept.,Admin. Support	528	636	635
Medical Payments & Personal Property Claims	152	231	261
Printing & Reproduction	456	300	265
Supplies & Equipment	302	329	222
Total	36,710	33,536	32,449

Overseas Management Budget

About 45%, or $26.4 million, of the FY 1973 Administrative Expenses will be used to fund direct overseas management operations. Administrative-funded employees, whose salaries and benefits account for $18.8 million, or 71% of the overseas management costs, include Mission Directors and their Deputies, auditors, most controller personnel and a large share of the staffs of program offices and management offices

ADMINISTRATIVE EXPENSES

The overseas management budget estimates are as follows:

	Actual FY 1971 ($000)	Estimated FY 1972 ($000)	Proposed FY 1973 ($000)
Salaries and Benefits	19,297	19,553	18,827
Travel & Transportation	2,960	3,009	2,800
Rent, Utilities & Comm.	1,734	1,822	1,740
Printing & Reproduction	4	3	3
State Dept. Admin. Support	1,372	1,451	1,451
Other Support Services	755	873	830
Supplies & Equipment	880	725	700
Other	10	28	-
Total	27,012	27,464	26,351

The overseas management budget estimates by regional bureau are as follows:

Bureau	Actual FY 1971 ($000)	Estimated FY 1972 ($000)	Proposed FY 1973 ($000)
Africa	5,986	6,403	6,117
Asia	6,424	6,616	6,445
Latin America	8,812	8,774	8,451
Supporting Asssitance	5,790	5,671	5,338
Total	27,012	27,464	26,351

INSPECTOR GENERAL OF FOREIGN ASSISTANCE

The Office of the Inspector General of Foreign Assistance, organizationally located in the Department of State, has broad statutory responsibilities relating to the effectiveness of United States economic and military assistance programs, as well as Peace Corps and P.L. 480 activities. Section 624(d) of the Foreign Assistance Act authorizes the operating costs of the office to be funded by allocations from Economic Assistance, Military Assistance and Peace Corps program appropriations. The budget estimates for the A.I.D. portion of the expenses for the office are as follows:

Agency for International Development	Actual FY 1971 ($000)	Estimated FY 1972 ($000)	Proposed FY 1973 ($000)
Development Loans	677	500	550
Technical Assistance	35	200	200
Supporting Assistance	200	300	300
Sub-Total, AID	912	1,000	1,050
Military Assistance Program	175	175	175
Peace Corps	25	25	25
Total Program	1,112	1,200	1,250

PROGRAM SUMMARY (In millions of dollars)			
	FY 1971 Actual	FY 1972 Estimated	FY 1973 Proposed
Amer. Schools & Hosp. Abroad	13.4	20.0	15.6
(U.S.-owned excess local currencies)			(5.4)

AMERICAN SCHOOLS AND HOSPITALS ABROAD

During the past year the Congressional Committees concerned with foreign assistance have increasingly voiced concern about the proliferation of applicants for grants provided through the American Schools and Hospitals Abroad program (Section 214 of the Foreign Assistance Act). This year's budget request focuses on the objectives of Section 214 and the policies and administrative considerations which A.I.D. believes should govern the selection of projects for U.S. Government financial support. The most direct statement on the matter was contained in Senate Report 92-432 of November 8, 1971:

> ".....Congress should not put itself in the position of picking and choosing among proposals for individual school, hospital, or library projects in foreign countries. This is not the task of Congress. Nor is Congress best equipped to initiate such projects.
>
> "The role of Congress, in this instance, is to render an overall judgment about the value of the entire program based on testimony and evidence presented by AID and State Department officials and other witnesses. It is the responsibility of Executive-Branch officials to weigh the relative merits and weaknesses of each specific project, subject of course to overall Congressional review."

A.I.D.'s desire to review program policies rather than project details with the Congress has been reinforced by the realization that the practice of discussing the funding requirements under consideration for individual institutions in the Congressional presentation unfortunately has led those institutions to assume that the amounts shown will automatically be given to them. Publication of these figures has impaired A.I.D.'s relations with potential grantees despite explanations that the budget request is "illustrative" and in no way commits the Agency to grant specific amounts if subsequent examination indicates that the amount is not, in its view, justifiable, when measured against other deserving potential grantees.

Examination of the present program confirms that a thoroughgoing reexamination of the basic rationale for this program is required. This presentation is directed toward that objective and should make it possible to transform the program over the next few years along lines which the Congress and the Executive Branch believe are desirable and in the public interest.

Basic Rationale

Section 214 is unique among AID programs in that development assistance, per se, is not its objective. Congressional committee reports have stated that the primary purpose of Section 214 "is not to take care of the education and health needs of foreign countries, but to demonstrate to their people, on a selected basis, American ideas, practices, and advances in the fields of education and medicine." Other reports have urged wider and more equitable geographic distribution than now characterize the program, and a re-emphasis of its statutory goal of assisting those American-founded or sponsored institutions which serve as "study and demonstration centers for ideas and practices of the United States."

Fundamentally, A.I.D. believes the basic purpose of the American Schools and Hospitals Abroad program is to provide support to those U.S. founded or sponsored institutions abroad which are positively and continuously identified as being American (rather than local/national in nature) and which act as showcases for the United States. As we view it, the program objective is to ensure that selected institutions serve as centers capable of demonstrating the

best features of American education or medicine. Assistance to these institutions is not necessarily related to local economic development objectives or to the educational or medical priorities of the countries where they are located. Accordingly, this particular program is not confined to underdeveloped countries.

Given the overall limitation on funds which can be allocated to this program, it is evident that the needs of every American-sponsored institution abroad seeking assistance cannot be met. The number of American-sponsored institutions in any one country receiving support under Section 214 must be restricted to those needed to achieve U.S. demonstration objectives. Neither the poor financial condition of an institution nor its plans for expansion are adequate justification for Section 214 funds.

The same overall financial limitations and demonstration objectives make it mandatory that Section 214 grants be extended only after thorough qualitative examination of each institution seeking help. When an institution has been identified as an appropriate Section 214 grantee, sufficient support should be provided over a period of time to enable the institution to serve as a first-class demonstration center capable of bringing credit to the United States.

Finally, institutions receiving Section 214 grant assistance should be geographically dispersed to achieve our objective adequately in various part of the world. In response to recent Congressional initiatives, a number of institutions have been assisted in the Near East, particularly in Israel. However, some movement in the direction of wider geographic dispersion has been possible during FY 1972, and initial grants have been or will be made to the American hospitals in Rome and Paris, the Cheng Hsin Hospital in Taiwan, Sogang University in Korea, and the University of the Americas in Mexico. In addition to these projects, subject to the appropriation of necessary funds in FY 1973, AID will support other smaller projects in the Far East, Latin America, Africa, and Europe.

Accordingly, the Agency proposes henceforth to:

(1) give priority to applications from U.S. sponsors of eligible American schools and hospitals located in the Far East, Africa, and Latin America.

(2) limit the number of institutions in any country or region to the number which in A.I.D.'s judgment is needed to insure attainment of U.S. objectives; and

(3) wherever possible and within a reasonable period of time phase out grants to institutions in the Near East which have a limited capacity to demonstrate U.S. educational or medical ideas or practices.

Project Management

In the course of project reviews, A.I.D. will ensure that budgetary support is the minimum amount required to carry out mutually agreed upon goals. In this context, American Schools and Hospitals Abroad grants are considered as inputs to the overall budgets and programs of the grantee institutions. Accordingly, A.I.D. intends to examine all prospective activities by grant recipients to determine their budgetary impact over the long run. Institutions assisted should understand that A.I.D. will wish to be consulted on such matters so long as Section 214 grants are provided. In short, a continuing joint total resource analysis will be carried out by the recipient institution and A.I.D. Although continuing to be private in nature, each institution seeking help should be aware that acceptance of an American Schools and Hospitals Abroad grant involves a limited financial partnership relation with the U.S. Government. Finally, it should be understood that no institution receiving a grant should assume that Section 214 grants will continue indefinitely.

Project Selection Criteria

In response to continuing Congressional criticism, A.I.D. has looked critically at its own procedures and responded by

developing project selection criteria which are set forth at the end of this presentation. These criteria reflect A.I.D.'s understanding of the nature and objectives of Section 214. Grants recommended by A.I.D. in the future will be only for those institutions which are eligible, because they render a public service as U.S. demonstration centers. With the information it can obtain, A.I.D. will exercise its best judgment in determining how the limited Section 214 budget should be allocated. U.S. foreign policy, technical and program considerations will determine which American sponsored or founded institutions overseas will receive grants.

In addition, as a general rule, educational institutions at a primary grade level will not be considered for support. Expenditures in this area would being minimal returns in terms of the U.S. objective of demonstrating the best in U.S. medical and educational practices. Moreover, because of the great expense involved in maintaining institutions of higher education and the tendency in many countries to resist foreign influence or participation in higher education, measured against comparable impact which can be achieved at less cost at the secondary level, A.I.D. will favor applications from institutions at the secondary level. This does not mean that A.I.D. will exclude grants to universities, but it will be A.I.D.'s policy to limit grants to not more than one university in any country and preferable to one university serving regional requirements in each culturally homogeneous area.

Both the Congress and the Agency feel that it is most important to make every effort to limit assistance to institutions clearly and visibly identified with the U.S. All institutions founded or sponsored by U.S. citizens are welcome to submit applications for consideration. However, many "U.S.-sponsored" institutions cannot be objectively defined as American demonstration centers abroad and, in fact, several recommended to the Congress are not identified as American institutions in the public mind either in this country or abroad. Such a restriction on the selection of qualified institutions is necessary to ensure that Section 214 objectives are served. Overseas institutions which do not meet these criteria but whose basic purpose is to furnish general education and welfare services to the citizens of the countries in which they are located should be supported by private donations or the government of those countries.

To insure full public understanding of the American Schools and Hospitals Abroad program, A.I.D. has prepared selection criteria. It is the Agency's hope that the Congress will support A.I.D. in its efforts to apply these criteria uniformly, since they will help achieve sound, fair and sytematic judgments concerning prospective grants.

The text of the American Schools and Hospitals Abroad selection criteria follows:

> Section 214 authorizes financial support, on a selected basis in view of the limited total resources available and in keeping with U.S. foreign policy considerations, to schools and hospitals outside the United States which serve as study and demonstration centers for American ideas and practices in the fields of education and medicine. While such institutions contribute to meeting educational and health needs in the countries where they are located, Section 214 support is not designed primarily to provide schooling, treatment, or research, as such. Where appropriate, assistance to meet such needs should be provided within the framework of other economic assistance programs administered by A.I.D. or other international donor agencies.
>
> In light of statutory provisions and agency policy determinations related thereto, the following criteria have been adopted and are to be applied to all applications:
>
> 1. All institutions for which assistance is requested must be located abroad, and must have been founded or be sponsored by United States citizens. The Agency construes founding and sponsorship as requiring a preponderance of United States citizens in the founding or sponsoring group and an identification of the institution with the United States.

2. The institution must be a private, non-profit organization, not under the direct control or management of any government, or governmental organization.

3. The sponsors must participate in the management of the institution and contribute to its financial support. No applications for assistance will be considered for ventures entirely dependent upon a grant under Section 214 for their initiation.

4. The institution should be open to all regardless of race, creed or color. No portion of the grant may be used to promote religious activities.

5. Schools must have a student body comprised of a majority of citizens from countries other than the United States.

6. In the case of medical institutions, the majority of students, nurses, and other medical personnel receiving training shall not be U.S. citizens.

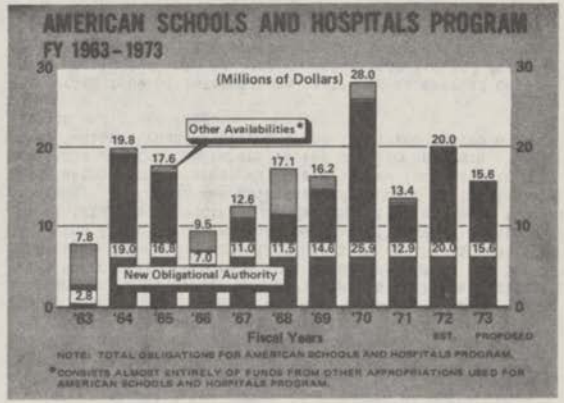
7. The faculty or staff must include United States citizens or other nationals trained and graduated from United States institutions and thus be able to reflect American theory and practices in education, medicine and/or medical research.

8. Full time schools will be expected to provide instruction in an American studies program designed to include aspects of American history, geography, cultural, political and economic subjects. English should be used in instruction or taught as a second language.

9. Vocational and sub-professional training institutions should be planned to meet the needs of the host country.

10. The institution must demonstrate competence in instructional skills, management, and financial operations.

11. Each application must include the information required to permit a firm estimate of the total costs of the project to the U.S. Government and to demonstrate the capacity to ensure effective use of the assistance requested.



INTERREGIONAL TECHNICAL ASSISTANCE PROGRAMS

Interregional and Program Support Activities

Program Summary

	1971 Actual ($000)	1972 Estimated ($000)	1973 Proposed ($000)
Interregional Technical Assistance			
Population Program	36,248	35,332	41,876
Other Interregional Technical Assistance Programs	7,997	11,462	13,314
Participant Training	3,870	3,751	3,376
Other Programs			
Institutional Development Grants - Sec. 211(d)	4,876	2,300	3,500
Development Research	8,790	8,750	11,000
Program Support			
Washington Program Support	47,468	52,251	54,831
Population	2,536	2,930	3,374
Construction of Facilities	396	-	300
Dependent Education	2,500	1,845	2,500
Total, Interregional and Program Support	114,681	118,621	134,071
Private Development Assistance and Disaster Relief 1/	33,082	14,208	13,150
Inspector General of Foreign Assistance 2/	912	1,000	1,050
Funding Sources by Account:			
Development Loans	365	325 3/	350
Alliance Development Loans	300	200	200
Technical Assistance	54,341	75,182	66,761
Alliance Technical Assistance	7,255	5,063	11,732
Population	39,330	38,959	45,828
Contingency Fund	23,742	1,500	-
Supporting Assistance	23,342	12,600	23,400
Totals	148,675	133,829	148,271

1/ See narrative under Humanitarian Assistance section (tab M) for details.
2/ See narrative under A.I.D. Administrative Expenses section (tab N) for details.
3/ Includes $25 thousand for Narcotics.

Interregional technical assistance activities fall into three primary groups: General Technical Services, Grants to U.S. Research and Educational Institutions (Section 211(d)) and Development Research. All these centrally-financed technical assistance activities provide guidance and support for A.I.D.'s worldwide development assistance to the developing countries. The program deals only with those activities which either cannot be handled on a regional or country basis, or have significance for more than one region.

The General Technical Services program, (1) identifies key problem areas which are common in a number of developing countries, and thus worldwide in scope and (2) seeks common solutions to these problems which are consistent with U.S. technical assistance activities. Programs thus supported seek to increase quality and quantity of foods, improve health and education standards, develop and implement population programs, combat malnutrition and train participants. Field support is the second area of General Technical Service activity - non-profit organizations such as the National Education Association and the American Library Association are assisted in financing the administration of their foreign programs. Third, ad hoc guidance and support activities are undertaken in those areas which are so new that data is not available for the comprehensive key problem approach. Such areas include urban development and the introduction of science and technology.

The second type of interregional activity is carried out under Sec. 211(d) of the Foreign Assistance Act and focuses on strengthening U.S. institutions and their ability to participate in economic development programs. Such grants stimulate the development of new talent and new institutional resources in the United States.

The Development Research program supports the efforts in their collaborative research efforts (1) to adapt U.S. technology to the various situations of the developing countries and (2) to build institutional capabilities in those countries through the creation of international research networks.

POPULATION

A.I.D.'s centrally funded population program provides support and technical assistance to population programs of the less developed countries, to international organizations and other public and private institutions with the objective of developing:

-- adequate demographic and social data;

-- adequate population policies; understanding of the interrelations of the population factor with social and economic development; and understanding of the variables affecting fertility behavior;

-- adequate means of fertility control by development of better and new contraceptives;

-- adequate systems for delivery of family planning services;

-- adequate systems for delivery of information and knowledge regarding population growth, and availability of family planning services; and

-- adequate institutional capacity and utilization in support of population-family planning activities.

In FY 1973, the centrally funded program will require $41,876,000, including $8 million for population research. The proposed program in support of the above objective will continue a broad range of activities including:

-- Organizational Grants: Increased support will go to private U.S. and international family planning organizations rendering assistance overseas. In addition to major grants to such large and experienced non-profit organizations as the Pathfinder Fund, the Population Council, Planned Parenthood Federation of America, and the International Planned Parenthood Federation, new grants are being initiated with other competent non-profit organizations such as the American Home Economists Association and the International Confederation of Midwives.

-- Understanding of Population Dynamics: A special emphasis will be given to activities and studies which will assist developing countries to obtain a better understanding of population dynamics and their own population situation as a basis for adopting or improving policies and programs to curtail rapid population growth. Increasing attention will be devoted to understanding the numerous variables which can affect the demand for family planning -- the social, economic, legal, religious and other factors that can influence the fertility behavior and desires of individuals.

Specifically, A.I.D. will support a worldwide fertility survey which will produce, for the first time, comparable and highly uniform information about behavioral, and to some extent attitudinal, components of fertility. The National Academy of Science will sponsor regional seminars on population policy overseas and will assemble the findings into a sequel to its recent publication, Rapid Population Growth for use in connection with World Population Year activities in 1974. It is contemplated that the Smithsonian Institute will provide small grants to institutions and scholars of less developed countries for studies in development of population policy.

-- Analysis and Evaluation: The provision of technical expertise in management and evaluation of family planning delivery systems will be substantially increased and enhanced. It is expected that the American Public Health Association will play a major role in this activity, which is necessary for proper program guidance and cost-effectiveness.

The Bureau of Census will continue to provide major assistance to the improvement of demographic measurement and analysis in developing countries. The resources of the Bureau of Census will be used to support and strengthen the role and capabilities of the UN and its specialized agencies. An innovative approach to obtaining better demographic measurement will be undertaken and tested through the use of earth satellites being launched by NASA.

INTERREGIONAL TECHNICAL ASSISTANCE PROGRAMS

-- Direct Field Support Activities: Consultation services of leading U.S. and third country experts are being provided to meet specific requests of developing countries under a contract with the American Public Health Association. Because of expanding needs and demands for this special service, A.I.D. has increased its funding of this contract.

A rapidly growing component of this activity is the provision of special medical equipment, commodities and literature required by the expanding population program, both national and private. A major improvement in the provision of commodities to overseas programs will be the standardization of packaging of oral contraceptives and subsequent bulk purchase of these items by the General Services Administration. Close, technical liaison with the UN Fund for Population Activities (UNFPA) and the UN Specialized Agencies will help to improve the coordination of donor inputs, and the quality and coverage of external assistance.

-- Manpower and Institutional Development: Continuing use will be made of the Population Centers located at the Universities of North Carolina, Michigan and Johns Hopkins to provide special competence on the specific request of recipient countries.

A.I.D. will also support the development of indigenous institutions overseas through a program of grants for training and research.

A.I.D. will continue to place Frederiksen Fellows, also known as University Overseas Population Interns, in population work overseas at the specific request of host country institutions.

-- Information and Knowledge: A worldwide survey of population information and education activities will be completed during the year, and plans for increased support of worldwide information activities will be developed and implemented.

The educational activities of a broad variety of private and international organizations will be utilized throughout FY 1973. These include World Education, Inc., World Assembly of Youth Conferences, International Confederation of Midwives, International Association of Home Economists, International Cooperative organizations, and Credit Unions.

Training films now in production, along with films produced elsewhere, will be made available to meet the increasing interest of host country programs and the needs of U.S. Training.

INTERREGIONAL TECHNICAL ASSISTANCE PROGRAMS

HEALTH AND NUTRITION

The total estimated program for interregional health activites in FY 1973 is $567,000. The main focus of interregional health programs is directed towards the following activities:

-- Integrated Delivery Systems for Population, Health, and Nutrition: A.I.D. shares the concern of many less developed countries about the absence of effective delivery systems for health services, including family planning services and programs to improve nutrition for preschool children. With the aim of making these services available to the 90% of the population in developing countries without access to them, A.I.D. will support pilot test demonstrations of comprehensive health delivery systems in several different regions of the world under a new contract.

-- Health Planning and Sector Analysis: Two interregional projects address the problem of lack of health planning capability in the developing countries. One concerns the training of health planners in the techniques and methods of planning health programs as an integral part of development. A health planning model is being constructed in the other project to assist planners in relating health to development.

-- Food Waste from Intestinal Disease: Under an A.I.D. contract, an overseas study has been initiated to develop a methodology for determining the most appropriate measures to improve environmental sanitation. Other research will measure the exact amount of nutrient losses through food malabsorption caused by intestinal disease in populations without satisfactory water supplies or sewage disposal facilities.

-- Mobilization of U.S. Expertise: The search for new methods to attack health problems requires the attention of U.S. and international experts. Interregional activities will continue to mobilize U.S. institutional and professional services to support both research for problem solving and operational field programs. These efforts include contracts for manpower advisory services with the Association of American Medical Colleges; consultation on health facilities administration by the American Hospital Association; and support activities in economic analysis, nursing, sector studies, health education, and environmental engineering by the U.S. Department of Health, Education, and Welfare.

-- Disease Control Activities: A.I.D.'s interregional technical advisory activities in Malaria are gradually being transferred to the World Health Organization. Research to develop a malaria vaccine will continue.

A.I.D. is coordinating a long-range plan to prevent the repeated occurrence of worldwide cholera epidemics which have originated in Southeast Asia, extended to Africa, and now threaten the American hemisphere.

The interregional activities include encouragement of greater multilateral action against tropical diseases; coordination of the medical aspects of A.I.D.'s disaster relief operations with the international health agencies (World Health Organization, Pan American Health Organization, and UNICEF) and the Department of Health, Education, and Welfare; research and demonstration programs; and the conduct of scientific and professional services and conferences.

-- Environmental Health: Pollution of water and soil from human waste creates the major environmental disease hazard of developing countries. High infant mortality, cholera, snail fever and malnutrition are all caused directly or indirectly by man's pollution of his own environment.

Interregional programs will seek to train engineers in modification of the environment by economic disposal of waste and purification of water.

INTERREGIONAL TECHNICAL ASSISTANCE PROGRAMS

Nutrition:

The problem of malnutrition, primarily of protein deficiency, affects an estimated 60% of the total populations of the developing countries, and is found to be especially prevalent among pregnant and nursing women and preschool children. Malnutrition, furthermore, is largely responsible for the fact that perhaps one half the children of these countries die during childhood. Of those who survive, a majority suffer from insufficient protein and calories, manifested in retarded physical growth and development and, in many cases, impaired learning and behavior. A.I.D. programs in nutrition and related fields seek ways to reduce the physical and mental toll of malnutrition upon these groups.

During FY 1973 nutrition assistance activities will total $735,000 and will focus on four problem areas which have been identified as the main obstacles to the alleviation of malnutrition. The A.I.D. Nutrition program receives overall scientific and technical guidance from a committee composed of leading U.S. food technologists, nutrition scientists, and officials from industry and universities, and a group of experts from the National Academy of Sciences. Highlights of the program are:

Development of Protein Products: Protein is required to maintain body tissues and normal life functions, resist infection, achieve optimum growth, and avoid problems during pregnancy and lactation. Infants, preschool age children, and pregnant and lactating women are the groups most vulnerable to the serious consequences of protein malnutrition and are, therefore, the primary target groups of the nutrition program. The primary objective is to alleviate chronic protein deficiency and supplement mineral and vitamin intake.

Protein sources common in the developed countries are often too expensive for the people most in need. Support is being given to organizations which are attempting to devise new and inexpensive protein food products compatible with the dietary habits of the low income consumer. In the past, U.S. food companies have been encouraged to attempt to develop such products. However, the current and future strategy emphasizes encouraging production and marketing of these low cost, highly nutritious foods by local firms in the developing countries. Successful new products which have been developed by both U.S. and local companies include fortified pasta products in Brazil and improved baby food for use throughout the world.

Cereals Fortification Research: Recognizing the great resistance to changing dietary habits which impedes the introduction of new nutritious foods, research programs are being undertaken to fortify familiar basic cereal foods with amino acids, protein concentrates, vitamins and minerals. In Thailand, a field research program is underway to fortify rice with a synthetic rice granule containing essential additional protein, vitamins, and minerals. In Tunisia, research is being conducted on the addition of nutrients to flour at the mills to assure the improved quality of wheat products. A field study on corn fortification is underway in Guatemala. Similiarly, a pilot program is now underway in Brazil to add protein to cassava flour to improve the diets of the people who consume it as a staple -- generally the lowest income groups.

Nutrition Education Programs: The lack of awareness and concern on the part of consumers as to what constitutes a good diet is a major cause of malnutrition in developing countries. Thus, general programs of nutrition education are essential, especially since most consumers have limited financial resources. Locally supported nutrition education projects are underway throughout the developing world, but their impact is quite limited. In order to exploit the potential for a greater impact, plans are underway to explore innovative techniques such as the use of mass media and the application of advertising approaches. Similarly, a variety of efforts to train mothers and children in the appropriate use of locally available foods are being supported as tests to establish what works best. The Philippines provides a particularly successful example of the approach via mothers. There, mothers whose children are suffering from severe malnutrition are taught at maternal and child health centers how to restore their children's health by proper feeding with total reliance on low-cost locally available food. Other efforts are being supported to strengthen the network for the dissemination of technical and educational informa-

tion on nutrition to scientists, technologists, school authorities, and field workers in the less developed countries.

Nutrition and National Planning: Because developing nation planners and leaders have only recently realized the importance of nutrition as a factor in development, we do not have a satisfactory technique for selecting the mix and magnitude of activities to improve nutrition, A.I.D. has undertaken projects to develop a systems approach to the problem of malnutrition in Ecuador and in India. Plans are being made for a workshop to train national planners in the technique of incorporating nutrition objectives in national planning with particular reference to the consideration of agricultural, industrial, education, health and family planning activities to foster nutrition objectives.

Support from Other Program Fields: Meanwhile, A.I.D. itself is adding a nutrition component to assistance programs in other fields.

-- Agriculture programs are giving increased stress to research to develop new grain varieties having more and better protein content, and to improvement and wider use of high protein vegetable and other crops. This and the new stress on research and other activities to increase yields is a powerful double-barreled attack on both the caloric and protein deficiencies causing malnutrition in the less developed countries.

-- Activities are underway in the health field to identify the extent and nature of caloric and nutrient loss due to the effect of intestinal diseases in reducing what the body actually absorbs from the food eaten. This in turn is expected to point the way to more effective developing country programs to reduce this factor in malnutrition, which is particularly serious for newly weaned children.

-- Another new focus described in the section on health programs seeks to find feasible systems for mass delivery of basic health services, including nutritional services.

-- Family planning educational work is also being coordinated with nutritional education. It stresses wider spacing of children, which is a very important means of reducing malnutrition among mothers and children.

78-827 O - 72 - pt. 2 - 36

INTERREGIONAL TECHNICAL ASSISTANCE PROGRAMS

AGRICULTURAL AND RURAL DEVELOPMENT

A total of $3,395,000 is requested to implement interregional technical assistance activities in agriculture. These activities include support for agriculture specialists seeking to identify constraints to agricultural development and to apply U.S. scientific resources to assist A.I.D. regional bureaus, country missions, and governments of developing countries in the removal of these constraints. In addition, specialized services are provided through contractual arrangements with other U.S. government agencies and universities to supplement direct technical services. Also, through the interregional program, technical assistance activities are linked to and coordinated with agricultural research programs. These interregional activities differ principally from regional programs in that they: (1) are worldwide in scope and may be applied and compared in different regions or countries receiving U.S. assistance; (2) form the focal point for conceptualization of U.S. development assistance policy in agriculture; and (3) centralize selection of services for standardization of plants, seeds, fertilizers, and pesticides furnished the developing countries through agricultural assistance programs.

Plant Materials and Seed Technology: A.I.D.'s effort to extend the successes of the Green Revolution is continuing through wider application of the new high-yielding varieties of rice, wheat and corn. Emphasis is also placed on agricultural research programs to increase productivity and to improve the protein content of wheat, sorghum, and corn. Research on high protein crops, such as legumes, is aimed at alleviating the problem of protein shortage and malnutrition in the developing countries. Unfortunately, the new seed varieties often are more susceptible to diseases and pests than were the traditional varieties. Contracts with several universities and the USDA are providing technical assistance on a worldwide basis in an effort to solve these and other problems of production.

The role of new seed technology and crop diversification in agricultural development is being investigated through a contract with a U.S. university. Under an agreement with the Department of Agriculture, plant and seed materials suitable for use in developing countries are collected and disseminated to interested countries. Projects underway to develop new crops for application in tropical regions should also create additional opportunities for diversification and employment.

The seed technology program provides assistance in processing and storage of seeds used for crop production, with services consisting largely of consultation visits to developing countries, training of participants in the United States, and supplying information to interested parties in the developing countries. Numerous participants have been trained and extensive storage facilities have been constructed under this activity.

A new dimension is being developed to assist in the establishment of private seed industries in developing nations for their own domestic needs. The need for these industries has resulted from the additional strain placed on government nurseries by the rapid spread of the new high-yielding grain varieties.

Soil and Water: Soil and water management problems are being combatted through research contracts and Section 211 (d) grants. These studies aim at problems in tropical and sub-tropical zones which encompass most developing countries receiving U.S. assistance. The further expansion of crop and livestock production in developing nations depends largely on conservation and the effective use of limited arable land and water resources. To this end, soils laboratories are being established in several countries in Latin America. A.I.D. and the developing nations are also studying the side effects that changes in natural resources use have, or could have, on local environments; wherever feasible, findings bring about appropriate corrective measures.

Fertilizer and Other Chemicals: The consumption of fertilizer and pesticides has increased with the introduction of new fertilizer-responsive cereal grain varieties and general agricultural development. The continuing fertilizer

study program provides assistance through a contract with the Tennessee Valley Authority to improve efficiency of fertilizer plants; determine fertilizer consumption requirements; make fertilizer studies in requesting countries; plan and implement fertilizer storage, distribution, and sales systems; develop training programs for fertilizer producers and planners; and provide training to participants in the United States.

Because of the increased demand for pesticides, the difficulties in their application, and the resultant environmental considerations, a new program on pesticides is being conducted with a leading university. The program includes technical assistance on the safety aspects of handling, shipping, storage, and use of pesticides, as well as measures to study the environmental effects of pesticides.

The pest management program is proceeding with problem definition and emergency assistance work in the environmental protection field. A recent dramatic breakthrough in vertebrate pest control promises dramatic reduction in cattle losses from disease borne by vampire bats. Based on research supported by A.I.D., this species specific control device was developed from knowledge of the bat's life process and habits.

Weed control by chemicals and other means has become increasingly important to the application of improved technology and the development of commercial agriculture. A contract with Oregon State University provides both technical assistance and research on land weed control. It assists developing nations extension services to plan and execute their own research programs. New emphasis is being given to the aquatic weeds problem which is especially important in East Asia and Africa.

Grain Drying, Processing and Storage: Assistance is being provided to requesting countries on a worldwide basis, under a contract with Kansas State University, to improve technology and facilities for drying, processing, storing and marketing of grain.

Food Utilization of Soybeans: A university contract is providing technical assistance in the preparation of soybeans for human consumption. A method making possible the use of soybeans as food with only simple processing is being refined. It would enable the soybean, which is high in protein, to be used as a home-cooked staple food in developing countries, where protein deficiency is an important problem.

Agricultural Economic Seminars: Under a contract with the Agricultural Development Council, a series of seminars is being held with participants from U.S. and overseas institutions. These seminars aim to make agricultural economics problems for trainees more relevant to local conditions in developing countries. Started in 1970, this program is being coordinated closely with those universities which received Section 211(d) grants for developing additional competence in agricultural economics applicable to development.

Aquaculture: Assistance in aquaculture is being provided under a university contract to regional bureaus and requesting countries for development of fresh and brackish water fisheries. This assistance includes feasibility studies, surveys, consultation and planning visits to developing countries for project development, university backstopping of country projects, and training. It is designed to assist developing countries to utilize their natural resources to expand exports as well as the nutritional content of the national diet.

Livestock: A program is being developed to apply a systems approach to problems affecting livestock production and marketing. Means are being sought to eliminate constraints imposed by markets, cultural factors, social and political questions, as well as technical difficulties of livestock production. Section 211(d) grants are planned for this purpose.

Support of International Research Centers: A.I.D. is participating in international research programs sponsored by the World Consultative Group. One of the most important programs is the International Maize and Wheat Improvement

INTERREGIONAL TECHNICAL ASSISTANCE PROGRAM

Center (CIMMYT) in Mexico. Our support of CIMMYT helps in the expansion of the Center's activities into a world-wide research and training program. Training is being carried out at CIMMYT and at nurseries in other developing nations in connection with experiments on seed varieties developed at CIMMYT. The principal research scientist at the Center is Dr. Norman Borlaug, who won the Nobel Prize in 1970 for his research contributions to development of the high-yielding wheat variety which formed the basis of the Green Revolution and his worldwide missionary work to promote the use of the seeds.

A.I.D. is also contributing to the establishment of two international research centers (on potatoes in Peru and upland crops in India) under the World Consultative Group. A.I.D.'s support of these research centers is limited to 25% of the cost of these centers with a limit of $7 million total in any one year.

Future Efforts: While increasing food production and diversification must remain our major goal in agriculture, other agricultural problems also demand A.I.D.'s attention.

The complexities of the problems of development demand attention to social and environmental economic factors which influence and are influenced by the agricultural sector. Social inequities, income distribution, land tenure systems, distribution of resources between rural and urban areas, rural unemployment, and environmental degradation all pose problems related to agricultural development, and it has become essential that assistance to agriculture strive toward the solution of these problems.

To address these needs, A.I.D. is working on identification of problems and mobilizing scientific talent from many sources to provide assistance for solving key problems in agriculture. The principal problem areas selected for intensive work are: developing agricultural research competence in the recipient nations; utilizing worldwide research networks on specific crops and animals; improving management of water and tropical soils; expanding production of high protein crops and livestock; focusing on agricultural planning and sector analysis; improving marketing systems, and examining the role of agriculture in trade, income distribution, and employment.

INTERREGIONAL TECHNOLOGY ASSISTANCE PROGRAMS

EDUCATION AND MANPOWER TRAINING

Education:

A total of $650,000 is proposed for interregional educational activities in FY 1973. These funds are used to explore new approaches to education with worldwide applicability.

Because of the interest in both the Congress and A.I.D. to develop a breakthrough in educational development through the use of modern technology, several important projects have been initiated. One study is identifying the necessary research to fill knowledge gaps; another is defining the planning steps needed before effective space satellite experiments may be undertaken in Brazil and India. On-site investigation is being conducted to evaluate El Salvador's major educational reform through educational TV. Research and development priorities are well established for the use of TV and radio in major educational projects in other less developed countries.

A.I.D. also supports work in two additional important areas: (1) non-formal education systems, such as in-service training, work-study programs, apprenticeships, adult education, home study courses and on-the-job training, and (2) education finance and measurement. Non-formal or out of school education already exists to some extent in all societies. It greatly broadens the base of education for work and life, can respond more flexibly and quickly to the changing manpower needs in a developing society than can the relatively large and complex school systems and does not require long-term institution building before results are visible.

At the same time, however, the formal school system's planners and managers in the developing countries are faced with pressures to improve and expand the nation's educational systems. Since revenues are not increasing as fast as the demand for schooling, the dilemma is forcing planners and administrators to turn their attention to the economics of education. We are assisting them to use economic measurement tools to assess costs and benefits, evaluate results, and decide among competing proposals for use of limited resources to finance education. We are also assisting in the search for alternative local sources of funds for financing the expanded educational services the LDC's need.

Development Administration:

Interregional technical cooperation inputs of $575,000 are requested for FY 1973 to help developing countries (1) improve their management of programs in the sectors of emphasis: agriculture, education, business, health and family planning, and (2) build the administrative capability for rural and local development action programs.

In each of these areas, application of management knowledge and techniques to systematic problem-solving, decision-making and organizational change are emphasized.

Development administration activities will be carried out mainly by U.S. contractors working in collaboration with management education and service institutions and with agricultural institutions in the developing countries. These activities draw upon the lessons of extensive A.I.D. and other donor experience. The products of work in the various sectors (beginning with agriculture) are being tested in field situations through cooperative work with indigenous institutions. The evaluated results are then made available for application through training, education, and consulting activities in LDCs.

Under an agricultural management project started in FY 1971, the Harvard Business School is developing market-oriented approaches to agri-business management in cooperation with business schools in the developing countries, including the Central American Business School in Managua, Nicaragua. Michigan State University is working on rural program management under the same project. The Inter-American Insitute for Agricultural Sciences based in San Jose, Costa Rica is collaborating with M.S.U. in this activity.

INTERREGIONAL TECHNOLOGY ASSISTANCE PROGRAMS

Vanderbilt University's Graduate School of Management is working with African and Latin American training institutions to develop better approaches to program and project management, organizational design and development, and managerial planning. Modern management training materials produced under this project will be provided to a network of institutions concerned with business and public management in the developing countries. The output of the Vanderbilt contract will also address management problems in health service systems, education, and other sectors.

New contracts dealing with the management of agricultural sector development programs and the design of strategies for building improved local action capability are being initiated in FY 1972. The agricultural sector work is designed to promote the implementation of sector development plans, many of which are drawn up with A.I.D. assistance. The local action contract will strengthen the Agency's capability to assist the developing countries with pressing needs in grass-roots rural development.

The FY 1973 request provides continuing funding for on-going development administration activities and for expanded activities addressing local and rural development problems.

Labor:

The labor and manpower development program provides for follow-up action on the recommendations of regional and interregional conferences of Ministers of Labor for international technical cooperation to strengthen labor ministry services in fields affecting productivity and living standards. Assistance is provided in cooperation with other donor countries and agencies and in ministry-to-minstry programs concerning worker skills improvement, industrial health and safety, labor statistics (with emphasis on developing reporting on levels of employment and standards of living), employment services, labor standards and wage policy, problems of working women and children, social security, manpower migration, manpower and employment planning, and general human resource development.

In responding affirmatively to recommendations and requests of Labor Ministers' conferences, the program has brought A.I.D. into close collaboration with multilateral organizations such as the Organization of American States, the Central Treaty Organization, the Organization for Economic Cooperation and Development, the Economic Commission for Africa, the International Labor Organization, and the International Bank for Reconstruction and Development, as well as key donor countries and private sector organizations. This collaboration has been on projects relating to employment and manpower planning, labor statistics, vocational training, worker migration, industrial relations and labor standards for women. As an additional activity during FY 1973, the program will produce and distribute professional publications on manpower and employment planning for social and economic development and related studies to serve as technical resources for manpower and employment advisers in developing countries. The program also provides support for flexible programs of union-to-union assistance and joint efforts of trade unions, employers, and governments to find solutions to international labor-management problems brought about by rapid advances in technology. In FY 1973, $350,000 is requested for these activities.

INTERNATIONAL TECHNICAL ASSISTANCE PROGRAMS

INDUSTRIAL AND URBAN DEVELOPMENT

Science and Technology :

A.I.D. continues with its effort to mobilize the science and engineering knowledge of the United States to work on development problems, particularly through innovative and selective approaches. A total of $2,178,000 is proposed in FY 1973 to support activities designed to (1) strengthen the capability of developing countries to formulate and implement national policies for science and technology, including development of appropriate infrastructures to make implementation feasible; (2) develop and use local technologies and skills more effectively; (3) acquire and adapt foreign technologies to the needs of developing countries; and (4) assist developing countries to utilize, manage and conserve their natural resources more effectively Of primary interest are practical steps to improve the institutional base for research and development in applied science and industrial technology. Completion of current programs and selection of new programs will develop and demonstrate better means to transfer, adapt, and utilize available technology and stimulate new technology towards solving specific development problems.

The National Academy of Sciences and National Academy of Engineering will continue their successful bilateral workshops, conducted under a contract partially financed by A.I.D., in developing countries. Recent regional workshops in Southeast Asia and Central America were on environmental questions. Thailand, Uganda, Bolivia, and Indonesia have already requested joint workshops on science policy, industrial research, and natural resources. The Academies continue with their program of convening ad hoc advisory panels and special groups to formulate new concepts, suggest new approaches, and help evaluate specific field project proposals. Areas of current concern include the industrialization process in developing countries, innovative and appropriate technologies for developing countries, and the role of science and technology in international development in the 1970's.

A.I.D.'s other activities in this field include projects and proposed projects to (1) determine the impact of development activities on environmental quality in selected developing countries, (2) continue specialized training programs in the fields of oceanographic data and industrial standards, (3) adapt advanced technologies, including remote sensing and computer technology, to developing country needs, (4) reduce costs of public works programs in developing countries, (5) strengthen the capabilities of selected U.S. universities to deal with the problems of using science and technology in developing countries, (6) improve technical information access and exchange, and (7) develop techniques for upgrading industrial research activities. Research projects, applying competent scientific and engineering talent to the solution of relevant problems of developing countries will also be pursued.

Engineering Services:

A total of $264,000 is requested to continue a worldwide engineering study of problem soils; update and improve standards and procedures for engineering and economic feasibility studies; develop standard engineering designs for various types of projects - including urban facilities and applications of water desalination plants; study standards for electrical power market projections including rural electrification; and develop project cost factors. Studies in urban planning, mineral resources, the engineering and economic aspects of the environmental effects of projects, and other engineering studies of worldwide and regional impact are also planned.

Urban Development:

There is increasing worldwide concern with the problems created by the transformation of the environment from a rural to a predominantly urban character. This transformation is creating unprecedented requirements for new jobs, low cost housing, community services, improved urban administration, control of urban pollution, and, related to all of these, improved urban planning and development strategies.

Urbanization, a natural concomitant of modernization, is occurring without sufficient awareness of the potentially serious problems and the significant development opportunities inherent in the process. However, breakthroughs are being made. A number of governments are attempting to implement or develop new national or regional urban development strategies. Concurrently, international assistance agencies are re-examining their own programs and potential to deal with urban problems.

Urban development, in its total relationship to economic, social, and overall national development, is a new concern of A.I.D. technical assistance. Rather than continuing to approach urban development on an individual problem basis -- housing, sewage, transportation, etc., -- an attempt is being made to identify major bottlenecks to urban development and treat them in an integrated manner, thereby providing greater development impact.

No specific funding is proposed for FY 1973, as the program is not yet fully developed. However, we are in the final phase of defining problems and are considering:

-- strengthening training institutions, in the United States and the developing countries, whose programs address the critical problem areas of urban development;

-- developing and encouraging mechanisms for the exchange of experience, ideas, technological advances and other information;

-- sponsoring research in critical problem areas bearing on policy, strategy, and implementation; and

-- creating an awareness of the impact of A.I.D.'s sector activities on the nature and scope of urban development.

Other Program Development Activities

Title IX of the Foreign Assistance Act directs A.I.D. to seek new approaches to improving the quality of life for people of less developed countries. It encourages greater stress on social and civic development and development of programs to ensure that the broad masses of people participate in and benefit from the development process. Five main areas of concentration for carrying out the purposes of Title IX have been outlined:

(1) Research in the United States and developing countries about the interrelationships between social, political and economic development.

(2) The analysis of strategies of economic development that tend to maximize popular participation.

(3) The promotion, the consideration and analysis of social and political development objectives, as well as their implications for economic development, in policy and program planning, implementation, and evaluation.

(4) Encouraging recipient nation personnel and institutions to incorporate consideration of the participatory factors of development in their program planning, implementation, and evaluation.

(5) Identification of specific institutions and programs which can have the effect of broadening participation, such as to legislatures, public policy institutions, and legal systems.

In the past several years, several types of programs designed to carry out these goals have been started. These programs include two major areas of focus: first, the review of present policies and projects in developing countries and the development of projects in important new areas which could make a substantial contribution to the expansion of participation and second, the continuation and initiation of research contracts with several U.S. universities to study selected aspects of participation and develop training programs in which their research is operationally applied.

Review of present policies and programs, and development of new projects

-- Current overseas programs: There are numerous current overseas projects in various sectors which contribute to the expansion of popular participation. For example, nearly 13,000 small farmers in the Ada area of Ethiopia will benefit from a rural development program which A.I.D. will be assisting with advice on production techniques and help in the development of improved supervised credit service, storage facilities, water supplies, roads, and tenancy relationships. Through an A.I.D.-assisted loan and guarantee program related to ongoing cooperatives activities in Ecuador, some 10-12,000 farm families will be enabled to puchase their own land. In Bolivia, a community development loan (to be replenished this year) has completed over 1,000 small rural infrastructure projects including schools, health stations, sheep dips, and irrigation canals, with the local communities putting up over 50% of each project cost including labor, local materials, and cash. A pilot project in India to apply programmed instruction techniques to elementary education will be starting this year, and could have highly significant effects on upgrading the quality of primary education. Since nearly four-fifths of Indian children between the ages of 6 and 11 are in school, the extent of participation in the ultimate benefits of this project could be very great.

-- Programs in the development of legislatures: In June, 1971, A.I.D. made a grant to the Comparative Development Studies Center, State University of New York at Albany, to conduct a program in developing country legislative development. The grant, an outgrowth of several earlier studies, has among its objectives the creation of a legislative development institute at Albany with the capacity to conduct programs of technical assistance in legislative process improvement, the administration of a few such programs under the grant, and the eventual multilateralization and professionalization of technical assistance in this area. Programs are being planned or are now in process in Brazil, Costa Rica, and Ethiopia in such fields as legislative reference, automated bill tracking systems, budget analysis, etc. Expansion of the program to other countries is expected. The Center works in close collaboration with the New York State legislature and it is expected that other state legislatures will participate to the extent that they are interested in doing so.

In addition to and coordinated with this program, grants have been made to Duke University and the Universities of Hawaii and Iowa to conduct related programs of research and training on strengthening the contribution of LDC legislatures to popular participation. Duke will focus on legislative influences on specific developmental problems in South Asia, Latin America, and Africa. Iowa will concentrate on inter-country comparative studies of legislatures and their performance in Africa and Asia. Hawaii will make comparisons of economic growth factors with legislative performance, particularly in East Asia.

-- Program to establish public policy institutions: A Brookings Institution study of the feasibility of establishing public policy research and education institutions in a number of developing countries as a means of increasing participation revealed that a program along these lines would be premature at this time. Accordingly, activity in this area has been deferred.

-- Programs in the role of law: A team of lawyers, judges, and political scientists organized by New York University has been studying the use of development assistance to strengthen the rule of law as it pertains to increasing opportunities for popular participation in the development process. This group's work, in Asia and Africa has been supplemented by separate work focussed on Latin America performed through the International Legal Center.

Research and training programs.

-- The Fletcher School of Law and Diplomacy, Tufts University has continued to do research, training, and consultation in the interrelationship between economic and political aspects of the development process. This work has been assisted by a five-year 211(d) grant made in 1968. To date the Fletcher School has developed materials for Title IX training and provided an academic year of training for sixteen

A.I.D. officials; done research on civic education, on the role of international institutions in Title IX, and on the development of a framework for analysis of political-economic relationships in developing countries.

Five A.I.D. officials have been receiving a year's training at the Maxwell School, Syracuse University on economic and political development (Title IX). It is expected that approximately the same number will be enrolled in 1972-73.

-- Northwestern University has completed a major piece of research into the implementation of Title IX objectives. This project was designed to provide a data base of participatory factors, a set of more clearly defined and measurable criteria of participation, and, from analysis of this data and criteria, new hypotheses regarding the interaction of political, social and economic participation.

-- Since 1969, Harvard University has been exploring further the interrelationships between different forms of participation in modernizing societies. Building on existing research concerning social, political, and economic participation, and doing more in-depth country studies, it is seeking to identify distinctive patterns of participation in modernizing societies. Among the broad issues which are being investigated are the extent to which economic participation is a precondition or a substitute for political participation; whether and under what conditions different forms of participation predominate; and which groups are likely to participate in different ways as modernization proceeds.

-- Under Section 211(d) of the Foreign Assistance Act, a grant was made to Yale University Law School, in cooperation with the Department of Economics and Political Science, to establish a program of teaching and research on the relationship between legal systems and modernization. In addition to support for faculty teaching and research, the grant will help provide the means to train lawyers and social scientists from the United States and developing countries in the role of legal systems in modernization, to provide a relevant course of study for U.S. law students who anticipate careers which relate to development and to permit advanced study by officials of organizations involved in legal aspects of modernization. Yale has already concluded papers on law and capital market development in Brazil, and the law structure of Kenya. In addition, the grant will enable the Law School substantially to augment its Legal Institutions collection.

-- A contract with Rice University is funding a research project to gain better understanding of the interaction between the distribution of income and wealth and the pattern of economic, social, and political development. The research undertaken will be concentrated on three topics: 1) how the distribution of wealth and income affects the composition of production and the allocation of resources, and conversely how the resulting structure of production affects employment and income distribution; 2) evaluation of the distribution of the tax burden and of government expenditure to ascertain how public policies affect the distribution of disposable income; and 3) how different socio-political and regional groupings affect development policy which then influences income distribution and how the distribution of income and wealth in turn affects the composition and outlook of diverse groups.

Export Development

In concert with A.I.D.'s move towards a more collaborative style of assistance, the Export Development Assistance Program is being established to assist those developing and less developed countries which in recent years have begun to think in terms of a national strategy to increase trade. This program, with a proposed budget of $3,000,000 in FY 1973, will work in close cooperation with these countries to systematically plan and consciously select methods for developing the processes necessary to increase trade.

It has become increasingly clear that the economic growth rates of the developing countries are largely dependent upon the export growth rate. The leaders of these countries have become convinced that trade is equally, if not more, important to development than aid. The economic growth of almost every

developing country requires foreign exchange earnings to pay for large inputs of advanced technical know-how and for capital investment in modern equipment and machinery. Each must, therefore, seek sources of foreign exchange beyond the foreign exchange earnings provided by aid programs, not only of the United States but of other donors. The necessity for outside financial assistance decreases in a developing country as its balance of payments situation improves, and as a country becomes increasingly self-sufficient, the elimination of foreign financial assistance becomes possible.

Export development also results in an increase in a country's imports. As these developing countries increase their trade, they will also develop markets for American machinery, equipment, raw materials and technical know how. A spinoff of this program will be an awareness and knowledge of American marketing and distribution systems, international marketing organization and coordination.

The nature of the program consists essentially of providing broad technical assistance for projects in the export development sector. The assistance will take a variety of forms in response to specific requests from individual countries. Advisors, training programs, and survey teams, will provide expertise in export development strategy, economic assessment of export potential, export incentives, finance measures, export organization and promotion.

The program will rely heavily on the vast resource of skills available within the U.S. private sector, in particular, the U.S. merchant community, financial institutions, trade associations and universities. In addition, expert assistance will be obtained through arrangements with the U.S. Departments of Commerce, Agriculture, Interior and other agencies of the U.S. Government. And whenever possible, we will coordinate our activities and cooperate with international organizations and other-nation organizations active in the field.

An important part of this program will be the assistance to the training of nationals from developing countries who will be charged with directing the export development programs of their countries. Training in the U.S. will average $3,000 to $4,000 per trainee.

Short-term consultant services or services (three to six months) will cost from $5,000 to $15,000, and a typical full year program with advisors, consultants and local staff will cost about $150,000.

At this time, the Export Development Program can only cite illustratively the range of developing countries that have indicated an interest in this program: Africa: Ethiopia, Ghana, Liberia, Morocco, Nigeria, Tunisia, Uganda, Zaire; Asia: Afghanistan, Indonesia, Pakistan, Philippines, Thailand, Turkey, Vietnam; Latin America: Brazil, Colombia, Costa Rica, Dominican Republic, Ecuador, El Salvador, Guatemala, Honduras, Nicaragua, Panama, Paraguay and Uruguay.

Program Evaluation

Section 241 of the Foreign Assistance Act requires A.I.D. to conduct evaluations of program effectiveness. A.I.D. assigns primary responsibility for program evaluation to the action units of the Agency. Appropriate overseas and Washington offices are expected to appraise progress toward targets and also to consider the validity of the targets themselves. Responsibility is so placed because only the action units can effectively make changes indicated by evaluation findings. A regular evaluation process is required which calls for the systematic collection and analysis of objective data, periodically brings a variety of viewpoints to bear on activities and problems, and relates evaluation findings to action decisions. This process goes far beyond the preparation of reports, although its conclusions may be recorded in reports.

Specific evaluation activities are largely the responsibility of individual Missions and those AID/Washington offices charged with direct supervision of specific programs. Coordination and supporting functions are provided by the Director of Program Evaluation in cooperation with AID/Washington offices and the Regional Bureaus. Internal coordination among these offices is facilitated by their membership

on the Program Evaluation Committee (PEC), which meets regularly to discuss procedures and to exchange information.

Evaluation activites include annual evaluation of all technical assistance projects; in depth evaluation of selected technical assistance and capital assistance projects; sector studies; and multicountry evaluations.

Evaluation begins with an annual evaluation plan in which a Mission or Washington Bureau decides what subjects it expects to examine, the schedule, method, and resources needed. For individual technical and capital assistance projects, the standards and goals against which subsequent evaluations are carried out are set forth in project proposals. These are followed by more detailed implementation plans which set forth actions and expected progress on a time-phased basis. Evaluation reports are then made in the form of the multi-page printed Project Appraisal Report for non-capital assistance, in a form prescribed in various loan agreements, or in special reports for which the format is determined by the Missions.

INTERREGIONAL TECHNICAL ASSISTANCE PROGRAM

PUBLIC SAFETY

Public Safety programs funded with development assistance funds develop civil police institutions that can:

(a) be responsive to the needs of all people of the country and for their protection of life and property;

(b) enforce the nation's laws humanely;

(c) provide an adequate measure of internal stability needed to facilitate economic, social and political progress;

(d) prevent the development of threats to internal order and cope with thme effectively, precluding the necessity for the use of military force to deal with civil problems; and

(e) have sufficient structural strength to undertake internal reforms consistent with the needs of a changing society as national growth and social and political progress occur.

As the measures of self-sufficiency implied in these objectives are reached, U.S. or other donor aid to police organizations is phased out.

Some countries are confronted with the international problem of growing, manufacturing, use or trafficking in narcotics. Public Safety programs will endeavor to focus the energies and resources of civil police institutions on effective narcotics control and enforcement efforts.

Public Safety programs in 17 development assistance countries will continue to be funded from Technical Assistance and Alliance Technical Assistance funds in FY 1973. Police officers from a number of countries to which Public Safety advisors are not assigned will also be trained in the United States, principally at A.I.D.'s International Police Academy.

A total of $4 million is proposed for 17 country programs and for the training of participants from other nations. These funds will provide for 61 advisors; the training of about 333 police officers in the United States, principally at the International Police Academy; and $743,000 for selected items of police equipment.

Of the 17 countries aided, 13 are located in Latin America. Public Safety programs in Brazil and Guyana will terminate by the end of FY 1972 and assistance to the Dominican Republic will phase out during the next six months. Other programs in Tunisia and Pakistan will also terminate by the end of FY 1972.

The annual cost of the public safety program in Saudi Arabia is paid by that government under authority of Section 607 of the Foreign Assistance Act to cover expenses of seven advisors and the training of about 45 Saudi police officers in the United States, primarily at the International Police Academy.

An additional $11.46 million of Supporting Assistance funds is proposed for Public Safety programs in Vietnam, Thailand and Laos. These programs assist the civil police and civil paramilitary forces of those countries in the development of their capabilities to cope with the high level of threat to the internal security of these nations brought about by externally supported subversion, guerrilla violence in rural areas and warfare.

PUBLIC SAFE.. PROGRAMS

(DEVELOPMENT ASSISTANCE FUNDED)

($000)

COUNTRY	FY-1972 ESTIMATED	FY-1973 TOTAL REQUESTED	TECHNICAL	PARTICIPANTS	COMMODITIES	OTHER COSTS	REMARKS
ASIA							
Philippines	800	530	240	10	280	-	
Pakistan	250	-	-	-	-	-	Concluded
Saudia Arabia	(430)	(430)	(300)	(130)	-	-	Self-funded
Sub-Total	1,050	530	240	10	280	-	
LATIN AMERICA							
Bolivia	115	184	108	13	45	18	
Brazil	174	-	-	-	-	-	Concluded
Colombia	340	360	165	90	67	38	
Costa Rica	198	127	106	16	-	5	
Dominican Rep.	370	102	28	22	12	40	
Ecuador	135	200	94	25	50	31	
El Salvador	56	52	30	15	5	2	
Guatemala	377	375	216	60	73	26	
Guyana	99	-	-	-	-	-	Concluded
Honduras	171	116	70	20	18	8	
Jamaica	96	85	40	35	10	-	
Nicaragua	91	91	61	6	14	10	
Panama	203	169	100	40	19	10	
Uruguay	225	210	105	85	15	5	
Venezuela	200	250	152	55	-	43	
Sub-Total	2,843	2,321	1,275	482	328	236	
AFRICA							
Reg. Training	100	200	-	200	-	-	
Ghana	106	108	70	38	-	-	
Liberia	203	187	140	32	10	5	
Tunisia	125	-	-	-	-	-	Concluded
Zaire	1,016	688	488	115	125	-	
Sub-Total	1,650	1,183	658	385	135	5	
Grand Total	5,543	4,034	2,173	877	743	241	

INTERREGIONAL TECHNICAL ASSISTANCE PROGRAM

PARTICIPANT TRAINING PROGRAM

A.I.D.'s Participant Training Program is an investment in the people of the developing countries, conducted to help carefully-selected, qualified foreign nationals acquire needed skills not available in their own countries. The program is conducted in response to the rapid advance of technology, the desire of developing countries to take more responsibility for their own development, and U.S. policy of encouraging local self-reliance. One of the most important aspects of the program is that the foreign national must agree to return and use his education or skills in the development of his own country. The program is one of the most direct ways to help developing countries help themselves.

The United States first began training foreign nationals in 1942, when the program was confined to Latin Americans. It was expanded under the Marshall Plan as part of the rehabilitation of Europe following World War II and extended later through the Point Four Program with a gradual shift of emphasis to the less developed countries of Asia, Africa and Latin America.

By the close of FY 1971 more than 155,000 foreign nationals had been trained in the United States and other countries under this program. The participants have been trained in a variety of fields; agriculture, education, health, family planning, public administration, public safety, labor, youth leadership, industry; all priority requirements in the development process. They have been educated or trained in literally hundreds of U.S. colleges, universities, private firms, local governments, labor unions, cooperatives and a variety of other training institutions in the 50 states, the District of Columbia and Puerto Rico, as well as in other foreign countries.

Over the past three years, A.I.D. has had in training an average of over 13,000 foreign nationals annually: in FY 69, 13,645; in FY 70, 13,575; and in FY 71, 13,110. The largest number came from Latin America, followed by the Near East and South Asia, East Asia, and Africa, in that order. More than one-fourth of the participants were trained in education, followed closely by agriculture; with large numbers enrolled in public administration, health, industry, labor and other programs.

The objectives of the program are: first, the improvement of the technical and productive capabilities of foreign nationals through the acquisition of new technical knowledge and skills; second, to broaden the outlook of the foreign national through exposure to modernization, change and democratic processes; third, to allow foreign nationals to gain a better understanding of the United States, particularly its people and its way of life through observation and participation in the civic, social and economic activities in U.S. communities.

The Participants: There are important criteria which must be met by a foreign national before he is selected for training under A.I.D. sponsorship. The participant's own country, in cooperation with the A.I.D. mission in that country, must confirm the need for the desired skills in the country's development program. The candidate must be a national of the country he represents; belong to no unlawful organization; be in good health, evidenced by a medical examination; be technically and educationally qualified for the proposed training; have gone beyond the level of training available at home in his field; be employed in this field or reasonably assured of such employment on his return. He must be proficient in the English language except for those engaged in short-term training, for whom interpreters are provided; mature enough to represent his country abroad and must be able to adjust to a foreign culture without too great difficulty.

The typical participant is highly motivated and dedicated to his training program as well as to the social and economic development of his country. By prior mutual agreement, upon completion of his program he must return to apply his training toward the achievement of his country's development goals and to train others. This agreement, which the participant makes with his government and the United States, is seldom broken. The effect of the "brain

drain" on the program over the years has been almost negligible--less than one half of one percent. Through a continuation of personal contact with the participant when he returns home, A.I.D. can verify that more than 85% have put their training to direct use in the development of their countries.

The program offers four types of training:

(1) Academic training is given in an accredited institution and may or may not lead to a degree. In FY 1971, 53% of the total were in some form of academic training at 380 US educational institutions.

(2) Observation training is a program of short duration, usually for higher level participants who cannot be away from their countries for a long period of time.

(3) On-the-job training provides an opportunity to learn by doing, side-by-side with an experienced person.

(4) Specialized training may include a combination of academic, on-the-job, and observation training, or may be a training facility in direct response to the needs of the participant. (For example, U.S. business and industry have played an important role in providing training. Some 150 industrial firms have provided opportunities for participants to work with US management and labor to learn new skills and technology.)

In some instances, A.I.D. supports training in other countries which have attained a sufficient momentum of development in a particular area to offer training closer geographically to the participant's own country; more relevant to developing countries' needs; often in the same language; and at less cost. This type of training also encourages developing countries to help each other. Mexico, Taiwan, Israel, Iran and Lebanon, which were once recipients of U.S. foreign assistance, now offer training to other nationals in the same area. India, Thailand and the Philippines also provide training for other nationals.

Community Participation: To administer the participant training program, A.I.D. relies upon the cooperation of community organizations and educational institutions throughout the United States. In a series of special programs, an effort has been made to expose the participant to civic participation (Title IX) activities in the United States so that he can consider possible application of these activities in his own community. An effort is made to familiarize the participant with the PTA, the town meeting, the courts, the county agent, organized labor and other social and cultural aspects of American society. We have learned from the participants that those who formed friendships with Americans were more successful in their overall programs than those who did not. Simple home hospitality, offered freely throughout the United States, plays an important role in participant training.

Cost: In terms of cost, the participant training program is relatively inexpensive. Except for the operation of the Office of International Training itself, the program is financed mainly through the A.I.D. missions in the developing countries abroad. The average cost per participant is about $3,700 for an average of six months' training during a fiscal year.

The developing countries themselves share in the total cost of participant training. Where they can afford to, the developing countries pay the international travel costs for their participants. During FY 71, over half of these costs were paid by the host countries. They also bear most of the costs of preparing the participant for departure, such as travel from his home to the point of departure, English language training, and medical examinations. More importantly, many countries also maintain the participant's family at home by continuing salary payments during the training period.

78-827 O - 72 - pt.2 - 37

Follow-up: A.I.D.'s concern with the participant does not terminate with his training program. Prior to departure from the United States, most participants are interviewed to determine their reactions to the training experience. These interviews have provided A.I.D. with helpful guidance for program improvements.

When the participant returns to his own country, he meets with the Development Training Officer in the A.I.D. mission, who helps him apply his knowledge and become an effective agent of change in his country's development process. The A.I.D. training officer also reemphasizes to the participant the paramount importance of transmitting his new skills and knowledge to others.

Focus: The priorities of the participant training program are changing to correspond with shifting emphases in other A.I.D. programs. In response to the staggering population growth in the developing countries, A.I.D. has greatly expanded its training of participants who will train others in clinical procedures and demographic skills. In FY 1971, about 900 participants received training in family planning and population studies under A.I.D. sponsorship. This figure is expected to expand sharply throughout the 1970's.

Large numbers of participants will continue to be trained in agriculture, education, and health (which may also include family planning), training will also respond to the increasing world-wide awareness of ecology. To support A.I.D. programs in all of these fields, we will, as in the past, provide training in administration and management.

The results of the participant training program are tangible. For example:

--On June 8, 1971, following the resignation of Prime Minister Etemadi, the King of Afghanistan designated Dr. Abdul Zahir to form a new Government. Out of the eighteen-member Cabinet, six Ministers are former A.I.D.-sponsored participants. The Minister of Commerce attended the University of Illinois; the Minister of Communication, the University of Southern California; the Minister of Mines and Industries, the University of Pittsburgh; the Minister of Agriculture and Irrigation, the University of Wyoming and Texas A & M; a Minister Without Portfolio, Columbia University; and another Minister Without Portfolio studied rural development with the U.S. Department of Agriculture under A.I.D. sponsorship. Although he was not an A.I.D. participant, Prime Minister Zahir also received his university training in the United States at Columbia and Johns Hopkins Universities.

--On May 19, 1971 President Suharto of Indonesia honored two agronomists, both returned participants, for their work in developing two improved strains of rice, uniquely suited to Indonesia. The high yielding strains have a strong resistance to disease and are palatable to the Indonesian consumer.

--Approximately 100 Ecuadorean participants have been trained under A.I.D. auspices in family planning over the past four years in the United States, Puerto Rico, Chile and Mexico. Doctors, social workers, nurses and health educators from all over the country have received academic, observation, on-the-job and specialized training in family planning; employing motivation methods, audio-visual aids, demography, statistics, tabulation, organizing and administering family planning programs. The returned participants have established the foundation for a national family planning program and have stimulated broader interest through conferences and seminars and especially by offering on-the-job training to other medical and para-medical personnel involved in family planning.

--Although relatively new, the Haile Selassie I University in Ethiopia is becoming an important educational institution. It's curriculum is oriented toward training in development sciences and techniques. Partly through the efforts of a number of returned A.I.D.-sponsored participants, the University has made considerable progress over the past 10 years. In 1961, the university's full time staff numbered less than 100, only four of whom were Ethiopians. Today, there are 550 full-time teachers, of whom 300 are Ethiopians and an additional 157 Ethiopian regular staff are on study leave; 46 Ethiopians are in administration. Much of this Ethiopianization of the University has been made possible by A.I.D. participant training. A total of 155 A.I.D.-sponsored participants had returned to HSIU by 1971, 86 to the faculty and

administration of the Addis Ababa campus and 69 to Alemaya and Gondar Colleges. There were 37 participants in training in 1971, scheduled to join the faculties on their return.

Throughout the Ethiopian Ministries of Education and Agriculture former participants hold important positions.

INTERREGIONAL TECHNICAL ASSISTANCE PROGRAM

GRANTS TO U.S. INSTITUTIONS

Under Section 211(d) of the Foreign Assistance Act, A.I.D. funds are used to increase the capacity of the United States to assist the development of the lower income countries. Through grants authorized by this section, United States universities are able to strengthen their capacity to participate in the planning and execution of economic development programs. Related to the A.I.D. research program, which mobilizes existing research talent of the universities, the Section 211(d) grant program stimulates the development of new talent and new institutional resources in the United States for long term collaboration in the development process.

Grants are made to universities that have demonstrated a commitment to achieve a capability in a particular area. Usually this capability is based on previous work on domestic problems. Examples are Auburn University in fish production and the University of Wisconsin in land tenure. The grant, made for a period of five years, enables a university to add an international economic development dimension to its existing capability. Recipients contribute as much, or more, from other sources as they receive from the grant.

In carrying out this effort, administrative procedures have been simplified to permit assumption of most of the management responsibility by the recipient institution. Thus a highly productive relationship is built between A.I.D. and the university.

Universities have demonstrated a serious commitment to development far in excess of what might be available under a standard procurement contract. Library collections in land tenure at the University of Wisconsin and in water management at Utah State University have been supported by funds provided by the universities.

Contacts have been made with foreign institutions through graduate students trained at United States universities. New produtive relationships have been established by direct contact with these and other institutions. In addition, training foreign students enables a university to build its development capability. Through requests for assistance from overseas missions, other organizations such as the Peace Corps, other governments, and Foundations, the capabilities of the recipient institutions are further enhanced.

Agriculture is the largest area of concentration of the grants programs. Six universities working in India under institution building contracts in agricultural development were the first recipients of grants. More recently, five universities received grants to develop a competence in tropical soils. While the grants are made individually, the recipients will work cooperatively. Three other universities have received grants to concentrate on water management problems in the less developed countries, including work on the organization of water districts. These universities are also cooperating in a consortium arrangement with a fourth university supported by a grant from a private foundation.

Two other universities have received grants to work on fish production problems, with one concentrating on ocean fish and the other on inland fish. Four universities have received grants to develop a competence in agricultural economics work, especially in policy determination, and a fifth is the recipient of a grant on land tenure and reform problems.

Health, Population, and Nutrition is an area in which grants have been made to the Universities of Michigan, North Carolina and Johns Hopkins. These universities have received the largest grants made and have experienced heavy demands from A.I.D. missions and other international organizations to respond to health and population needs around the world.

Two grants have been made for education. One to Florida State University will help that institution develop a leadership capacity in the field of educational technology and new educational systems for the less developed countries. This is a key element in the strategy to develop new and efficient means of education relevant to the situations of the less developed countries. Another grant has been made to the University of California to increase its work in Latin American educational problems.

INTERREGIONAL TECHNICAL ASSISTANCE PROGRAM

Two grants have been made in science policy to develop leadership in the transfer of technology to developing countries. One of the grants emphasizes the study of the technological requirements, components and adaptations required for industrial development while the other focuses on alternative national policies for implementing industrialization.

In response to Title IX of the Foreign Assistance Act, seven grants have been made in the fields of political and social participation. Grants have been made to Yale University and Stanford University to increase United States competence in the field of law and legal systems in the development process. A grant to Tufts University aims at building a competence to work in institutional needs for democratic development. Three grants have been made to develop competence in world legislative problems, focusing on the role of legislatures in nation-building, national integration, economic modernization and the participation of people in the political process. Another grant in institutional development technical assistance methodology has been made to the Midwest University Consortium for International Activities, to which five universities belong. The University of Michigan has received a grant to work in economic policy and development problems peculiar to Africa, and Southern Illinois University has a grant to develop a competence in the social and economic development problems of Vietnam.

The University grants program is new, with 37 grants having been made since the end of FY 1968. As a relatively new element in our bilateral development assistance effort it seeks to enlist the universities as full partners in the task of development, rather than merely as contractors for specific tasks. This program reflects growing concern that a more meaningful collaboration be established between American and overseas institutions in order to help the universities and research institutions of less developed countries support the efforts of their own governments in economic development.

Development Research

A.I.D.'s central research program was designed to focus on one of the major constraints in development -- technical inefficiency This technical inefficiency is found throughout the under-developed areas of the world in production, administration, education, and government. For example, poor soil is not usually as important in limiting crop yields as are crop varieties which are inefficient users of land, poor use of fertilizer and water, or low quality fertilizers mixed by inaccurate formulas. In other cases poorly organized educational systems use scarce money and manpower in inefficient methods of teaching, often in subjects that have little relevance to the problems of society.

The United States has a great store of knowledge which has been applied to its own development. But research is necessary to adapt United States technology to the needs and environments of the developing countries. The central research program was designed primarily to build on this store of United States competence by providing knowledge of more direct usefulness to the less developed parts of the world.

However, the less developed countries need their own competence to solve problems and develop new technologies to continue their economic and social development. This competence is growing through general institution building projects, and the collaborative efforts of United States research contractors with research institutions and the numerous scientists of the less developed countries who were educated in the United States, many under A.I.D. sponsorship. The FY 1972 research program emphasizes this collaboration and encourages the creation of international research networks, involving one or more research entities from the United States and the less developed countries.

-- In Colombia, for example, the national agricultural research group has increased its staff and budget to work in weed control with Oregon State University; in vertebrate pest control with the Department of the Interior and in irrigation with Utah State University. Thus the scope and effectiveness of the research programs are increased and the application of research results facilitated. In each case the United States contractor also collaborates with institutions in other countries. For example, to solve irrigation problems in Colombia, Utah State University is coordinating a network with three other United States agricultural colleges which have international programs in water resource management.

In another emerging network, A.I.D. is contracting with the University of Makerere in Uganda to do research in contraceptives, a field in which it collaborates with several other United States organizations.

The University of Nebraska, under an A.I.D. contract to improve the protein quality of wheat, has established an international network which includes 26 countries and the International Center for Wheat and Corn Improvement (CIMMYT) in Mexico. The aim of the network is to test the entire world stock of winter wheat genetic materials. Purdue University has a similar network for sorghums testing.

These collaborative networks have been emerging informally with encouragement from A.I.D. In FY 1973 research contracts will provide for more participation by developing country institutions, to work more closely with these groups in designing research projects, and to attempt to create more formal, effective networks that will survive after the expiration of the A.I.D. contract.

The A.I.D. research program is executed by United States universities, research institutions and other private organizations under contract and by reimbursable agreements with other United States government agencies. A total of 159 projects have been approved since the program started in 1962, of which 74 are still active. These projects have involved 40 universities, 21 research institutions, and the United States Departments of Agriculture, Interior, and Health, Education and Welfare.

Agriculture: The research program has concentrated primarily on agriculture, both because of the importance of agriculture in economic development and because of the extensive experience the United States agricultural scientific community has had in problems of development. Its work can be grouped into five categories: plant breeding, pest control, water and soil development, livestock production, and economic aspects.

-- To provide a solution to the widespread problem of malnutrition, plant breeding emphasizes efforts to increase the protein content of various crops. Research is being done to improve varieties of wheat, corn, sorghums, cassava, and the grain legumes (especially beans and peas). This work, particularly the work in cereals, is being carried out largely by international groups. New seed lines have been developed by scientists in various projects; these can now be developed into new varieties. Research on pests includes the tsetse fly, weeds and the vertebrate pests. The vertebrate work on rats, bats and bird pests that limit crop and livestock production appears to be at the verge of a significant breakthrough in controlling the vampire bat which annually accounts for loss of some $250 million to livestock in Latin America. Male sterility methods of insect control developed in the United States, have been adapted to combat the tsetse fly, an insect which prevents the development of millions of acres of good rangeland in Africa. The methods need extensive field testing before application, which is now being planned under FAO. Weed control research in Colombia has resulted both in a wider use of herbicides where necessary and a wiser, more efficient use in all areas. Such research increases agricultural production and protects the environment against overuse of chemicals. The introduction of soybeans into the fertile Cauca Valey of Colombia was meeting serious obstacles from bird damage. In response to a request from the Colombian Government, A.I.D. researchers are now attempting to control the bird problem. Similarly, in the Philippines, where rat damage is serious, an A.I.D. rat control research program is being conducted.

-- Soil and Water resources studies are another important area of agricultural research. Limited water resources and bad management are often the most serious constraints on agriculture. Two research contractors -- Colorado State and Utah State Universities -- are working on water resource management. These universities are collaborating with the Universities of Arizona and California in these projects. In addition, Cornell and North Carolina State Universities are engaged in research on tropical soils management; Cornell is studying management problems, while North Carolina State is investigating the particular problems of savannah type soils. Under this savannah soils project, in collaboration with a Brazilian University, a fertilization system has been developed which has increased grain production four-fold in an area of previously declining production. Finally, the Tennessee Valley Authority is coating fertilizers for use in tropical areas, so that various nutrients

will be released at different times as needed by the particular crops.

-- In livestock production, the University of Florida is working on special problems of cattle nutrition in the tropics, and Texas A & M University is working on special problems of cattle diseases. Research in this area will be emphasized more in the future.

-- Economic and social problems of agriculture are receiving increased attention, partly in response to progress in rural development and partly in response to age-old problems like uneven income and land distribution. Cornell University is studying income distribution and the employment effects of the production increases resulting from the adoption of new varieties of wheat and rice and possible government policies to adjust inequities. Michigan State is studying planning methods to help national governments cope with the economic and social problems of rural development. The University of Wisconsin has completed a long-range research project in land tenure and is using the findings to advise Latin American governments on land distribution schemes. Ohio State is presently engaged in a study of capital formation in agriculture.

Population research is one of the most difficult areas of A.I.D.'s research program. Not only is the population technology inadequate, but major problems are also presented by the deficiency of demographic information, government policies, and the widely varying social customs of the developing countries.

The technology of population control is receiving the most attention. Much of A.I.D.'s research is aimed at improving conventional fertility control methods, such as the pill, the interuterine device, foams and medications, and sterilization. One line of research, for example, seeks to develop methods of reversible sterilization, since the finality of present methods is an obstacle to wider acceptance of the practice. In addition, other research on foams emphasizes their potential in disease control, as well as birth prevention. In the search for a once-a-month medication, four research contractors are seeking better ways of production, more knowledge of the effects, and more effective ways of application. Another line of technological research aims at finding methods to improve delivery of contraceptives in countries where clinical facilities and trained medical personnel are scarce.

-- Demography and population dynamics are another important area of research in which A.I.D. is attempting to develop a new methodology. Developing countries face serious problems in collecting population data and in its analysis and application. North Carolina State University has a contract to conduct research in this area. Research is also being conducted in patterns of growth in order to help countries in their planning of population programs.

-- Operational research is becoming more important in the population program; efforts are being made to determine best ways to implement family planning programs and to widely diffuse a contraceptive technology. The operational research is being conducted in collaboration with WHO and other organizations; coordinated programs for gathering information regarding present population control practices, attitudes toward family planning measures, and the organization and administration of national family planning programs are presently being implemented.

Health research has placed heavy emphasis on supporting the world-wide malaria eradication program. The United States Department of Health, Education, and Welfare has three important projects in the United States, Central America and Thailand which are seeking to find alternatives to DDT control and are studying the ecology of mosquitos and the effects of population migration in the spread of malaria. The University of Illinois has a long-range research project to develop a vaccine against malaria. A vaccine which they have developed has been tested successfully on rodents, but will require several years to perfect for human application. Other tropical diseases, such as snail fever, will also receive attention in research programs.

Nutrition research has concentrated heavily on the protein fortification of basic cereals such as corn, wheat, and rice. Laboratory work has been completed in these three grains, and field trials instituted in 1972. A major breakthrough may result from research at Kansas State University, which has developed formulas for greatly enriched native foods, such as

local types of breads and cakes, which can be baked without significant changes in taste and appearance. The corn-soy milks, which have been marketed in several countries as high-protein alternatives to conventional soft drinks, have also been a development of research sponsored by A.I.D. with the United States Department of Agriculture.

Education and Human Resources. New research in this field concerns communications technology, including research on educational systems and organization needed to utilize the relevant technology. This research emphasizes that the educational needs of the developing countries are so large in relation to resources that the high-cost conventional educational systems often are impractical.

Policy, Program Organization, and Administration: Limitations of organizational and administrative capabilities are often as serious in hindering economic development as those in biological and physical technology. These areas have received additional emphasis in research on policy issues such as trade, employment, exchange controls, transportation, and pricing, all of which are critical economic factors. Research in policy issues more specifically related to individual sectors and to other smaller units will be emphasized in the future. Problems of income distribution and civic participation, both of which are extremely important in development, will also be stressed. One contract aims specifically to analyze the role of income distribution in economic development and its relationship to political factors. Research in the areas of legislatures and law, will also focus on lower levels of government and administration, particularly in relation to problems which might be encountered in developing delivery systems to extend health, agriculture, nutrition, and family planning services to small communities and individuals. General technical support activities are already being implemented in these areas.

INTERREGIONAL TECHNICAL ASSISTANCE PROGRAM

WASHINGTON PROGRAM SUPPORT

Program support costs totalling $54.8 million in FY 1973 cover technical and administrative activities associated with the implementation of world-wide programs and certain direct program related activities in Washington. The majority of these costs (around 66% of the proposed FY 1973 total) are for salaries and benefits of Washington-based professional employees, such as contract officers, training officers, program officers, research personnel, and technicians. Also included are travel costs (including Congressional travel) to review programs in the field, contractual services such as technicians provided by other Government Agencies, maintenance of automatic data systems and related equipment, employee training, and other miscellaneous support costs. In addition, the estimate includes the prorata share of costs for common services furnished by the Department of State such as translating and interpreting, transportation, health, custodial services, and telegraphic communications. Also included are expenses to cover the World Food Program staff in Rome. Portions of these costs are directly related to and support Technical Cooperation, Development Lending, Economic Supporting Assistance, and Population activities and include costs related to the expanded Vietnam program, which have been included in previous years in the Vietnam program under the request for Supporting Assistance.

Construction of Facilities:

Section 636(c) of the Foreign Assistance Act of 1961, as amended, permits the use of up to $3 million of foreign assistance funds in any fiscal year to construct or acquire essential living quarters, office space and necessary supporting facilities for use of personnel overseas carrying out activities under the Act. In FY 1973 a proposed $300,000 is planned to be utilized for construction of residences in Laos, which was postponed in FY 1972.

Dependent Education:

Section 636(d) of the Foreign Assistance Act of 1961, as amended, authorizes the use of foreign assistance funds to assist schools already established (or to be established) or for other types of educational assistance to assure educational opportunities equivalent to those available in the United States for dependents of personnel carrying out activities authorized by the Act. Thus United States Government agencies have been able to recruit and retain the high caliber personnel required in carrying out foreign assistance programs in the less developed areas of the world.

The Dependent Education Program directs its major attention to support of staffing, teaching materials and educational facilities. Funds must be made available for such support if the dependent children of personnel stationed abroad are to have adequate educational opportunities. In FY 1973, the $2.5 million authorized is required. The distribution of this amount among Technical Assistance and Supporting Assistance accounts will be made during FY 1973. The amount used for this purpose in FY 1972 was reduced to $1.8 million by postponement of school construction programs.

FISCAL YEAR 1973 REQUEST FOR AID ADMINISTRATIVE EXPENSES

Mr. PASSMAN. Mr. Secretary, you are requesting for administrative expense, Agency for International Development, $58,800,000 for fiscal year 1973. Is that correct?

Mr. CAMPBELL. Yes, sir.

Mr. PASSMAN. Are you going to have to add anything to that in the supplemental or has that been taken care of by transfer previously?

Mr. CAMPBELL. That is taken care of, sir. It is included in the $58.8 million.

Mr. PASSMAN. If we look at your 1972 program I would assume it is all-inclusive and includes the regular appropriation plus transfers and certain receipts and reimbursements. Is that correct?

Mr. CAMPBELL. That is correct.

Mr. PASSMAN. In reality, then, the funds that you are requesting for administrative expenses for fiscal 1973, in total, are about $2 million less than the grand total you had in fiscal 1972?

Mr. CAMPBELL. $2,200,000, sir.

REDUCTION IN AID PERSONNEL

Mr. PASSMAN. This is brought about by a transfer of personnel that you had been carrying in excess, transferring them to other agencies?

Mr. CAMPBELL. No, sir. This part of our reform plan includes reduction of AID personnel.

Mr. PASSMAN. Perhaps I didn't say it as you wanted me to, but it is the same difference. It simply means you are reducing personnel, and in some instances you are reducing personnel that you have carried on the rolls in previous years.

Mr. CAMPBELL. Most of this is through an employment freeze and attrition.

Mr. PASSMAN. You are not basing this on the reduction in the budget request, are you?

Mr. CAMPBELL. In addition to the reduction in the budget we have an increase in the cost of personnel.

Mr. PASSMAN. What kind of personnel?

Mr. CAMPBELL. There is an increase in the cost of personnel because of the salary increase by law in January of 1972.

Mr. PASSMAN. I have reason to believe I am not getting through. The amount you are asking for in fiscal year 1973 is $2,200,000 less than what the Congress provided in fiscal 1972?

Mr. CAMPBELL. That is correct.

Mr. PASSMAN. I am trying to establish why you are able to state that you need $2,200,000 less this year. Give us the reason.

Mr. CAMPBELL. The main reason is that we are able to operate with less people more efficiently.

Mr. PASSMAN. Why didn't you get rid of those people previously? Why did you not take this step years ago?

Mr. CAMPBELL. Sir, we have been reducing since 1968, which was our peak year, when we had a direct hire staff of 17,569. Since 1968 we have reduced to the end of the fiscal year 1972, June of this year, a total of 5,169 employees. That is almost 30 percent.

Mr. PASSMAN. Are you shifting direct hire personnel over to contract personnel?

Mr. CAMPBELL. No, sir. This is direct hire I am speaking of now. There has been an actual reduction in the number of people. We are coming down from 17,569 to 12,400 as of June of this year. We are also coming down in the contract hire.

Mr. PASSMAN. Why did you not do this 20 years ago if you had excess personnel?

Mr. CAMPBELL. I am sorry. I have been in this position only since July of last year.

Mr. PASSMAN. Yes, sir.

Mr. CAMPBELL. Since that time I have concentrated particularly on trying to reduce the number of people within the Agency and the cost of doing business.

Mr. PASSMAN. Then you answered my first question. You went on the defense before I got through making the case.

Mr. CAMPBELL. Thank you.

Mr. PASSMAN. You had excess personnel which you could do without in the Agency but you just got around to transferring them out simply because you were blocked previously from doing so because of the law.

Mr. CAMPBELL. That is correct; but we need "Retirement legislation," to continue to reduce personnel.

Mr. PASSMAN. Mr. Campbell, I want to commend you, and that includes that fine gentleman, Dr. Hannah, for your continued effort to separate by transfer or retirement, personnel whose services you can dispense with in the AID agency. You have been making notable progress and you are to be commended for streamlining your operation.

CONCENTRATION ON DEVELOPMENT PRIORITIES

Mr. SHRIVER. You indicated in your statement that AID will achieve more efficient management through internal reform and increased efficiency. How do you propose to achieve it?

Mr. CAMPBELL. We will achieve this largely through concentration of our program on fewer priority development problems, placing more of the responsibility on the host country, particularly in streamlining our own internal organization, and giving the responsibility to our managers and really holding them to that responsibility.

ADMINISTRATION OF EXCESS PROPERTY PROGRAM

Mr. SHRIVER. Last year we were concerned with the administration of the excess property program by AID. How is this program being administered today?

Mr. CAMPBELL. Sir, I am very happy to comment on that because a year ago I attended as a consultant a conference on this excess property. I was interested in AID, and I joined the Agency shortly thereafter.

One of the big problems we had was this excess property program.

During the last year we have turned this program completely around. Last year we had a loss compared with our revolving fund of $700,000. We were below the revolving fund.

We have now, through good management, brought this up to $4,900-000, within $100,000 of the revolving fund of $5 million. We project that by June of this year, the fiscal year, we will go over the $5 million. It will be $5.2 million.

This is a complete turnaround of the program within a year.

REDUCTION IN AID ADMINISTRATION EXPENSES

Also we have reduced the number of personnel by 50 percent.

Mr. SHRIVER. You are asking for the same amount of administrative expenses appropriations, $50 million, as you got last year. Yet you say AID will be more efficient. If efficient should it not result in a lower appropriation?

Mr. CAMPBELL. Yes, sir, our request is lower.

Mr. SHRIVER. Especially since you just mentioned you have cut back on people and can cut back on people?

Mr. CAMPBELL. The total for this year is $58,800,000, sir, compared with $61 million last year, which is a reduction of $2,200,000. We are reducing the amount we are requesting this year. It is $2,200,000 under last year.

INTERAGENCY CONTRACTS WITH AID

Mr. SHRIVER. You mentioned as part of your management responsibilities that you handle 361 interagency contracts with 16 other Federal agencies. Would you put in the record the names of those agencies?

Mr. CAMPBELL. Yes.

(The information follows:)

Department of Agriculture, Farm Credit Administration, Civil Aeronautics Board, Department of Commerce, Federal Communications Commission, Federal Home Loan Bank Board, General Services Administration, Department of Health, Education, and Welfare, Department of Housing and Urban Development, Department of Interior, Department of Labor, National Science Foundation, U.S. Postal Service, Treasury Department, Department of Transportation, and Tennessee Valley Authority.

PROJECT APPROVAL COMMITTEE

Mr. SHRIVER. You state a project approval committee will be set up to insure that all projects conform to your priorities. Have you not had overseas project approvals in the past?

Mr. CAMPBELL. Yes, sir, we have had a project approval process but this is a committee which is now on a higher level so we get a very broad management viewpoint.

Mr. SHRIVER. What do you mean by higher level?

Mr. CAMPBELL. Assistant Administrator level. Before it was frequently at a lower level.

ADMINISTRATOR'S ADVISORY COUNCIL

Mr. SHRIVER. Will you tell us more about the new Administrator's Advisory Council, those who will serve on it, how often they meet, and so forth?

Mr. CAMPBELL. The new Council is made up of the Administrator, his deputy, and the assistant administrators—four from the geographical areas and four from the other bureaus, such as my own bureau, the Bureau for Population and Humanitarian Assistance, and so on.

CONSOLIDATION OF ASIAN DEVELOPMENT PROGRAMS

Mr. SHRIVER. Will this consolidation of your Asian programs result in a saving of money?

Mr. CAMPBELL. Yes, it will.

Mr. SHRIVER. How many less people?

Mr. CAMPBELL. We figure we can reduce to 12,400 total by this June and next year we will be down to 11,800, total. If we could possibly get through this retirement legislation to put our Foreign Service people under the State Department and the USIA system we figure we could reduce another 300 people and over a period of time get it down to maybe as high as 20 percent reduction from where we are now.

TRANSFER AUTHORITY COVERING PAY RAISES

Mr. SHRIVER. What would be the effect if you are not given the authority to transfer the $2.3 million from other AID appropriations to cover the cost of the latest pay raise?

Mr. CAMPBELL. If we are not given the transfer?

Mr. SHRIVER. Yes.

Mr. CAMPBELL. I don't think we could get along without it, sir.

Mr. SHRIVER. From what other appropriations are you proposing making these transfers?

Mr. CAMPBELL. It would come from the Development Loan Account. We will just have to cut back on the development loans because we have to have the money required to pay our salaries.

AID FUNCTION UNDER PUBLIC LAW 480

Mr. SHRIVER. Your office is responsible for the planning, management, monitoring of Public Law 480, Title II, Food Donations Program?

Mr. CAMPBELL. No, sir.

Mr. SHRIVER. Who does that?

Mr. CAMPBELL. This is done by the Office of Food for Peace in conjunction with the regional bureaus, Bureau for Program and Policy Coordination, and the new Bureau for Population and Humanitarian Assistance which also have responsibilities in program planning, resource allocation, and evaluation. Their roles are coordinated by the Food for Peace Office.

Mr. SHRIVER. A new bureau within AID?

Mr. CAMPBELL. Yes, sir.

Mr. SHRIVER. Yet you——

Mr. CAMPBELL. The program planning and budgeting is done primarily by the Food for Peace office and the Bureau for Program and Policy Coordination.

Mr. SHRIVER. You do the planning, the managing, the monitoring at AID?

Mr. CAMPBELL. Yes, sir.

Mr. SHRIVER. The administration of the program is some place else, however. Is it not under Agriculture?

Mr. CAMPBELL. No; administration of the program is under State/AID as provided in Executive Order 10900 and State Delegation of Authority 104. USDA has responsibility for preparing the budget and commodity allocation, purchasing, and shipment against programs approved by AID.

Mr. SHRIVER. How do you coordinate this very sensitive program? Should it not be all over in AID? That is what it is.

Mr. CAMPBELL. Program coordination is achieved through an interagency staff committee which reviews all programs. ISC membership consists of representatives from USDA, State/AID, OMB, Treasury, and Commerce. Programs must be acceptable to all member agencies prior to AID approval.

Mr. SHRIVER. It seems to me this might be a duplication of people.

Mr. CAMPBELL. No. It is through this committee that AID is able to take into account member agencies objectives in overseas programing. We find that this procedure is very helpful to our people and beneficial for future planning.

Mr. SHRIVER. To plan, manage, monitor?

Mr. CAMPBELL. No. In the planning, AID administers and monitors the program overseas. USDA participants in the program propose review with the other members of the ISC and implement the actual commodity procurement and shipment.

INSPECTOR GENERAL OF FOREIGN ASSISTANCE

Mr. SHRIVER. Let me ask if there is a typographical error in the Inspector General figure for fiscal 1973, of an extra $50,000 as a result of rounding.

Mr. CAMPBELL. No, sir; the total of $1,050,000 is correct. The development loans figure should be $550,000.

(Discussion held off the record.)

PERSONNEL LEVELS

Mr. PASSMAN. On page N–1 you list the substantial workload facing AID's management and on the same page you indicate that personnel levels have been reduced greatly. Have these reductions been made in a way that the audit responsibilities of AID will still be carried on in an efficient manner to insure the proper use of U.S. funds?

Mr. CAMPBELL. In line with Dr. Hannah's policy for streamlining and reducing personnel requirements, Mr. Tennant, our Auditor General, has been formulating plans to consolidate and realine overseas activities without sacrificing audit and inspection coverage. Some of our Auditor General offices overseas have been or are being consolidated and their personnel are being reassigned. This is true in Asia, Africa, and to a certain extent in Latin America. Where audit workload is increasing, offices will be strengthened. Dr. Hannah and Mr. Tennant are convinced that with planned levels of auditor personnel, we can be assured that audit coverage will be professionally responsible and adequate.

Mr. PASSMAN. Would you place in the record the table that appears on page N–1 of the justifications showing the personnel reductions over the last 6 years?

Mr. CAMPBELL. Yes, sir.

(The information follows:)

END OF FISCAL YEAR

	1968	1969	1970	1971	1972	1973
AID direct hire personnel:						
Americans	8,306	7,352	6,939	6,513	6,277	6,040
Foreign nationals	9,263	8,401	7,547	6,964	6,123	5,760
Total	17,569	15,753	14,486	13,477	12,400	11,800
Cumulative percentage decreases:						
Americans		11	17	22	24	27
Foreign nationals		9	18	25	34	38
Total		10	18	23	29	33

PERSONNEL COMPENSATION

Mr. PASSMAN. Is it not true that this appropriation does not represent the total amount to be paid by AID for personnel compensation in fiscal year 1973?

Mr. CAMPBELL. That is true. The administrative expense appropriation funds only a portion of the total number of AID employees.

Mr. PASSMAN. Would you please list for the record what the total amount will be paid by AID for personnel compensation in fiscal year 1973?

Mr. CAMPBELL. Total direct-hire personnel costs for AID are currently running at about $144 million per year. This includes Americans and foreign nationals who are charged to U.S. dollar appropriations.

Mr. PASSMAN. In addition to the dollar amounts, how much in local currencies will be used to pay personnel expenses?

Mr. CAMPBELL. We have about 4,500 foreign nationals who are paid from local currency trust funds. The dollar equivalent of the salaries paid to these employees are estimated at $11,800,000.

Mr. PASSMAN. Would you explain briefly the difference between your program funded and administrative expense funded personnel expenses?

Mr. CAMPBELL. Personnel funded from the administrative expense account are engaged in management functions related to the direction and supervision of the programs in Washington and overseas. These functions include establishment of program policies and standards; planning, supervision, and reviewing the implementation of these policies; auditing and inspection of program implementation; and providing basic management services, such as accounting and personnel administration, in support of the foregoing functions. Personnel funded from program accounts, on the other hand, are those engaged directly in program or project implementation or in providing technical and administrative support to program operations, such as technical inspection of plans for approved programs and projects, negotiations of contracts for approved projects, etc.

Mr. PASSMAN. How many people are estimated to be financed by this appropriation in fiscal year 1973 and how does that compare to the current fiscal year?

Mr. CAMPBELL. At the end of fiscal year 1973 we estimate there will be 1,814 American and 521 foreign national employees paid from the

administrative expense appropriation. This compares with 1,900 American and 574 foreign national employees estimated at the end of fiscal year 1972.

Mr. PASSMAN. What is the total number of personnel that will be paid by AID in fiscal year 1973?

Mr. CAMPBELL. Our estimate is 6,040 American and 5,760 foreign national AID direct-hire employees at the end of fiscal year 1973.

PAST APPROPRIATIONS

Mr. PASSMAN. Would you provide for the record a table showing what the appropriations have been for this item over the last 10 fiscal years and also include the fiscal year 1973 NOA request?

Mr. CAMPBELL. Yes, sir.

(The information follows:)

AGENCY FOR INTERNATIONAL DEVELOPMENT APPROPRIATIONS FOR ADMINISTRATIVE EXPENSES FISCAL YEAR 1963 THROUGH FISCAL YEAR 1972

[In millions]

Fiscal year	*Amount*
1963	$49.5
1964	50.0
1965	51.2
1966	54.2
1967	55.8
1968	55.3
1969	51.0
1970	51.0
1971	51.0
1972	50.0
1973 (NOA request)	50.0

Mr. PASSMAN. What will be your estimated unexpended balances for this account as of the end of fiscal year 1972 and fiscal year 1973?

Mr. CAMPBELL. $10.1 million for fiscal year 1972 and $10 million for fiscal year 1973.

REQUESTED TRANSFER AUTHORITY

Mr. PASSMAN. On page N–2 you indicate that a budget amendment was sent to Congress to request transfer authority of $2.3 million for increased pay cost in fiscal year 1973 for administrative expenses. If I am not mistaken, the budget amendment contains only transfer language with no mention of specific amounts; is that correct?

Mr. CAMPBELL. Yes.

Mr. PASSMAN. Why did you not wait until next spring when specific details would be available on amounts needed and then request a supplemental as you have done in past years?

Mr. CAMPBELL. As I understand it, the Office of Management and Budget decides how additional funds for pay raise purposes will be requested. The normal U.S. Government way of handling these requests is to prepare a consolidated budget amendment at about this time of year. It is my understanding that AID has normally been left out of this consolidated budget amendment because we usually do not ask for new money to cover the pay raises—only authority to transfer funds from one AID account to another. However, this year, OMB has included AID in its consolidated budget amendment.

Mr. PASSMAN. Would you please explain the item "Transfer for Expanded Vietnam Program" where $3,600,000 has been transferred into administrative expenses for the last 2 fiscal years and it is estimated to be transferred in fiscal year 1973?

Mr. CAMPBELL. From the inception of the expanded Vietnam program in fiscal year 1966 the additional costs of directing and supervising the expanded Vietnam effort beyond the level originally contemplated for that year have been authorized and appropriated each year under supporting assistance and transferred to the administrative expense account. The Foreign Assistance Act authorizes a transfer of up to $9 million for this purpose. This is an outside figure for each year and would be transferred only if necessary. We are asking for the transfer of $3,600,000 in fiscal year 1973, the same amount as we are transferring in fiscal year 1972.

Mr. PASSMAN. From what account are these funds transferred?

Mr. CAMPBELL. From the supporting assistance account.

LOCAL CURRENCIES IN FISCAL YEAR 1973

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 1973?

Mr. CAMPBELL. The equivalent of $60 million is estimated for fiscal year 1973 to be spent from local currency trust funds for direct project costs, program support costs, and administrative costs.

REPRESENTATION ALLOWANCE

Mr. PASSMAN. How much is the fiscal year 1973 request for representation allowance and how does this compare to the current fiscal year?

Mr. CAMPBELL. Our request includes $150,000 for representation allowances in fiscal year 1973. This compares with an estimated $149,000 for fiscal year 1972.

FISCAL YEAR 1973 BUDGET MANAGEMENT REQUEST

Mr. PASSMAN. What percent of this program in fiscal year 1973 will be used for Washington budget management and what percent for overseas budget management?

Mr. CAMPBELL. The percentage of the amount used in fiscal year 1973 for Washington management is expected to be 60 percent and for overseas management 40 percent.

Mr. PASSMAN. Under the overseas budget management section, could you tell us why $2,800,000 is needed in fiscal year 1973 for travel and transportation? This seems to be a large sum for this activity.

Mr. CAMPBELL. The $2,800,000 requested for travel and transportation in fiscal year 1973 is less than the amounts used in the preceding 2 years. The fiscal year 1973 request is primarily required for assignment, reassignment, home leave and transportation of household effects for U.S. employees and their dependents, stationed in approximately 45 countries. An estimated $800,000 is included for travel of the overseas staff of the Auditor General.

OFFICE OF THE 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 amount is provided from each of these sources?

Mr. CAMPBELL. The budget proposed by the Office of the Inspector General of Foreign Assistance for fiscal year 1973 is $1,250,000 with the following distribution of costs:

Military assistance program	$175,000
Peace Corps	25,000
AID	1,050,000
Total	1,250,000

Mr. PASSMAN. What are the functions of the Office of the Inspector General?

Mr. CAMPBELL. The functions of the Inspector General of Foreign Assistance, as enumerated in section 624(d) of the Foreign Assistance Act, give particular emphasis to:

(1) Determining the extent to which such programs are in compliance with applicable laws and regulations;

(2) Making recommendations for correction of deficiencies;

(3) Evaluating the effectiveness of such programs in attaining foreign policy objectives.

Mr. PASSMAN. Is this an independent office or does it answer to some department administrator?

Mr. CAMPBELL. Section 624(d) of the Foreign Assistance Act places the Inspector General of Foreign Assistance organizationally in the Department of State, with the Inspector General reporting directly to the Secretary of State.

Mr. PASSMAN. Do the operating expenses represent the total budget of this office or do they receive other support services not included in these expenses?

Mr. CAMPBELL. The figure of $1,250,000 mentioned earlier represents the total budget.

Mr. PASSMAN. Mr. Rooney, do you have any questions on administrative expense?

Mr. ROONEY. I have no questions.

Mr. PASSMAN. Mr. McEwen?

Mr. MCEWEN. I have no questions, Mr. Chairman.

FISCAL YEAR 1973 REQUEST FOR INTERREGIONAL AND PROGRAM SUPPORT ACTIVITIES

Mr. PASSMAN. The next item will be that of the interregional and program support activities. The fiscal 1973 estimate is $148,271,000. Is that correct, Mr. Secretary?

Mr. CAMPBELL. Yes, sir.

Mr. PASSMAN. Against a 1972 program of $133,829,000.

Mr. CAMPBELL. That is correct.

Mr. PASSMAN. This is an increase of $14,442,000 over the 1972 program?

78-827 O - 72 - pt. 2 - 38

Mr. CAMPBELL. That is correct.

Mr. PASSMAN. You do know Dr. Hannah is quite forthright. He says "Mr. Chairman, this is the asking price. Subsequently we will get around to a taking price."

I would assume this is your asking price in this area?

Mr. CAMPBELL. That is correct.

OVERLAPPING PROGRAM REQUESTS

Mr. PASSMAN. This request appears to be quite complicated.

This entire item has parts of other requests. For example, you have a request for bilateral technical aid. You have a request for family planning. Therefore every dollar you are requesting under interregional and program support activities is embodied in some other part of the budget request which will be testified to by other witnesses. Is that correct.

Mr. CAMPBELL. The population and private development assistance portions will be covered next week by Mr. Kieffer. I am here to support the rest. No other witness will cover this part of the program.

Mr. PASSMAN. Is that correct, that we will double-examine on these items if we get into this?

Mr. CAMPBELL. Yes.

Mr. PASSMAN. You are taking pieces from several appropriations to show what the interregional request would be. Would it not be simpler for all of us, and I want to be completely objective about this, for the man who testifies on bilateral technical aid to say that this amount will be broken into interregional items because several countries participate? Couldn't we then understand it better?

Mr. CAMPBELL. Yes, sir.

Mr. PASSMAN. You have interregional projects even under the other items when they come up.

Mr. CAMPBELL. Not under the regional parts of the program, sir.

Mr. PASSMAN. That makes this very complicated.

(Discussion held off the record.)

Mr. PASSMAN. The important thing is that this is not a separate appropriation. This is in other items which we have either previously examined or we will examine subsequently. Is that correct?

Mr. CAMPBELL. Yes, sir. Funds are drawn from the regular appropriations, but these programs are separated from those discussed by other witnesses.

INCREASE OVER FISCAL YEAR 1972 PROGRAM

Mr. PASSMAN. Would you briefly explain the need for the $14.4 million increase over the fiscal year 1972 program?

Mr. CAMPBELL. I would like to have inserted, in the record, this table which shows the items included in this part of our program and the distribution of the $14.4 million increase.

(The information follows:)

INTERREGIONAL AND PROGRAM SUPPORT ACTIVITIES

[In thousands of dollars]

	1972 estimated	1973 proposed	Change from fiscal year 1972
Interregional technical assistance:			
Population program	35,332	41,786	+6,544
Other interregional technical assistance programs	11,462	13,314	+1,852
Participant training	3,751	3,376	−375
Other programs:			
Institutional development grants sec. 211(d)	2,300	3,500	+1,200
Development research	8,750	11,000	+2,250
Program support:			
Washington program support	52,251	54,831	+2,580
Population	2,930	3,374	+444
Construction of facilities		300	+300
Dependent education	1,845	2,500	+655
Total, interregional and program support	118,621	134,071	+15,450
Private development assistance and disaster relief	14,208	13,150	−1,058
Inspector general of foreign assistance	1,000	1,050	+50
Total	133,829	148,271	+14,442

THE STATUS OF EPIDEMIC CHOLERA AND ITS THREAT TO THE WESTERN HEMISPHERE

Mr. PASSMAN. You state on page K–4 that cholera epidemics now threaten the American hemisphere. Would you please expand on this statement and indicate what is being done to prevent cholera epidemics worldwide?

Mr. CAMPBELL. The seventh chlorea pandemic, a series of international epidemics, started in Indonesia in 1961. By 1967 it had advanced throughout the Far East and spread westward into the Near East to the borders of Turkey. In 1970 after 2 years of relative quiesence, the pandemic resumed its explosive spread, moving in rapid order through Turkey, Lebanon, and Israel to the North African countries. In Europe, Russia, Czechoslovakia, and Yugoslavia officially reported presence of the disease to the World Health Organization, while imported cases were reported by France, England, Federal German Republic, and Sweden. It invaded Spain and Portugal in 1971.

Simultaneously in 1970 the disease leap-frogged in Africa to south of the Sahara where by mid-1971 it spread with disastrous epidemic effects through every country in West, Central, and East Africa. By the close of 1971 the Weekly Epidemiological Record of WHO listed 34 countries infected with cholera, including 23 countries in the African continent. A total of 67 countries are now known to have been infected during the course of the seventh pandemic and it continues to spread southward in Africa, infecting Angola in early 1972.

A great danger of the pandemic results from countries who, for economic or political reasons, refuse to report the presence of the disease, thus making it impossible for health authorities to monitor accurately the spread of the pandemic or to take timely protective measures against invasion by the disease.

Thus, if widespread infection exists in Spain, such as is presently suspected to be the case, then the risk to Latin America, with its extensive cultural and trade relations with that country, becomes an area

of extremely high risk, particularly during the coming season, when travel is at its peak. West African countries, where cholera is now thought by epidemiologists to be endemic, engages in significant air and maritime commerce with the Caribbean Islands and with Latin America, thus enhancing the risk of importation of cholera to those countries.

In September 1970 Dr. M. G. Candau, Director-General of the World Health Organization, attended the XVIII Pan American Sanitary Conference in Washington, at which time he devoted a full hour to a comprehensive review of the cholera pandemic, stressing the risk to the Western Hemisphere and the possibility that the disease would be transmitted into Latin America. He stated:

> We are all in one world, and when we remember that in the previous pandemics, when transportation was so much more difficult, the disease went, in the Americas, to Chile, Argentina, Paraguay, Uruguay, Brazil, and to the west coast, there is no reason at all to think that there is no possibility today of its arriving in the hemisphere.

In a subsequent meeting with Mr. Maurice Williams, Deputy Administrator of the Agency for International Development, Dr. Candau repeated this warning.

Under cover of his memorandum dated August 16, 1971, to all State health officers, epidemiologists, and laboratory directors, Dr. David J. Spencer, Assistant Surgeon General of the U.S. Public Health Service and Director of the Center for Disease Control at Atlanta, Ga., transmitted an analysis of the current status of cholera in the world and its implications to the United States. Dr. Sencer points out that because of the high standards of sanitation of Americans and of population centers in the United States, there is little risk to American travelers abroad and little likelihood of the disease establishing a foothold in the United States. However, in regard to the threat to Latin America he states:

> The three routes of spread—by land, by sea, and by air—make it practically impossible to prevent the introduction of infection to any part of the world, including the Western Hemisphere. Predictably, some cholera will find its way westward. The United States is less at risk of having cholera gain a foothold than is Latin America, where conditions in many areas favor its transmission. It spreads most readily in grossly unsanitary environments. There are vast areas in Latin America where highly susceptible populations are crowded together under such conditions. Even beaches at ocean resorts may be contaminated by human sewage, especially in the warm, populous Caribbean area. . . .

Numerous actions are being taken worldwide in an attempt to control the spread of cholera. For example, during the emergency period between August 1970 and April 1971, 20 countries donated cholera supplies having a value of $1,293,870 to the WHO special account for cholera. U.S. assistance to WHO included a pledge of 10 million doses of vaccine and immunization supplies valued at $236,000 while $35,140 of disaster relief assistance was made to Cyprus, Ethiopia, and Ivory Coast during this period. During 1970, 54 member states received assistance from WHO, including vaccine, rehydration fluid, antibiotics, transport media and diagnostic sera. In addition WHO has mounted in the threatened areas a number of training seminars, conferences to acquaint health authorities with latest techniques of prevention and treatment of cholera, and special consultant teams to assist countries in organizing their own efforts to combat the disease.

In Latin America, in anticipation of invasion by the disease, the Pan American Health Organization (PAHO) has distributed information on cholera, including its prevention and treatment. In collaboration with the U.S. Center for Disease Control, PAHO organized a course for bacterial diagnosis of cholera which was attended by professionals from 13 countries. It trained country officials in the preparation of vaccine, and obtained and distributed supplies of vaccine in countries requesting it. The Center for Disease Control at Atlanta, or country surveillance experts, to date have investigated more than 30 reportings of cholera cases in Latin America, although none have been confirmed officially to date. We have had confidential reports of cholera cases in Cuba; arrived from Spain, in July 1971.

The Agency for International Development reacted immediately that the magnitude of the threat became apparent in September 1970. Dr. John A Hannah ordered the establishment of a Task Force on Cholera, headed by a Coordinator, to serve as the focal point for Agency response to the emergency situation and to develop a long-range plan for the eventual control of the pandemic. The interim report of the Task Force on Cholera was submitted to the Administrator in August 1971 and the task force was directed to proceed with implementation of the strategy recommended therein. Conversations are now under way with WHO in Geneva which hopefully will lead to the development of a worldwide coordinated approach by all donors, under WHO leadership, along the lines of the strategy developed in the Interim Report.

In addition to the above activities, which were stimulated by the development of emergency epidemic situations, a number of institutions are engaged in ongoing research on various aspects of the cholera problem. The U.S. research effort is administered by the National Institutes of Health through the SEATO cholera research program and the U.S.-Japan Commission medical science program. Research abroad is conducted by the World Health Organization, the Wellcome Foundation, Pasteur Institute, and others.

AGRICULTURAL RESEARCH CENTERS

Mr. PASSMAN. How many agricultural research centers are presently being financed by AID funds?

Mr. CAMPBELL. AID funds are currently supporting six agricultural research centers:

The International Rice Research Center (IRRI), in the Philippines, with $750,000 in fiscal year 1972 and $750,000 in fiscal year 1973; The International Center for Corn and Wheat Improvement (CIMMYT), in Mexico, with $925,000 in fiscal year 1972 and $800,000 in fiscal year 1973; The International Center for Tropical Agriculture (CIAT), in Colombia, with $721,000 in fiscal year 1972 and $950,000 in fiscal year 1973; The International Potato Research Center (CIP), in Peru, with $100,000 in fiscal year 1972 and $250,000 in fiscal year 1973; The International Crops Research Institute for the Semi-Arid Tropics (ICRISAT), in India, with $100,000 in fiscal year 1972 and $850,000 in fiscal year 1973; and The International Institute for Tropical Agriculture (IITA), in Nigeria, with $1,005,000 in fiscal year 1972 and $750,000 in fiscal year 1973.

In each of these research centers the AID funding amounts to 25 percent or less of the total amount available.

Mr. PASSMAN. I assume these interregional requests are needed for programs that can not be allocated to specific countries or geographical regions. Is that correct?

Mr. CAMPBELL. Yes, that is correct.

SATELLITES AND ORDINARY PEOPLE

Mr. PASSMAN. You indicate on page K–10 that several projects have been initiated under the education sector and you list that one of these is a study defining the planning steps needed before effective space satellite experiments may be undertaken in Brazil and India. Could you please explain what this study has to do with improving the situation of the ordinary people?

Mr. CAMPBELL. Yes, indeed. First I should speak briefly on the study you refer to, and then more specifically on satellites themselves.

The study in question is being carried out under an AID contract with the Academy for Educational Development and will be finished sometime in 1972. It focuses on: (1) establishing priority areas for scientific research and development on the uses of educational technology for application in developing countries: (2) assessing the educational effectiveness and cost implications of various alternative communications systems when applied in developing areas; and (3) developing strategies for the application of electronic communications systems to programs such as agriculture, nutrition, population and community development.

Satellites are a part of this modern communications technology, and they have great potential for reaching large numbers of people, especially isolated rural populations and those living where obstacles keep the ground-based TV signal from reaching them. The satellite can deliver useful learning people can apply to their crucial problems. It can convey modernizing ideas. It can also build awareness of and participation in the achievement of national goals. The Academy study we are talking about is a beginning in the charting of steps which will have to be taken, by both developing countries and assistance agencies, to realize more fully the possibilities of communications technology for development purposes.

Satellites, as we know, have a unique power to reach every location no matter how remote and to send a signal of equal strength to all locations. Not only is satellite transmission the most hopeful practical means for reaching all of a large nation's people, it is apparently the most cost effective for this job. Also, with suitable hardware, it permits return communication with the sending center by those receiving the signal. The potential is enormous, therefore, for reaching geographically remote, and often neglected, people with much assistance and information which has been denied them, even with ground-based TV systems. In fact, beaming communication up to a satellite which can then beam it down in equal strength to all parts of its large area of coverage can yield us a real breakthrough in bettering the quality

of life for *all* citizens. It is not too much to expect that satellites could ultimately play a role in increasing community participation in the life of a nation, such as envisaged under title IX of the Foreign Assistance Act.

EXPORT DEVELOPMENT PROGRAM

Mr. PASSMAN. On page K–15 you discuss the export development program for the developing countries. If we are developing these countries' export programs, will the United States find that it will be one of the major markets for these products thereby increasing U.S. imbalance in trade?

Mr. CAMPBELL. I would respond to the question in much the same terms as to the question of avoiding competition for U.S. exports. Indeed, it is reasonable that some part of the increase in exports by the less developed world will come to the United States. This does not necessarily imply an increase in the U.S. imbalance in trade for a corollary of their increased earnings in dollars is that they become customers for U.S. goods. We believe that this will be the pattern in the less developed world and is seen in most striking degree in Korea. In 1960 total Korean exports amounted to $32 million; and 1971, $1,068 million. Imports from the United States were at $133 million in 1960 and in 1971 they imported $678 million. Interestingly, whereas until 1966 they imported no rice, imports from the United States of rice have increased since then to $70 million in 1971.

PARTICIPANT TRAINING PROGRAM

Mr. PASSMAN. On page K–20 in connection with the participant training program you indicate the participant must agree to return to his country and use his skills and education to improve his country. We cannot force these people to return to their country, can we?

Mr. CAMPBELL. AID cannot force any participant to return to his country. By law, authority over physical control of all aliens in the United States is vested in the Immigration and Naturalization Service. AID officially requests the Immigration and Naturalization Service to repatriate participants if they refuse to depart from the United States voluntarily. Over the years less than 1 percent of the total number of participants sponsored by AID have failed to return to their countries. There are cases in which AID participants seek to remain in this country, usually because they have a U.S. citizen wife or child or because they have fears regarding their personal safety if they return to their home countries.

Mr. PASSMAN. Do we find that most of the participants do return and stay in their country to help improve its development?

Mr. CAMPBELL. The charts below show the follow-up activities conducted in 46 currently active posts, covering 93,790 returned participants, out of which only 463 are nonreturnees. Countries in which AID has phased out are not included.

(The charts follows:)

FISCAL YEAR 1971 PARTICIPANT FOLLOWUP PROGRAM SURVEY AS REPORTED IN THE POSTS' U-418 REPORTS
UTILIZATION

Region	Returned participants (number)	Utilization (percent)	Nonutilization (percent)	No information (percent)
AFR	10,953	73	5	22
EA	21,145	92	4	4
LA	38,088	81	5	14
NESA	18,766	87	6	7
VN	4,838	86	9	5
Total	93,790	84	5	11

Note: In the returned participant followup program the term "utilization" is a mission's own conclusion stating whether or not the returnee is using and/or transmitting the knowledge and skill acquired during his AID-sponsored training. The knowledge and skill may have simply been an extension of what he already possessed. The use and/or transmission of his training to others should be in that substantial field in which he was trained, a higher level of same, or in an allied or elated field.

FY '71 RETURNED PARTICIPANTS FOLLOW-UP PROGRAM DATA

Cumulative total of returnees since inception of the Foreign Aid Program (including phased-out countries) - FY '42 - FY '71: 148,932

46 Active posts (41 missions and 5 area development offices) conducted follow-up activities with 93,790 returnees

NUMBER OF RETURNEES	NUMBER OF POSTS	NAMES OF POSTS (NUMBER OF RETURNEES)
5000 or More	3	BRAZIL (9663) THAILAND (7009) INDIA (5488)
3000 - 4999	6	VIETNAM (4838) INDONESIA (4829) TURKEY (4591) PAKISTAN (3789) PHILIPPINES (3751) KOREA (3102)
1000 - 2999	23	COLOMBIA (2816) BOLIVIA (2495) LAOS (2454) PERU (2451) CHILE (2441) GUATEMALA (2098) ADOs (2094) AFGHANISTAN (2016) ECUADOR (1947) VENEZUELA (1876) EL SALVADOR (1709) COSTA RICA (1656) JORDAN (1621) NICARAGUA (1425) TUNISIA (1393) ETHIOPIA (1394) NIGERIA (1351) PANAMA (1318) DOMINICAN REPUBLIC (1289) HONDURAS (1263) NEPAL (1261 ARGENTINA (1235) PARAGUAY (1129)
999 or Less	10	KENYA (821) MOROCCO (803) LIBERIA (783) ZAIRE (582) UGANDA (695) TANZANIA (547) GHANA (488) JAMAICA (486) GUYANA (441) URUGUAY (350)

Mr. PASSMAN. How many participants will be trained in fiscal year 1973 and how many of these will be trained in third countries?

Mr. CAMPBELL. Approximately 6,000 participants (including 2,500 in third countries) will begin new programs during fiscal year 1973. In addition, approximately 5,900 (4,600 in the United States, and 1,300 in third countries) will continue programs begun in prior years. We expect, then, a total of 11,900 participants will train during the year (including 3,800 in third countries).

Mr. PASSMAN. Are most of the participants which are sent to the U.S. qualified and prepared to receive the training for which they were sent?

Mr. CAMPBELL. Yes.

Mr. PASSMAN. What is the average annual cost per participant and how does this compare to the cost last year?

Mr. CAMPBELL. Based on dollar commitments in U.S. programs completed during fiscal year 1970–71, and the first three quarters of fiscal year 1972, the average annual cost of a U.S. program is $3,196. This compares with $3,182 for fiscal year 1971. The following table compares annual costs with total program costs:

AVERAGE COST OF TRAINING PARTICIPANTS DURING FISCAL YEARS 1970 THROUGH MARCH 1972

[Based on dollar commitments in programs completed]

Fiscal year	Total program		Annual cost	
	Average duration of total program (man-months)	Average cost of total program	Average man-months used during a fiscal year	Average dollar commitments for a fiscal year
1970	8.5	$4,794	5.5	$3,102
1971	8.9	5,554	5.1	3,182
1972 (through March 1972)	9.8	6,184	[1] 5.3	[1] 3,344
Overall	8.9	5,367	5.3	3,196

[1] Preliminary.

Mr. PASSMAN. During the last fiscal year, what was the total amount paid by the United States for international travel for participants and what percentage does this represent of the total international travel cost incurred?

Mr. CAMPBELL. No data is available in AID/Washington on the fiscal year costs of international travel for AID-financed participants. The only source for that data is in the individual missions overseas. To obtain total fiscal year expenditures for international travel would require polling each individual mission.

DEVELOPMENT RESEARCH

Mr. PASSMAN. From the table on page K–1, you indicate Development Research will increase from $8,750,000 to $11 million in fiscal year 1973. Would you explain the activities funded under this item and justify the need for the increase?

Mr. CAMPBELL. Dr. Hannah pointed out why we have gradually come to the conclusion that more research is needed to overcome key obstacles to progress in conquering hunger, malnutrition and disease and to slowing the population growth. He also gave examples of our experience where research funded through AID has greatly strengthened the technical assistance effort. If we obtain additional funds for

research, we are going to have to make choices among the following and perhaps other high priority needs.

IN AGRICULTURE

(1) Improvement of the food legumes, the so-called pulses (beans, peas, lentils, "grams", et cetra) which provide the bulk of the high quality proteins for the majority of people in the developing countries—which nutritionally, largely, take the place of livestock products in the diets of poor people in the developing countries.

(2) Improvement of livestock production practices, breeds, disease control and marketing of livestock, especially in Africa.

(3) Improvement of existing crops and development of new crops, through fundamental genetic modification, so that they will grow in highly hostile environments—such as those with poor rainfall distribution and soils with high salt content. Progress in food production so far has been largely in select, highly suited environmental conditions; most people in developing conditions live in much less suitable areas.

(4) Improvement of technology, policies and institutions to provide better distribution of opportunities for agricultural employment and self-employment—so small as well as large farmers can benefit, and so rural people will not be forced from the country into the cities.

IN HEALTH

(5) Improvement of health delivery systems, using highly trained medical doctors in effective systematic relationships with less highly trained practitioners and para-medics—so that general health levels can be improved within the extremely small financial resources which poorer countries can provide for the purpose.

(6) Attack on major parasitic diseases such as schistosomiasis (flukes), or snail fever; onchocerciasis (river blindness) and filariasis (elephantiasis) from which hundreds of millions of people now suffer debilitating and often fatal infestations.

(7) Development of lower cost means of improving the general environment—drinking water supplies, insect and disease breeding areas, et cetera—so that spread of human diseases can be brought under control.

IN EDUCATION

(8) Improve understanding of the genuine educational requirements of the developing countries, to meet their development needs and to provide for improved lives of their people.

(9) Development of means of achieving real educational needs, which the developing countries can actually afford.

IN NUTRITION

(10) Development of several promising new approaches to supplement substantial recent progress toward removing protein deficiencies in young children, which is the most critical single nutritional problem.

(11) Improved techniques for removing critical minerals and vitamin deficiencies which create severe health and human productivity problems in many developing countries.

IN GENERAL SCIENCE AND TECHNOLOGY

(12) Improvement in understanding of impact on environment of specific types of development programs—e.g. impact of new farming methods on jungle ecologies, of livestock expansion in semiarid regions on preservation of land productivity, of irrigation and fertilization practices on quality of surface and subsurface water supplies, et cetera.

(13) Adaptation of industrial processes to meet developing country conditions of low capital and large labor supplies—to provide expanding employment opportunities, especially outside the large urban centers.

(14) Improvement in techniques of locating needed mineral and other resources in areas, such as heavy jungles, where existing techniques are not applicable.

IN ECONOMICS

(15) Improved understanding of relations between national economic policies and the growth of employment opportunities, income distribution and broadening the base of economic participation throughout their societies.

INSTITUTIONAL DEVELOPMENT GRANTS

Mr. PASSMAN. Would you explain briefly the Institutional Development grants—section 211(d) program?

Mr. CAMPBELL. Section 211(d) of the Foreign Assistance Act authorizes funds for strengthening the capacity of U.S. universities that desire more involvement in international development. The 211(d) authority has been implemented through a series of five year grants to establish centers of competence in specific problem areas. The concept is not to build a center from scratch but rather to take advantage of the commitment of existing institutions and their permanent sources of funding in order to build into these U.S. centers a greater degree of permanence, and competence, on international development problems. The principal criterion for making such grants, in addition to AID's own need for a particular competence, is the degree of commitment the university itself is making or willing to make. In general, the university's commitment exceeds AID's. In each case, all overhead costs are contributed by the university.

During the first 5 years of the program 37 grants have been made; nine of these grants were initiated 5 years ago and must either be terminated or extended by the end of the present fiscal year.

The subject matter of the grants include the following:

	Number of universities
International agricultural economics	4
Rural development in India	6
Soil and water development in arid and subhumid areas	3
Tropical soils	5
Aquaculture and marine resources	2
Land tenure	1
Health and population planning	3
Law development and modernization	2
Comparative legislative studies	3
Separate grants in economic, social and political development and modernization	4
Educational development	2
Science and technology	2
Total	37

Additional information about the grants in each of these fields is given on page K–24 of the fiscal year 1973 program presentation to Congress.

A directory of institutional resources supported by section 211(d) grants has been prepared and will be circulated to AID missions and others who can make use of the expertise and informational resources at these centers of competence.

Related to the AID research program, which mobilizes existing research talent of the universities, the section 211(d) grants stimulate the development of new talent and new institutional resources in the United States for long term collaboration in the development process. In carrying out this effort, administrative procedures have been simplified to permit assumption of most of the management responsibility by the recipient institution. Thus a highly productive relationship is built between AID and the university. Universities have demonstrated a serious commitment to development far in excess of what might be available under a standard procurement contract.

Mr. PASSMAN. Is it not true that grants are made to U.S. universities that have demonstrated some proficiency in a particular area?

Mr. CAMPBELL. That is right. Grants are made to universities that have demonstrated a commitment to achieve a capability in a particular area. Usually this capability is based on previous work on domestic problems.

Mr. PASSMAN. What does AID receive in return for these grants to U.S. institutions?

Mr. CAMPBELL. The main product we obtain is the availability of a better level of professional competence of direct use to AID in several ways. We can and do tap this competence: (1) for providing training for students from developing countries, (2) to obtain consultants for our missions and for governments and action institutes of developing countries, (3) to acquire expertise related to specific development problems, and so forth. The 211(d) grants are helping us to develop and maintain a greater degree of competence for development work overseas in the specialized areas selected for strengthening at grantee institutions.

Mr. PASSMAN. On page K–25 you state a grant has been made to Tufts University aimed at building a competence to work in institutional needs for democratic development. Would you explain how this is going to help in the development of a particular country?

Mr. CAMPBELL. A grant was made to Tufts University to develop institutional competence to do research, consultation, and training on the interrelationships between economic development and political change. AID and other donor agencies were visualized as the main direct users of the research, consultation, and training competence thus developed, with benefits accruing to LDC's as a result of better donor understanding of their problems and potentialities and better trained personnel. However, a particular country can benefit from this competence by—

1. Using Tufts faculty members as consultants: Professor West has been a consultant in Ethiopia, Zaire, Cameroons, Nigeria, and Trinidad on the establishment and strengthening of development research institutions; and Professor Meagher has discussed approaches to law and development with a number of African and Asian law schools;

2. The participation of Tufts faculty in collaborative research with local institutions and scholars which produce both specific research findings relevant to that country's development problems and enhances indigenous research capabilities;

3. Sending its own academics and officials to Tufts for training in development problems; and

4. Applying the analytical approaches developed at Tufts to its own situation.

TECHNICAL ASSISTANCE BUREAU RESEARCH PROJECTS FUNDED IN FISCAL YEAR 1972

Mr. PASSMAN. Would you please list for the record what development research projects were funded in fiscal year 1972?

Mr. CAMPBELL. Yes, sir.

(The information follows:)

Project title	Project No.	Obligation
AGRICULTURE AND FISHERIES		
1. Water management research	931-17-120-489	[1] $481,000
2. Water management research	931-17-120-489	[1] 567,415
3. Soil fertility in the tropics	931-17-120-505	[1] 274,673
4. Agronomic-economic research of soil	931-17-120-525	164,360
5. Improvement of grain legume (pulse) production	931-17-130-029	249,300
6. Sterility control of tsetse fly	931-17-130-030	205,000
7. Farm and power equipment required for rice	931-17-130-443	[1] 218,000
8. Inheritance and improvement of protein quality in sorghum vulgare	931-17-130-452	[1] 220,000
9. Control of weeds in the LDC's	931-17-130 463	[1] 230,869
10. Improvement of the nutritional quality of wheat	931-17-130-471	[1] 250,000
11. Hemoprotozoal disease of livestock	931-17-130-475	[1] 280,000
12. Problems of cattle feeding	931-17-130 514	[1] 186,357
13. Improvement protein quality content of maize	931-17-130-524	[1] 210,968
14. Capital formation and technological innovation at the farm level in LDC's	931-17-140-506	280,000
15. New agricultural technology impact on rural employment incomes	931-17-140-523	[1] 187,205
16. Control of vertebrate pest	931-17-190-473	550,000
17. Tailoring of fertilizers for rice	931-17-190-494	100,000
18. Agriculture diversification and trade	931-17-190-533	148,259
19. Generation employment in West and Central African agriculture	931-17-190-543	[1] 150,000

See footnotes at end of table.

Project title	Project No.	Obligation
HEALTH		
1. Malaria eradication (worldwide) research	931-17-511-033	569,500
2. Malaria immunity and vaccination	931-17-511-453	441,352
3. Serologic diagnosis of malaria	931-17-511-485	111,000
4. Thailand malaria operations research	931-17-511-503	141,202
5. Field research of a water pump for developing countries	931-17-521-454	[1] 11,000
6. Nutrient loss due to intestinal malabsorption	931-17-560-508	[1] 20,000
7. Inter-American investigation of mortality in infancy and childhood	931-17-590-455	[1] 90,000
8. Central American malaria research center	931-17-511-474	430,500
NUTRITION		
1. Clinical evaluation new protein sources	931-17-560-459	[1] 75,777
2. Improving nutritive value cereal foods	931-17-560-481	[1] 186,000
3. Dietary caloric intake	931-17-560-519	[1] 125,226
4. Coconut protein products for use in foods	931-17-560-522	[1] 81,000
5. Evaluation corn fortification	931-17-560-544	194,675
6. The development of infant and preschool foods based upon indigenous proteins		[1] 59,485
SCIENCE AND TECHNOLOGY		
1. Earthquakes—Storms structure design	931-17-995-531	85,000
2. Comparative analysis research reactor	931-17-995-545	[1] 13,500
POLITICAL/ECONOMIC		
1. Import substitution and economic development	931-17-995-426	[1] 12,000
2. Comparative study of resource allocation development policy	931-17-995-476	[1] 245,000
3. Employment-unemployment in LDC's	931-17-995-511	[1] 170,279
4. Participation patterns in modernizing societies	931-17-995-516	[1] 54,763
5. Exchange control liberalization, etc	931-17-995-520	[1] 37,400
6. Distribution of gains, wealth, and income from development	931-17-995-534	[1] 155,065
POPULATION		
1. Epidemiology of outcome of pregnancy	931-17-570-496	[1] 31,103
2. Planning attitudes and practices	931-17-570-497	[1] 14,772
3. International program for applied fertility research	931-17-580-546	[1] 3,350,000
4. International fertility control research	931-17-580-537	[1] 1,800,000
5. World fertility survey	931-17-570-547	[1] 1,043,000
6. Surgical and engineering research of fertility control	931-17-570-538	[1] 199,422
7. Simplified techniques of fertility control		[1] 2,673,650
8. Urban development and migration	931-17-570-528	[1] 52,373
9. Statistical research on population policies	931-17-570-517	[1] 790,400

[1] Estimated figure.

WASHINGTON PROGRAM SUPPORT

Mr. PASSMAN. Would you please provide a detailed breakdown of the fiscal year 1973 program for Washington program support.

Mr. CAMPBELL. Yes, sir.

(The information follows:)

Agency for International Development, fiscal year 1973, Washington program support summary of obligations by object class

Object classification:	*Thousands*
Compensation and benefits	$37,410
Travel and transportation	1,662
Rents, communications and utilities	1,525
Printing and reproduction	450
Other services:	
Security investigations	150
State Department administrative support	5,718
Medical payments and personal property claims	1,299
Participating agency support	6,835
All other support	2,806
Supplies and equipment	350
Claims settlement	-------
Total	58,205

WORLD FOOD PROGRAM

Mr. PASSMAN. Would you please explain what the world food program staff in Rome does, and what are the expenses of that staff.

Mr. CAMPBELL. The world food program is a multilateral organization sponsored jointly by the United Nations and the Food and Agricultural Organization. The United States has a significant interest in the world food program since (1) 50 percent of its resources are provided by us and (2) the United States is generally committed to use food aid for development purposes. Our WFP office acts as liaison between the Food for Peace Office in AID, Washington, and the WFP Secretariat in Rome which administers the program. The expenses for the office totals approximately $66,300 divided as follows:

Salaries and benefits	$54,500
Travel and transportation	9,500
Rents, communications and utilities	600
Supplies and materials	200
Equipment	500
Other services	1,000
Total	66,300

FISCAL YEAR 1973 CONSTRUCTION

Mr. PASSMAN. What facilities will be constructed in fiscal year 1973 at a cost of $300,000?

Mr. CAMPBELL. Section 636(c) of the Foreign Assistance Act permits the use of up to $3 million of foreign assistance funds in any fiscal year to construct or acquire essential living quarters, office space, and necessary supporting facilities for use of personnel overseas carrying out activities under the act. In fiscal year 1973 a proposed $300,000 is planned to be utilized for construction of residences in Laos. This construction was initially planned for fiscal year 1972 but was postponed due to our shortage of funds.

DEPENDENT EDUCATION PROGRAM

Mr. PASSMAN. Please explain briefly the dependent education program.

Mr. CAMPBELL. The dependent education program is authorized under section 636(d) of the Foreign Assistance Act. It authorizes the use of foreign assistance funds to assist schools already established (or to be established) or for other types of educational assistance to assure educational opportunities equivalent to those available in the United States for dependent of personnel carrying out activities authorized by the act.

The dependent education program directs its major attention to support of staffing and teaching materials for schools and educational facilities. Funds must be made available for such support if the dependent children of personnel stationed abroad are to have adequate educational opportunities.

Mr. PASSMAN. Mr. Shriver?

FURTHER REDUCTIONS OF AID PERSONNEL

Mr. SHRIVER. In your statement you indicate that AID has reduced its staff by almost 30 percent since fiscal year 1968. How do you propose to reduce it further?

Mr. CAMPBELL. Sir, we intend to reduce it further by holding down on any new hires as much as possible except for very specialized jobs. In addition to attrition, we hope we can get retirement legislation which will assist us to reduce this number of people.

Mr. SHRIVER. Also in your statement you indicate that several new bureaus offices will be established in the internal reform of AID. Won't this same effort result in an increase?

Mr. CAMPBELL. No, sir. These new bureaus are consolidations of previous bureaus. For example, the new Supporting Assistance Bureau combines the operations of the previous Vietnam Bureau, Southeast Asia, and other Supporting Assistance Programs. They are all combined into one.

The new Asia Bureau consolidates the old Near East and South Asia Bureau with the economic development countries in East Asia.

The Bureau of Population and Humanitarian Assistance combines the previous office dealing with population, our capacity to respond to disasters and emergencies, and also our support to private organizations which are involved in foreign assistance.

In my own case we have a new Bureau, Program and Management Services. This consolidates and centralizes the support functions which were performed by other bureaus, like the geographic bureaus, and bringing them all together. This will mean a reduction in people and it will mean we can be more efficient and more effective and more responsive.

EXAMPLE OF INTERREGIONAL TECHNICAL ASSISTANCE PROJECTS

Mr. SHRIVER. What is an example of an interregional technical assistance project which provides guidance or support on a worldwide basis?

Mr. CAMPBELL. One example would be this intensive fish culture which is designed to improve the rural incomes in the lower developed countries and at the same time it provides a low-cost protein for improved nutrition. Many countries are interested in this technique and it has been very highly developed by Auburn and other American universities.

We have made a development grant to support and strengthen this specialized competence and to facilitate the use of this skill in lesser developed countries.

COSTS EXCEED CEILING

Mr. SHRIVER. You say the cost of on-going research projects will exceed the current $9 million ceiling, so the ceiling must be raised. Why would you allow these projects to get higher than the existing ceiling? You did not talk to the committee prior to doing that, did you? What research projects would you cut back if the ceiling is not raised?

Mr. CAMPBELL. Of course we have not and will not invest funds in

research in excess of the ceiling set by the Congress. Costs of research are rising because of inflation which affects research equally with everything else. Fiscal year 1972 will be the third consecutive year that we have operated with a $9 million ceiling. So we have not "allowed" the costs to get out of hand. In fact, we have reviewed our projects thoroughly and have reduced costs to the best of our ability with the least harm to the program. In some projects we have postponed essential activities that should be picked up in fiscal year 1973. I am not able to say which projects we would cut back or eliminate if the ceiling is not raised. This would be decided after another review process which would involve several entities within the Agency.

EXPORTS OF DEVELOPING COUNTRIES

Mr. SHRIVER. You mention your efforts to raise the export potential of the less-developed countries. I have raised this point earlier, but would you tell us what steps you will take to avoid the stimulation of exports which would directly compete with U.S. exports?

Mr. CAMPBELL. We do not plan any direct steps to avoid stimulating exports from the less-developed countries which would compete with U.S. exports. We would underline, however, that the normal range of exports from the developing countries is defined by light industry, limited agricultural products and agricultural industrial products and does not include heavy machinery, electronic equipment instruments, motor vehicles, and other developed technological products. Consequently there is at best a small amount of competition with U.S. exports. More important, however, is our judgment that the growth of exports by the less-developed world is a necessary condition for the growth of U.S. exports inasmuch as the individual country depends in large part upon its export proceeds for those imports necessary to sustain its growth. Without export growth the LDC's would be condemned to economic stagnation which is also stagnation for U.S. exports.

KANSAS STATE UNIVERSITY CONTRACT

Mr. SHRIVER. You have described two projects which are being carried out by Kansas State University: one is a grain drying, processing, storing and marketing project; the other represents a "major breakthrough" in the development of formulas for greatly enriched native foods. We in Kansas are proud of these and other foreign efforts of Kansas State. Would you describe these projects further?

I believe Kansas State also has AID contracts for work in India and Nigeria, does it not?

Mr. CAMPBELL. The AID has a contract with Kansas State University to furnish upon request technical assistance to AID Missions and cooperating countries in solving problems involving the losses of food grains during post harvest handling and storage. Kansas State University, through their Food and Feed Grain Institute, makes available personnel and facilities to provide: (1) technical assistance tailored to the need and material resources of each cooperating country; (2) assistance in diagnosis of problems in grain drying, storage, conditioning, handling, and transportation in cooperating countries and means of solution; (3) training courses, seminars and conferences in special-

ized grain drying, conditioning, storage, handling, and transportation for LDCs/USAIDs and cooperating country personnel; and (4) information services to respond to questions and inquiries submitted.

Kansas State University has provided short-term specialists to Guyana, Ecuador, Guatemala, Honduras, Bolivia, El Salvador, Jordan, Dominican Republic, India, Morocco, Korea, West Africa, and the Asian Productivity Organization in Tokyo. Over 22 separate reports relating to its serivces to LDC's have been provided. Special training programs are designed and conducted for participants from the LDCs. In-country short courses and training seminars have provided special training to more than 150 nationals in LDC's.

The second project which you have asked about is a research contract entitled "Improving the Nutritional Value of Cereal-Based Foods". Protein Malnutrition is prevalent among people whose calories are derived primarily from cereals and/or starchy products. In many developing countries, breadstuffs are basic food staples. Adding protein concentrates derived from oilseeds or legumes to wheat flour would have a meaningful nutritional impact. Such additions would serve both to increase the protein content of the bread as well as increase the utilizability of the wheat protein already present by improving its amino acid pattern. Fortifying wheat flour(s) with protein rich concentrates thus offers an effective way of combating protein malnutrition. However the addition of these concentrates often adversely affects the acceptability of the bread. The functional properties of the dough, the color, the texture, and the flavor of the bread may become poorer with added protein concentrates thus minimizing the utility of this approach.

As a result of this AID–KSU contract on "Improving the Nutritional Value of Cereal Based Foods," a technology has been developed for preparing high protein, highly nutritious breads with excellent acceptability and good loaf volume. Ten to 15 percent and more of the wheat flour in bread can be replaced by soy flour, chickpea flour, cottonseed flour, or other protein concentrate derived from indifenous sources. They key to this development is the use of small amounts of dough conditioners such as sodium stearoyl-2-lactylate (SSL), a product that has Food and Drug approval for use as a food additive. This conditioner greatly improves the baking performance of wheat flour fortified with soy flour or other protein rich concentrate.

The protein utilizability of bread can be increased by 50 percent by use of this methodology, a development of the utmost significance to the world's malnourished.

You are correct in your statement about Kansas State University having contracts with AID for work in India and Nigeria. Your institution has been very successful in India in assisting the Ministry of Food and Agriculture and Andhra Pradish University to establish an agricultural university patterned along the lines of the U.S. Land Grant University. KSU has also helped the university and the State with their agricultural production programs.

In Nigeria KSU has been involved for a number of years in assisting Ahmadu Bello University in developing programs in veterinary medicine.

We are pleased to acknowledge the significant contributions that Kansas State University has made and is continuing to make in our development program.

FUNDS FOR PROPOSED URBAN DEVELOPMENT PROGRAMS

Mr. SHRIVER. You say no "specific" funds are proposed for urban development programs, as the programs are not yet fully developed. Would any funds used in fiscal 1973 for these programs come from the $2.2 million requested for Industrial and Urban Development?

Mr. CAMPBELL. No, sir.

LEGISLATIVE DEVELOPMENT PROJECT

Mr. SHRIVER. You say "it is expected that other state legislatures will participate to the extent that they are interested in doing so" in the programs to develop the legislatures of underdeveloped countries. What States other than New York have indicated interest in this? How would a State legislature indicate this interest if it wanted to?

Mr. CAMPBELL. To date, the State University of New York at Albany (SUNYA) has had expressions of interest from staff personnel of the State legislatures of Wisconsin, Illinois, California, Texas, Washington, and Georgia.

Mr. SHRIVER. How would a State legislature indicate this interest if it wanted to?

Mr. CAMPBELL. SUNYA has, from the beginning of this project, maintained informal contact with the National Legislative Conference, which serves as the only official spokesman for the professional staffs of the State legislatures. SUNYA has now been asked by the NLC Executive Committee for a direct relationship with the project, in the selection of experts to be sent abroad to give technical assistance in legislative process improvement, and in the identification of U.S. State legislatures to serve as loci of training and observation for LDC personnel. The details of this clearinghouse relationship remains to be worked out; however state legislatures would indicate interest in participating in this project through the National Legislative Conference.

- Mr. Shriver: Can you break down the participant training program into areas of interest, such as education, health, population programs. You might show how this has changed over the past few years for the record.

Mr. Campbell: The table follows:

A.I.D. PARTICIPANTS IN TRAINING[1] IN THE UNITED STATES AND OTHER COUNTRIES, DURING FY-1969, -1970, and -1971, BY AREA OF INTEREST

AREA OF INTEREST	FY-1969		FY-1970		FY-1971	
	No. of Participants	(% of Total)	No. of Participants	(% of Total)	No. of Participants	(% of Total)
TOTAL.....	13,645	100%	13,575	100%	13,110	100%
Education.....	3,916	28.7%	3,898	28.7%	3,953	30.2%
Agriculture.....	3,064	22.5%	3,041	22.4%	3,084	23.5%
Public Administration	1,547	11.3%	1,582	11.7%	1,488	11.4%
Health[2].....	1,386	10.2%	1,481	10.9%	1,503	11.5%
Public Safety.....	1,056	7.7%	961	7.0%	930	7.1%
Industry.....	856	6.2%	842	6.2%	791	6.0%
Labor.....	762	5.5%	810	6.0%	460	3.5%
Community Development, and Housing.....	410	3.0%	380	2.8%	297	2.3%
Transportation.....	341	2.5%	274	2.0%	348	2.6%
Miscellaneous.....	307	2.4%	306	2.3%	256	1.9%

[1] Includes carryover participants from a prior year plus new programs in the report year.

[2] Includes population and family planning programs.

Mr. PASSMAN. Mr. Rooney?
Mr. ROONEY. I have no questions.
Mr. MCEWEN. I have no questions, Mr. Chairman.

AMERICAN SCHOOLS AND HOSPITALS ABROAD

Mr. PASSMAN. The next item will be the "American schools and hospitals abroad."

It is my understanding that the legislative committees authorized for 2 years, fiscal 1972 and 1973, $60 million.

Mr. CAMPBELL. $30 million for each fiscal year.

Mr. PASSMAN. This is for 2 years.

Mr. CAMPBELL. A total of $60 million, sir.

Mr. PASSMAN. And against the $30 million that was authorized last year, the Congress appropriated $20 million.

Mr. COSTANTINO. $20 million total.

Mr. PASSMAN. Against the $30 million authorization?

Mr. COSTANTINO. That is correct.

PROJECTS FUNDED FISCAL YEAR 1972

Mr. PASSMAN. If I recall correctly this committee recommended that the funds be given to you on an illustrative basis and that the Agency select the projects on the basis of priority. Did you follow that?

Mr. CAMPBELL. Yes, sir. We have not actually put in all the projects yet.

Mr. ROONEY. When do you expect the program to be finalized?

Mr. COSTANTINO. The 29th of June, sir.

Mr. SHRIVER. Did I understand the date of the 29th of June?

Mr. COSTANTINO. Yes, sir.

Mr. SHRIVER. Why not the 28th?

Mr. COSTANTINO. The 30th is the end of the fiscal year.

FISCAL YEAR 1973 AUTHORIZATION LEVEL FOR ASHA

Mr. PASSMAN. You have a number of items you want to fund. I would assume they are meeting the criteria of AID and you will move on the basis of priority?

Mr. CAMPBELL. Yes, sir.

Mr. PASSMAN. Do you assume you have $40 million outstanding in authorizations or did the legislation say specifically $30 million for fiscal 1972 and $30 million for fiscal 1973? How are you interpreting the unused authorization?

Mr. CAMPBELL. Thirty million dollars each year, sir.

Mr. PASSMAN. I am glad you interpreted it that way. I trust you will not try to get projects listed to cover the entire $30 million.

Dr. Hannah appeared before the committee and stated that even though you had an authorization outstanding of $30 million, the budget placed a ceiling of $15,575,000 for fiscal year 1973.

COMPLETION OF PROJECT FUNDING

I received a letter from Dr. Hannah in response to my questions. He stated the following:

In discussing the American Schools and Hospitals Abroad you requested me to furnish the information as to the amount of additional funds needed to complete the funding of projects on which we have made a partial allocation.

He says the minimum is $24.5 million. I would assume if you made a small initial allocation to a project that it would be worthless unless you had the second part.

Mr. CAMPBELL. That is correct.

Mr. PASSMAN. Under the $15,575,000 amount, you would eliminate the Weizmann Institute altogether?

Mr. CAMPBELL. That is correct.

Mr. PASSMAN. Gentlemen, be as careful as you can. I think we all agree that from little acorns big trees grow. I think these programs are good and worthy. We can cite for the record the benefits to the United States of the American University at Beirut and the University of the Americas where we have had substantial programs and funds in the past. I think the Weizmann Institute is also a good institute. I hope you will keep it under control, however.

All we have to do is to look at the record to show you how a program can get out of control. We appropriated over $1 billion to the International Development Association. We know not when, where, for what purpose, how much, and to what country this money goes until after the fact, even if then. Not a dime of this money ever is returned to the U.S. Treasury.

We started these people off with $73 million in 1961 for 1 year. The next 4 years they requested $61 million. They then jumped their requests up to $104 million for 3 years.

Then they jumped up their requests to $160 million. The bilateral program was moving up at the same time. At the present time, they have an authorization bill providing for $320 million for 3 years. This legislation was signed into law on March 10. It was not bad enough that they doubled the previous appropriation but then they slipped in with a supplemental for the first installment.

We found out they had 42 percent of the 11-year appropriation on hand unobligated as such. Consequently they wanted 8.57 percent added to this.

You know very well that if we look at these programs and do not ask you to be extremely careful it will not be too long before this will go the way of IDA and get out of control. I trust you will follow a system of strict priorities in relating the projects for funding.

Mr. Shriver?

NEED FOR WIDER GEOGRAPHIC DISTRIBUTION UNDER ASHA PROGRAM

Mr. SHRIVER. You are aiming at the wider geographic distribution of these institutions. Will you give us some examples of the types of projects you are considering?

Mr. CAMPBELL. Sir, in the Far East we have identified two or three institutions we consider to be fine projects. The first is a rehabilitation center for children in Taipei which is being sponsored by the American Board for Medical Aid to China. It is our intention to provide aid to this hospital in fiscal year 1972. Additional support in the future may be required to make this a fine showcase of American medical practices in the Far East.

The American Board of Sogang University in Korea has asked for help. We intend to supplement private donations for construction of a library. We hope to be helpful in this regard and to provide books for the library.

Another small institution we have in mind is the Presbyterian Medical Center in Korea. It is considered one of the outstanding teaching hospitals in that country. It receives no support from the Korean Government and its support comes from U.S. donation and fees. It badly needs some medical equipment and supplies which we intend to provide money. There are other institutions in Latin America and in North Africa which we are considering.

ROBERT COLLEGE IN TURKEY

Mr. SHRIVER. The Chairman mentioned that we have for years contributed to the American University in Beirut, and recently I had occasion to visit Robert College in Istanbul. This kind of an institution where for a long, long time we have made a contribution is still on the list of possible institutions, is it not?

Mr. CAMPBELL. Yes.

Mr. SHRIVER. Where there has been a continual program on the part of the United States in making contributions?

Mr. CAMPBELL. Yes. Robert College still is on our list. We contribute only a part of what is required.

Mr. SHRIVER. I know. They have changed their requirements and structure because of Turkish laws. I realize that.

(Discussion off the record.)

USE OF EXCESS FOREIGN CURRENCIES

Mr. CAMPBELL. I would like to include in the record in addition to the $24.5 million there is the equivalent in local currency of $5.35 million.

Mr. PASSMAN. I trust you are not going to make the case that it is local currency and does not have a value?

Mr. CAMPBELL. No, sir.

Mr. PASSMAN. In addition to the regular funds, you are asking for local currency.

Mr. ROONEY. You are only talking about zlotys and Egyptian pounds?

Mr. CAMPBELL. Yes.

Mr. PASSMAN. Let us keep in mind that excess currency today may be a scarce currency tomorrow and many of the nations where we had excess currency years ago and we dissipated it so freely, we wish now we had some of it back so we could support our embassies. Just because it is local currency I trust we won't give it away too freely.

Mr. CAMPBELL. We look at it just like dollars, but I want to be sure it is understood this amount is in our request.

(Discussion off the record.)

PRIORITY FUNDING OF PROJECTS

Mr. PASSMAN. I would much prefer to commend a person than to condemn him. I want to commend Mr. Costantino for the hard-nosed attitude he has taken in telling some of these people, "no, you either meet the criteria or you don't get the money." I think that is the proper approach.

I think the members of the subcommittee appreciate the fact that when we make the funds available, if they don't meet the criteria and don't justify the funds, they are not given the funds. Is that a statement of fact?

Mr. CAMPBELL. That is right.

Mr. PASSMAN. As one member of the subcommittee I am willing to provide your money on an illustrative basis. You cannot fund all the projects listed or all the projects we can think up, but we hope that you will follow a priority system in funding the projects that you think are most desirable.

(Discussion off the record.)

UTILIZATION OF POLISH CURRENCY

Mr. PASSMAN. I am surprised that we have $373 million Polish zlotys as of June 30, 1971. This is a matter of record isn't it?

Mr. COSTANTINO. Yes. By January 31, 1972 there were $341 million equivalent of zlotys on hand.

Mr. PASSMAN. What amount are you going to utilize this year in this program?

Mr. COSTANTINO. $600,000 equivalent in fiscal year 1973.

Mr. PASSMAN. You are not just making them available simply because we have so many. Is that correct?

Mr. COSTANTINO. We don't give any money away, sir. We provide funds through grants but if grant funds are not used for the purpose specified, the money reverts to the Treasury.

Mr. PASSMAN. What do you mean you don't give it away? That is the business you are in.

Mr. COSTANTINO. We do our best to keep a firm hand on it.

Mr. PASSMAN. You are giving it away but you want it to go to the project for which it is intended?

Mr. COSTANTINO. That is right.

Mr. PASSMAN. What is the $600,000 going for?

Mr. COSTANTINO. $500,000 equivalent in zlotys are needed to meet increased costs of the Children's Hospital at Krakow and $100,000 equivalent in zlotys are needed for two feasibility studies to be conducted by the Polish American Congress.

POLISH AMERICAN CONGRESS FEASIBILITY STUDY

Mr. PASSMAN. What is the Polish American Congress?

Mr. COSTANTINO. It is an American organization. It represents Polish Americans. This group intends to make a feasibility study of this rehabilitation center which will be connected to the Children's Hospital. We don't know where it is going to be, or what it is going to be. The organization also will conduct a study to determine the feasibil-

ity of establishing an American agricultural vocational school at Warka.

Mr. PASSMAN. You don't anticipate this will lead to a dollar contribution later?

Mr. COSTANTINO. I don't know, sir.

Mr. PASSMAN. I think we ought to have more information on that.

Mr. COSTANTINO. If I may supplement my statement, I don't know, because I don't know what these studies are going to establish. Presumably, the Polish American Congress will raise dollars on its own in this country, and perhaps we can supplement what they raise privately with U.S.-owned zlotys.

Mr. PASSMAN. Before you give them the dollars, it will be discussed with the committee.

Mr. COSTANTINO. As an illustrative amount, we have included some dollars for these feasibility studies.

Mr. PASSMAN. What amount?

Mr. COSTANTINO. $100,000.

Mr. PASSMAN. For feasibility of what?

Mr. COSTANTINO. The two projects previously noted.

Mr. PASSMAN. What is the estimated value of these projects? Would you insert something in the record at this point on the functions of the Polish American Congress?

(The information follows:)

POLISH AMERICAN CONGRESS, INC.

The Polish American Congress represents over 12 million Americans of Polish descent. PAC occupies a unique position in the history of American ethnic groups.

PAC was incorporated in 1944 in Buffalo, N.Y., where 5,000 delegates representing all Polish-American fraternal, civic, educational, business, and professional organizations, together with eminent prelates from the Roman Catholic and the Polish National Catholic Churches, agreed on a unified action on behalf of a free and independent Poland and for the betterment of Americans of Polish ancestry.

Its membership is composed of major organizations and individuals. There are over 3,000 organizations representing approximately 1 million members. Included are such organizations as the Polish National Alliance (PNA), the Polish Roman Catholic Union (PRCU), the Polish Women's Alliance (PWA), the Polish Alma Mater (PAM), the Polish Falcons of America, the Alliance of Poles in America, and the Polish National Union of America. Professional organizations of doctors, dentists, lawyers, engineers, scientists, and professors, such as the American Council of Polish Cultural Clubs, the Polish Institute of Arts and Sciences, the Polish American Historical Association, and the Pilsudski Foundation, Orchard Lake schools and Alliance College of Cambridge Springs, Pa., are also members.

The headquarters of the Polish American Congress is located in Chicago, Ill., 1200 North Ashland Avenue, where the president and the executive board reside. The president is Aloysius A. Mazewski, who is also president of the PNA, the largest fraternal insurance organization. Valentine Janicki of the PAM is secretary, and Joseph L. Osajda, president of the PRCU, is treasurer. The vice presidents are Adele Lagodzinski, Kazimierz Lukomski, Stanley Maziarz, Richard Jablonski, M. Wasilewski, Dr. Edward J. Tomasik, and Zbigniew A. Konikowski.

The Washington PAC office serves as a liaison and information office between the Polonia and the Government and numerous agencies. Col. Casimir I. Lenard serves as its executive director.

The PAC purposes and objectives are spelled out in the preamble to its bylaws which eloquently state that the organization will "* * * concern itself with the welfare of Americans of Polish extraction in political, national, religious, social, and economic matters, with the view of encouraging the growth of their fraternal, professional, ideological, civic, and other associations, by supporting and protect-

ing their publications, schools, and parishes, which teach the Polish language, history, and culture, and through general support of industry and trade in the United States conducted by persons of Polish extraction, and to acquaint them with their rights, privileges, and duties of American citizenship."

Its bylaws direct that the Congress shall take a positive stand in matters pertaining to the people of Poland to assist them in demanding and establishing its national independence, civic, religious, and cultural development free from any interference of their neighbors.

PAC furnishes information to the American public of Poland's historic role, her aims, needs, rights to independence, and integrity of her frontiers. It is active in the direction of closer and deeper cooperation of American democracy with the people of Poland in the fields of civic, ideological, cultural, social, and economic life.

To facilitate its work for the betterment of the Polonia, the collective body of Americans of Polish ancestry, the PAC has established commissions on American affairs, culture and education, civic affairs, economics and management, and information and publication to improve the welfare of Americans of Polish origin through support of their schools, parishes, press, and vocational activities.

The PAC has, through many of its State divisions, offered scholarships to young Americans of Polish ancestry to encourage study in such fields as social work, history, arts, and journalism.

Emphasis has been placed on presenting the true image of Americans of Polish ancestry, and of Polonia to the pluralist society of America.

PLAQUES ON AMERICAN SCHOOLS AND HOSPITALS ABROAD

Mr. PASSMAN. I think that any projects funded by the United States under this item should have a bronze plaque indicating: "The funds to construct this building were given by U.S. citizens" or "Your friends in America." I think we designed a plaque and it has gone on many buildings.

Is it policy to continue putting those plaques on these buildings?

Mr. COSTANTINO. It is, sir. We insist on it.

Mr. PASSMAN. Would you furnish me a photograph of one of those plaques?

Mr. COSTANTINO. I would be delighted to.

PROPOSED FISCAL YEAR 1973 PROJECTS UNDER ASHA

Mr. PASSMAN. Let's go through three or four standard projects. You did not place under the $15,575,000 limit, money for the Weizmann Institute because you ran out of funds to allocate before you reached it?

Mr. COSTANTINO. That is correct.

Mr. PASSMAN. I believe you consider it to be a worthy project, and we have an indirect commitment to provide some money for Weizmann.

Mr. COSTANTINO. For the Feinberg Graduate School of the Weizmann Institute.

Mr. PASSMAN. Under the ceiling of $15,575,000, you have $6 million for the American University of Beirut.

Mr. CAMPBELL. Correct, sir.

Mr. PASSMAN. It is my understanding that we have a commitment, as far as you can commit the funds prior to the appropriation, to provide $5 million to the University of the Americas.

Mr. COSTANTINO. That is correct.

Mr. PASSMAN. If I recall the formula, the University of the Americas has a promise from the Jenkins Foundation domiciled in Mexico to also put up $5 million.

Mr. COSTANTINO. Correct.

Mr. PASSMAN. And we agreed, providing we could obtain the appropriation, to provide $5 million over a period of three years.

Mr. COSTANTINO. Correct, sir.

Mr. PASSMAN. $1.5 million in fiscal 1972, $1.5 million in 1973, with $2 million in fiscal 1974.

Mr. COSTANTINO. That is correct.

FISCAL YEAR 1973 ALLOCATION OF FUNDS

Mr. PASSMAN. Before we conclude, I received a letter from Dr. Hannah today stating in order to fully fund these projects where you made a partial allocation last year, it would require approximately $24,500,000 for fiscal 1973.

But in the $24.5 million allocation for fiscal year 1973 there would be about $1 million unattached as a contingency in case there is a little deficit in funding a certain project.

Mr. COSTANTINO. Yes.

Mr. PASSMAN. I want to commend you, Mr. Secretary, and you Mr. Costantino, for keeping the lid on top of this. I hope you will continue watching it very closely because if we start going around the entire world looking for worthy schools to finance, we would run out of money before we got halfway around.

The fact is we are out of money now. So watch it if you will. We will work with you as closely as we can.

EXCESS LOCAL CURRENCY FUNDS

Would you also explain the $5,400,000 item listed in fiscal year 1973 to be funded from U.S.-owned excess local currencies?

Mr. COSTANTINO. AID is asking for fiscal year 1973 local currency appropriations totalling $5,350,000 equivalent to be used as follows:

$3,500,000 equivalent in Egyptian Pounds for the American University in Cairo.

$1,250,000 equivalent in Egyptian Pounds for the Cairo American College.

$50,000 equivalent in zlotys for the Poreba Rehabilitation Center, Poland.

$50,000 equivalent in zlotys for the Pulaski Memorial Agricultural School.

$500,000 equivalent in zlotys for the American Research Hospital in Poland.

Mr. PASSMAN. Do you need any language in the appropriation bill in order to use this amount?

Mr. COSTANTINO. Section 1415 of the Supplemental Appropriation Act of 1953 provides that "Foreign credits owed to or owned by the United States Treasury will not be available for expenditure by agencies of the United States after June 30, 1953, except as may be provided for annually in appropriation Acts and *provisions for the utilization of such credits for purposes authorized by law are hereby authorized to be included in general appropriations Acts.*" [Italics added.]

This provides a permanent authorization for the appropriation of local currency owned by the United States, and thus, additional legislation authorizing the appropriation of such currencies is not necesnecessary.

INSTITUTIONS RECEIVING AID SINCE INCEPTION OF PROGRAM

Mr. PASSMAN. Would it be possible to place in the record a table showing all the institutions that have received funds under this item since its inception and what amounts they have received? Please include local currency allocations and any waiver of loan repayments.

Mr. COSTANTINO. Yes, sir, we will be happy to oblige.

(The information follows:)

Summary of Aid to Recipient Institutions, Since Inception Through FY 1971

(In Thousands of Dollars)

Institutions	U.S. Dollars	Local Currency
Admiral Bristol Hospital, Turkey	665	--
Amana Ulpanat, Israel	600	--
American Farm School, Greece	1,489	--
American Research Hospital for Children, Poland	2,950	10,300
American University of Beirut, Lebanon	73,082	--
American University in Cairo, Egypt	7,795	46,000
Anatolia College, Greece	838	--
Athens College, Greece	892	--
Bayit Lepletot Vocational Training School, Israel	--	1,000
Beth Yaacov Avat Girls School, Israel	1,200	--
Chemke Mercy Hospital, Nigeria	500	--
Ch'San Sofer Chasan Yecheskel School, Israel	--	1,000
Educational Center of Galilee, Israel	800	--
Escuela Agricola Panamericana, Honduras	2,384	--
*Feinberg Graduate School of Weizmann Institute, Israel	3,000	--
Hadassah-Hebrew University Medical Center, Israel	4,850	1,000
Haifa Institute of Education, Israel	550	--
Igud Leiluf Hanoar, Israel	750	--
International College of Beirut, Lebanon	2,664	--
International Eye Foundation, Washington, D.C.	200	--
Jerusalem College for Women	--	1,000
Jerusalem School of Applied Sciences, Israel	--	1,986
Kfar Eliyahu Youth Village & Beer Yaacov Division	1,350	--
Or Hachayim Girls College, Israel	500	1,000
Pierce College, Greece	2,562	--
Project HOPE	16,620	--
Ramat Havraath Hospital & Home for the Aged, Israel	1,150	--
Robert College, Turkey	20,120	--
Sde Chemed Vocational School for Underprivileged, Israel	250	--
University of the Americas, Mexico	2,000	--
University of North Africa	--	100

*The FY 1971 Appropriations Act waived payments due in 1971 and 1972 of dollars repayable local currency loans totaling $24,809,523 made to Weizmann Institute between 1962 and 1967. The amount waived was $2,687,402 ($1,705,891 principal and $981,511 interest).

Mr. PASSMAN. Do you feel that all the funds provided under this appropriation have been put to good use?

Mr. COSTANTINO. Yes, sir. In this world any assistance given to schools and hospitals is beneficial. Needs far exceed available funds. What is incumbent upon us, of course, is to select projects where our assistance will bring the greatest return.

AMERICAN CHILDREN'S HOSPITAL IN POLAND

Mr. PASSMAN. According to a Washington Post article dated January 27, 1972, the American Children's Hospital in Poland has been extremely successful. Would you please comment on the success of this institution?

Mr. COSTANTINO. We believe that the American Children's Hospital in Krakow has been a fine showcase for the United States in Poland. Not only does the hospital demonstrate the humanitarian interest of the citizens of this country for the welfare of the people of Poland in a most compelling way, but the hospital also serves to transfer the most modern medical techniques available in this country to Poland. The hospital has become a center of instruction and training for Polish doctors specializing in pediatrics.

THE MONITORING OF FUNDS

Mr. PASSMAN. Do you monitor the expenditure of these funds closely to insure that they are being properly utilized?

Mr. COSTANTINO. We do the best we can with the limited staff available. Members of the Office of American Schools and Hospitals Abroad visit schools whenever possible. Our local embassies or AID Missions help us to monitor activities. Finally, we have a regular system of audits to insure that funds are expended in the manner agreed.

FISCAL YEAR 1973 AUTHORIZATION

Mr. PASSMAN. How much has been authorized for this item in fiscal year 1973?

Mr. CAMPBELL. $30 million, sir.

Mr. PASSMAN. Could you explain briefly what the purpose of this item is and what does the United States expect to accomplish by providing these funds?

Mr. CAMPBELL. Yes, sir. The primary purpose of section 214 assistance is not to help take care of the educational and health needs of foreign countries, but to demonstrate to their people, on a selected basis, American ideas, practices, and advances in the fields of education and medicine. By doing so the United States not only will transfer needed knowledge overseas, but foster a favorable image of the United States.

SECTION 214 ASSISTANCE

Mr. PASSMAN. You indicate that section 214 assistance should be geographically dispersed to achieve our objective adequately in various parts of the world. What is being done to geographically disperse this assistance?

Mr. CAMPBELL. Beginning in fiscal year 1972 we have made every effort to give priority to projects in areas other than the Near East. For example, we expect to provide support to an American-sponsored children's rehabilitation center in Taipei which treats children recovering from polio and for other muscular disorders. In fiscal year 1973, we propose to provide help to three institutions in Korea, two more in Latin America, and one more in Africa.

NEAR EAST PHASEOUT

Mr. PASSMAN. On page M–15 you state that AID proposed to, "wherever possible and within a reasonable period of time, phase out grants to institutions in the Near East which have a limited capacity to demonstrate U.S. educational or medical ideas or practices." Do you have any specific institutions in mind at this point?

Mr. COSTANTINO. Our intention was not to identify specific institutions as being marginal but rather to indicate we would in the future concentrate our assistance on schools and hospitals of high quality and to give preference to institutions seeking help in areas other than the Near East.

BUDGETARY SUPPORT

Mr. PASSMAN. On page M–15 you state "AID will insure that budgetary support is the minimum amount required to carry out mutually agreed upon goals." Does this mean that whenever possible the United States will restrict its assistance to these institutions to capital improvement?

Mr. COSTANTINO. Yes, sir; but there are times when we feel that assistance for scholarships or for other special purposes is most desirable to help the institution maintain a position of leadership and to enable schools to enroll children from poor homes.

APPLICATIONS AT THE SECONDARY LEVEL

Mr. PASSMAN. You indicate on page M–16 that AID will favor applications from institutions at the secondary level. Why do you feel this concentration at the secondary level will be more beneficial to U.S. interests?

Mr. COSTANTINO. Assistance to American universities overseas is most important. We believe that the assistance that this Congress has approved to American universities abroad has been greatly advantageous to the United States. It would be difficult in my opinion, Mr. Chairman, to identify any assistance given overseas of greater utility than that given to the American University of Beirut. On the other hand, given the limitation on funds and the many requests of American institutions overseas, we feel that assistance through American secondary schools overseas can help us reach a greater number of people and expose them to American ideas and practices at less cost per capita than would be the case through university level training.

SELECTION CRITERIA

Mr. PASSMAN. It appears from the justifications that AID plans to tighten the selection criteria for funds provided under this item. Would you briefly state why tougher selection criteria are needed?

Mr. COSTANTINO. Yes, sir. We all should recognize that the deficit in the U.S. budget is such that economies are incumbent upon us all. Although in my opinion, Mr. Chairman, the American Schools and Hospitals Abroad program is financially restricted in terms of the great number of American sponsored institutions overseas which seek and need help, I hope that the total budget for the American Schools and Hospitals Abroad program can be maintained at current levels. It is, therefore, essential that every effort be made to insure that our selection criteria are sufficiently stringent to insure that only those schools and hospitals which are truly showcases for the United States receive public funds in the future. It is most important, in my mind, that the institutions we help be publicly identified in the country where they are located with the United States and that those benefitting by the education or medicine United States public funds are subsidizing realize that these benefits are attributable to the generosity of the people of the United States.

Mr. PASSMAN. Do you propose to set forth specific criteria which will be used for selection?

Mr. COSTANTINO. Yes, sir.

Mr. PASSMAN. Please place in the record a list of these criteria.

Mr. COSTANTINO. Yes, sir. We will be happy to oblige.

(The information follows:)

AMERICAN SCHOOLS AND HOSPITALS ABROAD CRITERIA

1. All institutions for which assistance is requested must be located abroad, and must have been founded or be sponsored by U.S. citizens. The Agency construes founding and sponsorship as requiring a preponderance of U.S. citizens in the founding or sponsoring group and an identification of the institution with the United States.

2. The institution must be a private nonprofit organization, not under the direct control or management of any government, or governmental organization.

3. The sponsors must participate in the management of the institution and contribute to its financial support. No applications for assistance will be considered for ventures entirely dependent upon a grant under section 214 for their initiation.

4. The institution should be open to all regardless of race, creed or color. No portion of the grant may be used to promote religious activities.

5. Schools must have a student body comprised of a majority of citizens from countries other than the United States.

6. In the case of medical institutions, the majority of students, nurses, and other medical personnel receiving training shall not be U.S. citizens.

7. The faculty or staff must include U.S. citizens or other nationals trained and graduated from U.S. institutions and thus be able to reflect American theory and practices in education, medicine and/or medical research.

8. Full time schools will be expected to provide instruction in an American studies program designed to include aspects of American history, geography, cultural, political and economic subjects. English should be used in instruction or taught as a second language.

9. Vocational and subprofessional training institutions should be planned to meet the needs of the host country.

10. The institution must demontsrate competence in instructional skills, management, and financial operations.

11. Each application must include the information required to permit a firm estimate of the total costs of the project to the U.S. Government and to demonstrate the capacity to insure effective use of the assistance requested.

The above criteria establish eligibility for a section 214 grant. However, eligibility does not ipso facto imply that a grant will be recommended or approved by AID.

(A brief recess was taken.)

Mr. PASSMAN. Mr. Administrator and Mr. Costantino, I want to thank you again for your willingness to assist the committee in understanding the American schools and hospitals abroad item. We think you have been extremely helpful to the committee and very fair in furnishing information.

As I stated earlier, I think this is something that the Congress and the Executive will have to work together on to keep this program under some degree of control. The system that you are using in establishing your priorities is very impressive. I am very satisfied with them. I trust we shall continue on that basis in the future.

If you would put something in the record on the University of Americas, the American University at Beirut as well as the Weizmann Institute, I shall be most grateful because those are three projects I consider to be well justified.

(The information follows:)

If the Congress approves $24.5 million for the fiscal year 1973 section 214 program, we would propose to utilize $1.5 million for the University of the Americas, $6 million for the American University in Beirut, and $1 million for the Feinberg Graduate School of the Weizmann Institute.

Mr. PASSMAN. I am glad you have supported the American University at Beirut because I am sure you will agree that without AUB other nations in that part of the world including Lebanon could have easily broken diplomatic relations with our country. We know that many of the top leaders of that part of the world are graduates of AUB. I am convinced that it could possibly prove to be a very great asset to our country because it provides better understanding toward U.S. problems.

At the University of the Americas you have had a program going there off and on for a long time. As far as I know it has the unanimous support of this committee.

Dr. Hannah and you, Mr. Costantino, have said there is a need for additional funds for Weizmann and the other institutes so as to wind out the 1972 program and to make it a workable program. I will certainly work with you and I believe that I speak for the committee.

Thank you very much for helping us. The committee is adjourned.

TUESDAY, MAY 2, 1972.

CONTRIBUTIONS TO INTERNATIONAL ORGANIZATIONS AND PROGRAMS

WITNESSES

SAMUEL DePALMA, ASSISTANT SECRETARY FOR INTERNATIONAL ORGANIZATION AFFAIRS, DEPARTMENT OF STATE

JOHN W. McDONALD, JR., ACTING DEPUTY ASSISTANT SECRETARY, BUREAU OF INTERNATIONAL ORGANIZATION AFFAIRS, DEPARTMENT OF STATE

SIDNEY CUMMINS, BUDGET OFFICER, BUREAU OF INTERNATIONAL ORGANIZATION AFFAIRS, DEPARTMENT OF STATE

RICHARD L. SPRINGER, OFFICER IN CHARGE OF UNDP AFFAIRS, BUREAU OF INTERNATIONAL ORGANIZATION AFFAIRS, DEPARTMENT OF STATE

ALLAN R. FURMAN, DEPUTY DIRECTOR, OFFICE OF LEGISLATIVE AFFAIRS, AGENCY FOR INTERNATIONAL DEVELOPMENT

Mr. PASSMAN. Gentlemen, we shall continue our examination on the budget requests for foreign aid for fiscal year 1973. This afternoon we will examine the request for the international organizations and programs.

We have as the main witness the Honorable Samuel DePalma, Assistant Secretary for International Organization Affairs, Department of State, accompanied by several other supporting witnesses whose names will be placed in the record.

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

Mr. DEPALMA. Yes, I would.

GENERAL STATEMENT OF THE ASSISTANT SECRETARY OF STATE FOR INTERNATIONAL ORGANIZATION AFFAIRS

Mr. Chairman, I am pleased to testify before your committee on the President's request for the appropriation of $186 million for voluntary contributions in fiscal year 1973 to 13 international programs.

In "U.S. Foreign Policy for the 1970's," a report to the Congress on February 25, 1971, President Nixon stated that the worldwide sharing of responsibility for development was fundamental to our new approach to foreign assistance. He proposed that the United States channel an increasing share of its development assistance through multilateral institutions as rapidly as possible.

Support for a multilateral approach to development aid was reiterated by the President in his report to the Congress on February 9, 1972, when he stated that "we fully support a strengthened international effort for development through our membership in the multilateral institutions. . . . These institutions have made outstanding progress in providing vitally needed aid and in assuming an effective leadership role."

In our efforts to aid the developing countries, multilateral programs offer several distinct advantages:

They encourage a wider sharing of the cost of development assistance. During the past decade, for example, the contributions of other governments to the United Nations development program have increased at a rate more than twice that of the U.S. contribution.

They make the development effort more effective by drawing on expertise from many nations—developing as well as developed—enlisting the services of persons who would have no opportunity to serve in bilateral programs.

They avoid the political friction and even barriers that often arise from reliance on bilateral programs in sensitive areas such as family planning, narcotic drug control, and mineral exploration.

They can operate in areas where political tensions make individual governments reluctant or unwilling to intervene, even in providing essential humanitarian assistance. In the Middle East, the Indian subcontinent and other areas, the United Nations has proved a unique and effective instrument for aiding victims of civil strife.

Recognizing these and other advantages of multilateral development assistance, the President's Commission for the Observance of the Twenty-fifth Anniversary of the United Nations—under the chair-

manship of Henry Cabot Lodge—recommended in its report of April 26, 1971, "that an increasing proportion of U.S. technical assistance, official loans and credits to the developing nations of the world be channeled through the multilateral agencies of the U.N. system." The Commission particularly urged that greater contributions be made to the United Nations development program, recommending a signficant year-by-year increase to reach a minimum of $200 million by 1975.

UNITED NATIONS DEVELOPMENT PROGRAM

The United Nations development program, founded in 1966 through merger of the U.N. expanded program of technical assistance and the U.N. Special Fund, is now the world's largest program of technical assistance. During the period 1966–71 its annual volume of program delivery has doubled, from $125 to $250 million. Within the U.N. system it is at the center of all technical assistance activities and disburses over 70 percent of the funds expended for such activities by the various international organizations. Its advisory services, training programs, applied research projects, and resource surveys are designed to assist developing nations in providing the necessary basis for the attraction of investment capital.

In addition to the overall goal of furthering investment in the developing countries, our contribution to the UNDP advances a number of specific objectives:

It gives continuing support to an organization which has encouraged developed and developing countries of all political and economic persuasions to work together in a businesslike manner for the advancement of the less developed countries. During 1972 the UNDP will spend more than $288 million contributed by 130 governments on some 3,500 projects in over 135 countries and territories.

It supports our continued role of executive leadership in the UNDP. Since its founding, the UNDP has been headed by an American, and Americans have held various key positions. In January 1972, Rudolph Peterson replaced Paul Hoffman as Administrator, and in February Myer Cohen was named Acting Deputy Administrator. Their ability to administer the UNDP vigorously and effectively depends to a large extent on continued U.S. financial support.

Perhaps most importantly, it gives continuing support to efforts to reorganize and strengthen the UNDP so that it may be able to handle more effectively an expanding program of technical assistance.

Improvement in the capacity of the various U.N. bodies to deliver development assistance has been our continuing objective. As a member of the UNDP Governing Council, the United States played a leading role in initiating Sir Robert Jackson's Study of the Capacity of the U.N. Development System and in assuring that many of its recommendations were accepted and carried out. Results to date, as reported not only by the UNDP itself but also by our missions around the world, have been most encouraging.

Country programing of UNDP assistance is becoming a reality with approval by the UNDP Governing Council in January 1972 of the first 19 country programs. An additional 18 are scheduled for consideration by the Governing Council in June, and dozens more are in various stages of preparation. New program priorities have been set in

order to fit UNDP assistance more closely into the recipients' own development plans, and some countries have for the first time been forced to focus on their overall development priorities. Some projects previously requested from the UNDP have been withdrawn, and many ongoing projects will be modified or terminated. The roles of the UNDP Resident Representative and of government planning agencies have been strengthened. Many bilateral donors, including the United States, are making efforts to cooperate under U.N. leadership in the coordination of all external technical assistance, thus assuring that both multilateral and bilateral technical assistance will be more effectively planned and administered. The UNDP headquarters staff has been extensively reorganized, with the establishment of regional bureaus and increased capability for program evaluation and long-term planning. Extensive personnel changes are in process both at headquarters and in the filed, and the new Administrator has pledged to give first priority to the quality of the staff.

Even prior to this reorganization, UNDP accomplishments had been significant. To list but a few:

It had approved for execution, since 1959, 1,534 large-scale preinvestment projects of which over 550 have been completed and approximately 700 are currently operational.

It had stimulated through 120 of its preinvestment projects over $4.8 billion in followup investment.

It had located, through its resource surveys, hundreds of millions of tons of mineral resources and sources capable of producing billions of kilowatts of hydroelectric power. In Brazil, for example, a series of UNDP projects has located 42 million kilowatts of hydroelectric potential and has to date attracted $1.4 billion of followup investment.

It had trained approximately 700,000 persons in large-scale training projects, awarded over 58,000 fellowships for study abroad, and established or strengthened over 550 applied research centers and technical training institutes in more than 100 countries. In the Iranian province of Isfahan, 54,000 adults are attending adult literacy classes. This UNDP-financed project is one of 13 being undertaken by UNESCO around the world to teach not only literacy but work skills, thereby upgrading the quality of manpower available for economic and social development.

It had furthered the industrial development of the developing countries. In Tanzania, for example, over $46 million has been invested in small and medium-scale industries as the recult of services rendered by the Industrial Studies and Development Center, a project undertaken by the Tanzanian Government with the assistance of the U.N. Industrial Development Organization under a $1.5 million UNDP-financed project. In addition, a $9 million loan has been granted by the International Development Association for a comprehensive tobacco development scheme prepared with help from the Center. To date more than 4,300 persons have found jobs in new industries with an annual sales turnover of about $43 million, while the tobacco development scheme will lead to about 15,000 new farm jobs.

It had increased agricultural production over millions of acres of land through projects involving irrigation, pest control, and crop research. Just a decade ago, the desert locust threatened the food supply of one-eighth of the world's people. In Kenya it destroyed 20% of all

subsistence crops. In Ethiopia it devoured half of the country's wheat and a third of its corn. About the size of a man's finger, the desert locust could eat his own weight in food every 24 hours and flew in swarms measuring up to 23 miles by 5 miles. In 1960, a project was launched under which the UNDP, the FAO and 42 afflicted nations joined together to conquer this scourge. The UNDP provided two-thirds of the cost of the $4..2 million project, which involved not only elimination of the insects by spraying but also setting up a control system to avoid future attacks. By 1969, the international effort had been so successful that a network of reporting stations were unable to discover a single swarm of locust.

We believe that a reorganized and revitalized UNDP has the potential for even greater effectiveness and for exercising greater leadership in coordinating technical assistance in an international system. We believe, therefore, that it is deserving of our continued support.

The financial resources of the UNDP come principally from voluntary contributions pledged by governments. For 1972, 130 governments have pledged $267 million compared with $239 million pledged in 1971. In addition, assisted governments are expected to contribute about $16.5 million for local costs of projects. Recipients also make counterpart contributions in manpower, housing, utilities, equipment and other necessary local inputs which are estimated to account for about 55 percent of the total cost of projects.

The United States has always been the major contributor to the UNDP, pledging up to 40 percent of all contributions on a matching basis in order to encourage other countries to participate. As other countries have increased their contributions, the United States share has progressively dropped. Last at the 40 percent level in 1964, it declined to 30 percent in 1972. In percent of GNP, the United States dropped to 11th among major donors. Since 1970 the U.S. contribution has remained steady at approximately $86 million, while the contributions of other countries have grown from $156 million to $197 million. It is estimated that the requested U.S. contribution of $90 million in 1973 would represent only 29 percent of all contributions. If the contributions of other countries should increase at the same rate as in 1972—that is, 18 percent the United States share would be even lower.

While increased participation by other countries in the UNDP is a sign of the success of our own policies, we believe that our own participation—in terms of both financial resources and leadership—must also increase if the program is to achieve its objectives. We estimate that at least 70 percent of the U.S. annual contribution returns to the United States in the form of expenditures in this country.

In addition to the $90 million requested for the UNDP, contributions totalling $34,535,000 are proposed for nine other programs.

UN FUND FOR POPULATION ACTIVITIES

In his July 1969 message to Congress on population, President Nixon stated: " It is our belief that the United Nations, its specialized agencies and other international bodies should take the leadership in responding to world population growth." In line with this policy we have endeavored to encourage and assist the United Nations and

its specialized agencies to develop effective population and family planning programs and activities.

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). With an initial U.S. contribution of $500,000 from fiscal year 1968 funds, a field staff of 10 population officers began to help developing countries identify and prepare action projects in the population field. A further $2.5 million was contributed in fiscal year 1969 to help finance the expansion of population programs of the U.N. regional economic commissions, a number of U.N. population advisory missions to developing countries and action projects requested by countries. Early in fiscal year 1970, $1 million was pledged to finance expansion of WHO's staff on population activities.

In January 1970, 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, the United States pledged $7.5 million toward a target of $15 million for that calendar year. The United States pledge was conditioned on the receipt of matching contributions from other countries. Twenty-two countries did, in fact, pledge the equivalent of over $7.68 million, which enabled the UNFPA to exceed its 1970 fund-raising goal. For 1971, forty-five other donors pledged $14.6 million against a United States pledge of up to $15 million on a 50/50 matching basis.

The United States proportion of the voluntary contributions to the UNFPA is declining. Before 1970, the United States contributed 80 percent of such funds. For 1970 and 1971, the United States proportion was 50 percent. The UNFPA is seeking $45 to $50 million for CY 1972. While the U.S. has not yet taken a final decision on the level of its pledge, the proportion will not exceed 50 percent.

The UNFPA allocated $1.16 million in 1969, $6.7 million in 1970 and $32.1 million in 1971 for population activities. During 1972 it is expected to allocate about $43.5 million. Projects financed have included (1) large-scale support to a major African Census Project and to seven country projects covering the provision of contraceptive supplies, medicine and equipment, consultants, and assistance to research, training, and evaluation; (2) support for U.N. evaluation missions to a dozen countries in Africa, Asia and Latin America; (3) support for the population and family planning programs of agencies in the U.N. system including UNICEP, WHO, FAO, ILO and UNESCO; and (f) grants to private agencies such as the International Planned Parenthood Federation and the Population Council.

In February 1972 the U.N. Population Fund headquarters office was completely restructured to improve the Fund's ability to monitor and evaluate the projects it finances and to enhance its ability to coordinate U.N. population assistance activities.

UNICEF

Wise programing and efficient administration combined with an ability to remain outside the political arena have placed UNICEF in a foremost position in U.N. efforts to meet major international disasters and emergency situations. Recent emergency relief work in

Nigeria and Bangladesh has served to reinforce the worldwide respect accorded this agency. These crisis activities are carried on in addition to UNICEF's regular long-range development assistance programs which focus on the developing countries' major human resource—their children. Included among the organization's major efforts are:

Family planning in countries where there is a growing realization that the health, welfare and development of children is deeply affected by responsible parenthood and family size.

Child food and nutrition to assist in the prevention of malnutrition, which, if ignored, can cause irreversible physical and mental damage.

Family and child welfare in which UNICEF seeks new ways of delivering simple health services, often the basic problem in maternal and child health services.

Education and vocational training through the development of non-formal educational systems which can eventually be integrated into a country's national school system.

In its efforts to reach these objectives in the most efficient manner, UNICEF has in recent years moved away from discrete projects to undertake comprehensive programs involving the coordination and involvement of country ministries and benefiting children and adolescents as part of the mainstream of national development.

At its 1971 executive board meeting, UNICEF approved commitments for program and projects totalling $63 million.

Contributions from governments comprise the essential financial base for UNICEF. In 1971, 138 governments made donations to UNICEF's general resources in the amount of $38 million. of which $13 million was contributed by the United States. In addition, $4.7 million was presented by governments for specific projects including emergency relief. $1.1 million was donated by the United States for disaster relief in Nigeria and over $40 million directly and indirectly to South Asia. Under Public Law 480 the United States also transferred foodstuffs to UNICEF valued at $5.4 million for ongoing nutrition programs and emergency relief in Nigeria. Additional income is realized by UNICEF from non-governmental sources through greeting cards sales and public collection ("Trick or Treat"). In the United States the amount realized from such sales and collections totaled $8.6 million during 1971. Apart from special contributions for specific relief efforts, the U.S. Government and private contributions to UNICEF's general resources amounted to 39.7 percent of all such contributions in 1971.

U.N. FUND FOR DRUG ABUSE CONTROL

The U.N. Secretary General established the U.N. Fund for Drug Abuse Control in March 1971 and invited contributions from public and private sources "for the purpose of combatting 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. Commission on Narcotic Drugs, the Economic and Social Council, and the U.N. General Assembly.

The United States contributed $2 million to the Fund in 1971 and will make a similar contribution in 1972. In addition to our contribution, other countries pledged $1 million in 1971.

The Fund finances short and long term programs designed to eliminate both the demand for and the supply of drugs for purposes of abuse. The largest project thus far conceived and the first comprehensive country plan financed under the Fund is the Thailand Project. With a Fund contribution of $2 million and the equivalent of $5 million from the Thai Government, the project will attempt over the next 5 years a multidirectional attack on Thailand's drug problem. This project encompasses crop substitution and other development activities in the mountainous tribal areas, new methods and facilities for addict treatment and rehabilitation, and information programs geared toward high risk segments of the population.

Other countries are expected to request similar comprehensive programs. As demands on the Fund increase, so will the need for larger contributions. We are, therefore, proposing a $5 million contribution in fiscal year 1973—a modest sum for a program in which we have so vital a stake.

INTERNATIONAL ATOMIC ENERGY AGENCY OPERATIONAL PROGRAM

The IAEA Operational program, which is funded primarily by voluntary contributions from member states, provides fellowships for training in nuclear science and experts and equipment for technical assistance projects, including the use of modern nuclear technology in hydrology, industrial processes, energy generation, medical diagnosis and treatment, and food preservation. During 1970 the program financed the assignment of 113 experts and visiting professors to member states, 368 fellowships, and 18 international training courses and seminars.

The important safeguards provisions of the Nuclear Non-Proliferation Treaty administered by the IAEA are financed from that Agency's assessed budget. Many of the less developed countries, having no nuclear materials to be safeguarded, regard the safeguards program as of benefit largely to the nuclear weapon states and an expense which should be borne by them. By supporting the IAEA technical assistance activities of direct benefit to the less developed countries, the United States not only contributes to the economic and social objectives of those countries but at the same time helps to gain and maintain their support for the vital safeguards program.

A contribution of $1,750,000 to the Operational program is proposed for fiscal year 1973, $200,000 more than in 1972. The United States would contribute in U.S. dollars or other currencies a sum equal to its share of the target (expected to be $3 million) at its assessed base rate. On this basis, our cash contribution would amount to approximately $945,600. The remainder of the requested appropriation, $804,400 would be offered in kind.

The $200,000-increase recommended for 1973 would be used to augment the U.S. in-kind program. This program is designed to assist projects and programs of particular value or interest to the United States.

Contributions in-kind at the $804,400 level would provide $402,200 for about 50 fellowships to train scientists and technicians from developing countries in the United States. It would also provide $402,200 for advisory services of U.S. experts to the IAEA or its developing

member states; for training courses, study tours, seminars and other technical meetings, including those held in the United States; and for small grants of equipment purchased from American firms for the IAEA's laboratories and technical assistance projects. These in-kind programs also serve to broaden the familiarity of the foreign science community with U.S. techniques and manufactures in the field of atomic energy.

This increase in our support of the 1973 program is particularly desirable in order to maintain a healthy balance of programs within the Agency as safeguards costs continue to grow. Most industrialized countries have responded positively to the Agency's request to contribute voluntarily to the Operational program at the same percentage rate as they are assessed for the IAEA regular budget. In 1971, 47 countries, including the United States, contributed to the target at a rate equal to or exceeding the equivalent of assessed shares. Additionally, 54 countries, including the United States, contributed more than $2 million in in-kind or special cash donations. Altogether 66 countries pledged cash contributions.

WORLD METEOROLOGICAL ORGANIZATION VOLUNTARY ASSISTANCE PROGRAM

The WMO Voluntary Assistance program, funded by voluntary contributions, was established in 1967 in conjunction with initiation of the World Weather Watch, a system designed to bring the global atmosphere under surveillance and to provide for the rapid collection and exchange of weather data and for monitoring atmospheric pollution. Under the World Weather Watch, each of the 136 members of the WMO is called upon to implement needed improvements in observation, data processing and communications in their territories. To the extent that less developed countries lack foreign exchange resources to obtain necessary equipment, the WMO Voluntary Assistance program will assist them.

The program, which has a total annual target of $5 million, has two components: (1) a Voluntary Assistance Fund, administered by the WMO, to which members make cash contributions, and (2) an Equipment and Services program, to which member countries make contributions in kind.

An appropriation of $1.5 million in fiscal year 1973 is proposed as a U.S. contribution to the Voluntary Assistance program. This would provide a U.S. cash contribution of $150,000 to the Voluntary Assistance Fund, 40 percent of the total unrestricted cash contributions of member nations, and $1,350,000 for contributions in kind to the Equipment and Services program. The latter amount will consist of U.S. equipment, experts and services for, and the training in the United States of persons from, less developed countries of our choosing in the field of meteorology.

WORLD FOOD PROGRAM

Assistance provided by the World Food program, a joint undertaking by the United Nations and the Food and Agriculture Organization, has four principal objectives: direct development assistance, development of human resources, improvement of economic and social infra-

structure and emergency humanitarian aid. WFP resources consist mainly of voluntary contributions from member nations, principally of food but also including cash for the purchase of food and for services such as ocean transportation.

The WFP has grown steadily during the first decade of its operations, both in resources and programs. Contributing membership has grown from 29 to 74 member nations, and the level of pledges and contributions has progressively increased from $85 million contributed for the initial 3-year period, 1963–65, to $266 million already pledged for the 1973–74 biennium. The growth of programs has kept pace with the increase in resources. As of December 1971, total commitments for development and humanitarian assistance amounted to approximately $1.2 billion for 657 projects. Of this total, 220 projects valued at $138 million have been complete and 437 projects valued at over $1 billion are still in operation.

Almost one-half of WFP's program is for direct development projects such as land development and improvement, crop diversification, promotion of animal husbandry, fisheries and forestry development and for industrial and mining projects. These projects are currently reaching 2.9 million beneficiaries.

Over one-third of WFP's commitment for development has been allocated for 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. By the end of 1970, such aid had reached or was reaching 3.4 million beneficiaries including 426,400 preschool children and 2.3 million primary schoolchildren.

About 13 percent of WFP resources have been allocated for projects designed to improve social and economic infrastructure through public health and housing programs, transportation and communications programs and community development projects. The WFP has undertaken 87 projects of this type at a cost of almost $135 million, providing food to over 4 million beneficiaries.

WFP assistance for these purposes forms an integral part of country development plans. Furthermore, by providing commodities rather than financial resources, the WFP gets food directly to the people and stimulates rural employment without generating inflationary pressures sometimes caused by direct financial assistance. The WFP also promotes the self-help principle: workers are paid fully or in part in food for work on projects usually of direct importance to their welfare such as roads, land clearing, and forest planting; governments must provide support services and manpower and must assume responsibility for continuation of the project after WFP assistance is terminated.

In its emergency operations, the WFP has sent food to victims of flood, drought, earthquake, and other disasters and to refugees worldwide. As of December 1971, the program had responded to 147 emergencies in 71 countries with food valued at $110 million. Current operations include assistance valued at $190,000 to victims of floods in Colombia, $3.9 million to victims of drought in nine countries of West Africa, $2.2 million to victims of drought in Afghanistan, $10.7 million to victims of flood, cyclone, and civil disturbance in East Pakistan, and $2.4 million to victims of typhoons in the Philippines. It is estimated that over 7 million persons have received emergency assistance during the past year.

Against a target of $340 million for the 1973–74 biennium, 46 countries have already pledged a total of $266 million including food, services, and cash. This initial pledge made at the 5th WFP Pledging Conference in January 1972 represents 78 percent of the targeted level with most countries substantially increasing their pledges over previous years.

The U.S. pledge for the 1973–74 biennium is for contributions up to $136 million subject to action by the Congress. This pledge includes (*a*) up to $93 million in commodities subject to the condition that the U.S. contribution does not exceed 40 percent of the total contributions of all governments in commodities and cash for the purchase of commodities; (*b*) $40 million for ocean transport; and (*c*) $3 million in cash toward meeting the administrative expenses of the program.

The sum of $1.5 million is requested for fiscal year 1973 to meet the first year's increment of the cash portion of the U.S. pledge for 1973–74.

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 nine members: Australia, Belgium, France, Germany, Italy, the Netherlands, the United Kingdom, the U.S.S.R., and the United States.

The work of IARC affords a unique opportunity to study cancer throughout the world. The U.S. National Cancer Institute has estimated that 85 percent of cancer is caused by external or environmental factors. By making comparisons of conditions in areas where the incidence of cancer is exceptionally pronounced, NCI is able to focus on environmental causes that are similar. By using studies made by IARC in Africa, for example, NCI and IARC are able to cooperate on selected studies of environmental conditions, which are now giving a better insight as to the causes of liver cancer, the incidence of which is increasing in this country.

When the IARC was established in 1965, its statute provided that for the first 5 years equal annual assessments of $150,000 should be paid by all members. In October 1970, the IARC's Directing Council established a system by which each member would pay a base contribution of $150,000 plus an additional sum related to capacity to pay. Under this procedure the U.S. contribution for fiscal year 1973 is 15.9 percent of the IARC budget.

INTERNATIONAL SECRETARIAT FOR VOLUNTEER SERVICE

The International Secretariat for Volunteer Service (ISVS) encourages the formation of volunteer service organizations, both for domestic and overseas service, and assists governments in setting up and operating volunteer programs.

Recently the ISVS has placed increased emphasis on facilitating international cooperation in the volunteer service field, particularly by aiding in the establishment of multinational teams and by assisting the organization of the newly established U.N. volunteer program. An agreement was concluded in May of last year between the Administrator of the UNDP and the Secretary General of ISVS giving ISVS responsibility for coordinating the recruitment, preselection, and

training of candidates for the U.N. volunteers. ISVS established a clearinghouse, which commenced the processing of UNV applications in July of the same year. Concurrently it has taken steps to foster a closer working relationship with volunteer organizations in the developing countries of Asia, Africa, and Latin America, with the result that qualified volunteers from the Philippines, Chile, and Argentina are now serving in UNV projects in Yemen and Iran. To date these and 20 other countries have responded to the UNV programs by providing applicants for the various projects through the ISVS clearinghouse.

ISVS has proposed a budget of $269,837 for fiscal year 1973. A U.S. pledge of up to $73,000, but limited to 28 percent of total governmental contributions to ISVS, is proposed.

In addition to contributions to the 10 international programs mentioned above, the President has proposed contributions of $14.3 million to the regular budget of the U.N. Relief and Works Agency, of $4.8 million to the U.N. forces in Cyprus, and of $43 million for the Indus Basin Development Fund.

UNITED NATIONS RELIEF AND WORKS AGENCY

The United Nations Relief and Works Agency for Palestine Refugees in the Near East (UNRWA), created in 1949, provides food, housing, schooling, and health services to registered Arab refugees of the 1948–49 Arab-Israel conflict and, on a temporary basis, certain services to persons displaced as a result of the 1967 war. U.S. support for UNRWA not only meets a clear humanitarian need but is also an important element in promoting political stability in the Middle East, complementing current efforts to achieve peace in the region.

At the end of 1971 the refugee population registered with UNRWA numbered approximately 1,487,096 of whom 829,919 were receiving rations from the Agency.

UNRWA has estimated its 1972 requirements at over $51 million, an increase of over $2.5 million over 1971 resulting from rising costs of materials and services and an increase in the numbers of refugee children in UNRWA/UNESCO schools. In 1970 the General Assembly established a working group to study UNRWA's expenditures, to seek additional revenues, and, if necessary, to recommend measures to bring UNRWA's budget into balance. Approaches made in various capitals by the working group and by a special representative of UNESCO have met with some success in obtaining additional contributions, both directly to UNRWA and to UNESCO for the schools serving the refugees. It appears, however, that income for 1972 will be between $2 million and $3 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 has contributed or pledged $22.2 million to UNRWA's regular budget for fiscal year 1971 and fiscal year 1972—$13.3 million in dollars and U.S.-owned excess currencies and $8.9 million in commodities available under Public Law 480. An additional sum of $1 million will be pledged to UNRWA in fiscal year 1972, bringing our total pledge to $23.2 million for the year. For fiscal year 1973 a contribution of $23.2 million ($14.3 million cash, $8.9 million

in commodities) is also 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, however, the actual U.S. share has been proportionately reduced from 70 percent to about 55 percent in 1971.

U.N. FORCE IN CYPRUS

The request for $4.8 million for contribution to the U.N. force in Cyprus is contained in the overall request for supporting assistance for fiscal year 1973.

The situation in Cyprus has been critical in recent months and remains potentially explosive. Eruption of another round of intercommunal fighting would run the risk of mutually destructive conflict between Greece and Turkey and incalculable damage to NATO. Experience has shown that under such conditions UNFICYP is an essential stabilizing factor, and we believe that its continuation is necessary for the preservation of peace in the Eastern Mediterranean as efforts continue under U.N. auspices to bring about a resumption of intercommunal talks.

INDUS BASIN DEVELOPMENT FUND

Administered by the World Bank, the Indus Basin Development Fund helps provide arable land for over 50 million people in West Pakistan and the western part of India; $25 million for grants and $18 million for loans is requested for the U.S. contribution to the Fund in fiscal year 1972. We believe that the Indus Basin program, like UNRWA and UNFICYP, is a valuable force for stability in a volatile part of the world.

Mr. Chairman, this completes the listing of the President's request for appropriations for voluntary contributions to international organizations for fiscal year 1973. We believe that this request is worthy of your support, and I shall be happy to answer your questions and to provide any further information which you might desire.

JUSTIFICATIONS MATERIAL

Mr. PASSMAN. Thank you for your statement. We will insert the justifications in the record at this point.

(The material follows:)

INTERNATIONAL ORGANIZATIONS

VOLUNTARY CONTRIBUTIONS TO
INTERNATIONAL ORGANIZATIONS AND PROGRAMS
(In thousands of dollars)

	FY 1971 Actual	FY 1972 Estimated	FY 1973 Proposed
International Organizations Funding (FAA Chapter 3)			
UN Development Program	86,268	86,000	90,000
UN Children's Fund	13,000	15,000	15,000
International Atomic Energy Agency-Operational Program	1,521	1,550	1,750
World Meteorological Organization-Voluntary Assistance Program	1,500	1,500	1,500
UN/FAO World Food Program	1,500	1,500	1,500
UN Institute for Training and Research	400	400	400
World Health Organization-Medical Research	150	312	312
International Secretariat for Volunteer Service	70	73	73
Special Contributions for Vietnam	950	-	-
UN Relief and Works Agency	13,300 a/	14,300	14,300
UNRWA Arab Refugee Vocational Training	1,000	-	-
Total, Chapter 3 UN and Related Programs	119,659	120,635	124,835
Indus Basin Grants	4,925	16,512 b/	25,000
Total, Chapter 3 Grants	124,584	137,147	149,835
Indus Basin Loans	6,980	13,750 c/	18,000
Total, Chapter 3	131,564	150,897	167,835
Other Programs			
UN Fund for Population Activities	14,000 d/	20,000 d/	9,000 d/
UN Fund for Drug Abuse Control	2,000 f/	2,000 g/	5,000 h/
UN Force in Cyprus	4,800 a/	2,400 a/	4,800 a/
Total, Other Programs	20,800	24,400	18,800
TOTAL	152,364	175,297	186,635
(Subtotal, UN and Related Programs	140,459	145,035	143,635)
(Subtotal, Indus Basin Development Fund	11,905	30,262	43,000)

a/ Funded from Supporting Assistance account.
b/ Of which $10 million funded from Indus Basin Grants account and $6,512,000 from overall International Organizations account.
c/ Of which $12 million funded from Indus Basin Loans account and $1,750,000 from Development Loan account.
d/ Of which $10.5 million funded from Development Loan account and $3.5 million from International Organizations account.
e/ Funded from Population Programs account.
f/ Funded from International Organizations account.
g/ Funded from Development Loan account.
h/ Funded from International Narcotics Control account.

INTRODUCTION

The changes and reforms begun by President Nixon in our foreign assistance programs have continued. In his third annual report to the Congress on the state of U.S. Foreign Policy in February 1972, the President stated: "We fully support a strengthened international effort for development through our membership in the multilateral institutions ..., through UN specialized agencies and the UN Development Program... The assistance we provide through the multilateral institutions is of special importance to the development effort. These institutions have made outstanding progress in providing vitally needed aid and in assuming an effective leadership role."

Multilateral programs have several distinct advantages:

-- they promote and encourage a wider sharing of development costs among donor nations;

-- they reduce the political frictions that can arise from reliance on bilateral contacts in areas of special domestic sensitivities, such as population and family planning, the production of and traffic in dangerous drugs, and surveys of minerals with strategic implications;

-- they create a multiplier effect on world capacity to aid the developmental effort by pooling the skills and experience of many countries for dealing with development problems;

-- they can operate in areas where political tensions are great, such as, in the Middle East and in South Asia during the period of tension between India and Pakistan, under circumstances where individual donors find it difficult to function, even in providing essential humanitarian aid.

A contribution of $90 million in FY 1973 is proposed for the UN Development Program (UNDP), which is the focal point of the efforts of the entire UN system to assist the developing countries. Reform of the UNDP, begun in

1970, has made good progress. The UNDP Secretariat has been reorganized, a country programming exercise coordinating all UN assistance given to a country has already been applied in 19 countries, and a review at the highest levels of professional skills within the UNDP is now under way. These actions resulted from a study of the capacity of the UNDP which was undertaken largely at the initiative of the United States. The changes already effected and others to follow will lead directly to enhancing the UNDP's capacity to act as the leader in and coordinator of the development activities of the entire UN system. They should markedly increase its capacity to administer a much higher level of resources.

These reforms and improvements are already bearing fruit, and under the vigorous direction of the new American Administrator of the UNDP, steady improvement in the quality of the UNDP's performance can be expected as well as prompt and comprehensive reporting on the expenditure of funds.

Other programs for which contributions are proposed include:

-- the UN Children's Fund, the highly respected international agency which assists the poorer countries in improving the health and welfare of children and mothers and in meeting emergency needs;

-- the World Food Program, which utilizes food on an international basis to promote better nutrition, to pay for labor on development projects and to feed victims of natural disaster;

-- the Operational Program of the International Atomic Energy Agency, which enables less-developed countries to benefit from the peaceful uses of the atom;

-- the Voluntary Assistance Program of the World Meteorological Organization, under which poorer countries are assisted to improve their capabilities to contribute to the World Weather Watch;

-- the International Secretariat for Volunteer Service, which encourages the initiation and development of volunteer organizations comparable to our Peace Corps and VISTA.

-- the World Health Organization's International Agency for Research on Cancer, whose world-wide studies on external and environmental causes of cancer make a valuable contribution to the work of the U.S. National Cancer Institute.

-- the UN Fund for Population Activities, a central coordination and financing body for activities throughout the UN system which helps member states in identifying and coping with population problems;

-- the UN Fund for Drug Abuse Control, a program designed to provide technical assistance in controlling production and traffic in narcotic drugs, in alerting actual and potential users of the dangers of drug abuse, and in providing treatment and rehabilitation of addicts;

FY 1973 Program

The President has proposed the appropriation of $143,635,000 for voluntary contributions to UN and related international organizations and programs for FY 1973. The request consists of the following:

-- International Organizations. Contributions to the UN Development Program, the UN Children's Fund, six other UN technical assistance programs, and the regular budget of the UN Relief and Works Agency are proposed in the amount of $124,835,000.

-- Population Programs. $9 million of the amount requested to be appropriated for Population Programs is for a proposed contribution to the UN Fund for Population Activities.

78-827 O - 72 - pt.2 - 41

-- International Narcotics Control. $5 million out of the appropriation request for International Narcotics Control will go to the UN Fund for Drug Abuse Control.

-- Supporting Assistance. A $4.8 million contribution is proposed out of Supporting Assistance funds for the UN Force in Cyprus.

In addition, the President has proposed an appropriation of $43 million for the Indus Basin Development Fund in FY 1973--$25 million for grants and $18 million for loans.

UN DEVELOPMENT PROGRAM

The UN Development Program (UNDP) came into being January 1, 1966, as the result of a UN General Assembly resolution calling for a merger of the UN Expanded Program of Technical Assistance (EPTA), which had existed since 1949, and the UN Special Fund, which began operations in January 1959. The EPTA's numerous small-scale advisory and training projects and the Special Fund's larger pre-investment, research, resource-survey and training projects complement each other in assisting developing nations to prepare the ground for, and to attract, development capital assistance from a variety of bilateral and multilateral sources. Both types of projects are what is normally described as "technical assistance," and the distinction between the former Special Fund and EPTA has been fully abandoned by UNDP as of this year. American initiative played a large role in the creation of the UNDP, and its first Administrator, Mr. Paul Hoffman, was replaced in January 1972 by another distinguished American businessman and public servant, Mr. Rudolph Peterson.

The UNDP is at the center of all technical assistance activity within the UN system. With a calendar year 1972 program budget of approximately $290 million (not including overhead, support and administrative type costs), it accounts for some 70% of all technical assistance expenditures within the system.

The UNDP's smaller training and advisory projects (formerly "technical assistance" projects) average approximately $35,000 each in cost and are usually completed in a period of a few months up to three years.

Normally about 4,000 such projects are in various stages of execution, with approximately 1500 being completed and a similar number begun each year. Currently more than 4,000 persons receive training each year under fellowships granted within these projects.

The major part of UNDP activity is in larger projects (formerly called "Special Fund" projects) in agriculture, education, health, transport, resource surveys, and similar basic fields. These projects average approximately $2.3 million each in cost and two to five years in duration. Through 1971 over 1400 such projects had been approved with a total projected cost to the UNDP of about $1.4 billion and to the recipient countries of nearly $2 billion. Over 700 projects of this type were actually in progress during 1971. The number of projects by economic sector approved through 1971 was agriculture 516, industry 368, public utilities 211, education and science 119, public administration and services 69, housing and physical planning 26, health 22, and social welfare 7; 90 projects were multi-sectoral in scope.

Projects are requested by recipients and, once approved by the UNDP, have been executed either by the UN, one of the Specialized Agencies, the World Bank, one of the regional development banks, the International Atomic Energy Agency or, in a few cases, by the UNDP itself. The largest numbers of large scale projects have been carried out by the Food and Agriculture Organization (FAO), 510; the UN, 251; the International Labor Organization (ILO), 178; UNESCO, 174; and the UN Industrial Development Organization (UNIDO), 69. The World Bank has executed 75 large-scale projects.

Participation in the UNDP is open to all nations or territories which are members of the UN, the Specialized Agencies or the International Atomic Energy Agency. 130 countries presently contribute to the program, with 105 of them receiving UNDP project assistance during 1971. In

addition to projects for individual countries, there are also regional and inter-regional projects funded by the UNDP, as well as research projects which benefit all nations.

The regional distribution of these large-scale projects through 1971 was 528 for Africa, 348 for Asia and the Far East, 328 for Latin America, 113 for the Middle East and 100 for Southern and Eastern Europe. Nine were inter-regional and two were research benefitting all nations.

Policy decisions in the UNDP are made by a Governing Council which meets semi-annually in January and June and is composed of delegates from eleven African nations, nine Asian nations, seven Latin American nations and 21 developed countries (including four from Eastern Europe). The United States has been a member of the Governing Council since the inception of the UNDP.

UNDP Reform

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 UNDP Administrator to carry out the project, and his report, "A Study of the Capacity of the UN Development System", was completed in November 1969. In general, the report concluded that the ad hoc development of the UN economic and social system had resulted in cumbersome machinery, and it recommended a wide-ranging series of reforms to ensure the creation of a centralized policy-making body located in a reorganized and strengthened UNDP.

The June 1970 session of the Governing Council endorsed a substantial portion of the recommendations of the Jackson Capacity Study and called for their implementation. With only minor reservations the United States agreed with the Governing Council's endorsement. A very significant change was the adoption of a country program approach for UNDP assistance to less developed countries. Where formerly individual projects were requested by recipient governments and approved and implemented by the UNDP on a one-by-one basis, the new system calls for each recipient to formulate a coherent plan coordinating UNDP inputs with other bilateral or multilateral assistance in the country's overall economic development plans. Each recipient is given an Indicative Planning Figure for a five-year period which, although not a firm commitment, allows for reasonably accurate projection of resources which will be available from the UNDP. At the January 1972 session of the Governing Council, 19 country programs were presented and approved. Over the next two years the remaining recipient nations will complete their country programs and present them to the Governing Council.

The dropping this year of the distinction between "Special Fund" and "Technical Assistance" categories of projects was preceeded by the abolition at the beginning of 1971 of full-funding of projects. Whereas in the past funds had been earmarked to cover the full cost of each project at the time of approval, projects now are funded out of current income. This was felt reasonable in view of the size to which the UNDP had grown and its successful achievements. Assets which had previously been tied to specific ongoing projects were thus released to form a reserve which amounted to $343 million. These assets were not all liquid funds and were in part in non-convertible currencies. To provide for responsible financial management and to assure that inescapable or firm obligations could be met in the event of severe cutbacks in contributions or activities, the Governing Council established an Operational Reserve in the amount of $150 million, to be drawn from the freed assets. The Governing Council suggested that the remaining $193 million be gradually injected into UNDP's program spending over a period of a few years, with the expectation that increasing contributions would then allow the program to continue at the higher levels made possible by the injections. The success of the UNDP in speeding the implementation of its program will utilize all the freed assets much more rapidly than first anticipated. In 1971 expenditures exceeded receipts by $43 million, and for 1972 they are expected to exceed receipts by $67 million. By the early part of 1974 all the surplus funds will have been used,

and unless there is a substantial increase in voluntary contributions, the rate of program delivery may well have to be cut back. At the end of 1971 the total amount of all obligations was approximately $600 million -- or twice the $300 million in assets held by the UNDP -- and about $200 million of that sum consisted of firm obligations.

During the past year the headquarters of the UNDP has been reorganized on a regional bureau basis, with an additional bureau for Program Analysis and Policy Planning. Changes are also under way in the financial reporting and management system of the organization, and a number of key personnel changes are expected as the new UNDP Administrator settles into his job. Efforts are being made to further strengthen the role of the Resident Representatives as the leaders of all UN operations in countries where the UNDP has a program.

Financing

UNDP financial resources come almost entirely from voluntary contributions pledged by member nations and assessments against recipient countries for certain local costs. Recipients also make counterpart contributions in manpower, housing, utilities, equipment and other necessary inputs. These counterpart contributions average 55% of the total cost of projects, with UNDP financial assistance making up the remaining 45%.

The United States contribution has been limited by statute to 40% of the total in any one year of all voluntary contributions and assessed local costs. Prior to merger of the EPTA and the Special Fund, U.S. contributions to the Special Fund were at or near the statutory maximum. In 1966, 1967 and 1968 the U.S. contribution averaged 37.1% of total new resources. It has declined to 30.3% in 1972 as a result of a steady growth in overall contributions while the U.S. contribution has remained at a level of $86.3 millions since 1970. The $90 million proposed U.S. contribution for FY 1973 would be only 29.3% of the estimated total. Other major donors in 1972 include the Scandanavia countries, $56.6 million; the U.K., $19.8 million; Canada, $18 million; Germany, $14.5 million; and the Netherlands, $13.1 million. Twelve other member nations contributed amounts ranging from $1 million to $8 million.

UN CHILDREN'S FUND

Careful analysis and efficient administration, combined with an ability to remain outside the political arena, have in the last three years placed UNICEF in the foremost position in UN efforts to meet major international disasters and emergency situations. Recent emergency relief work in Nigeria, India, and Bangladesh have served to reimforce the world-wide respect accorded this agency. These crises activities are carried on in addition to UNICEF's regular long-range development assistance programs, whose focus is on the developing countries' major human resource--their children. Included among the organization's major efforts are:

1. Family Planning in countries where there is a growing realization that health, welfare and the development of children are deeply affected by responsible parenthood and family size.

2. Child Feeding and Nutrition to assist in the prevention of malnutrition in the one-to-five-year age category, which, if ignored, can cause irreversible physical and mental damage.

3. Family and Child Welfare, where UNICEF seeks new ways of delivering simple health services--often the basic problem in maternal and child health care. The health services are very closely linked with family planning services.

4. Education and Vocational Training through the development of non-formal educational systems which can eventually be integrated into a country's national school system.

5. Multi-purpose Services or integrated efforts which combine several closely related activities, such

as nutrition and family and child welfare.

In its efforts to reach the objectives in the most efficient manner, UNICEF has in recent years moved away from discrete projects to comprehensive programs involving the coordination and involvement of country ministries and benefiting children and adolescents as part of the mainstream of national development.

At its 1971 Executive Board meeting UNICEF approved commitments for programs and projects totaling $63 million. Of these commitments 47.8% are for health; 7.4% for nutrition; 7.3% for family and child welfare; 28.3% for education; 1.6% for pre-vocational training; 3.5% for integrated services; 1.5% for country planning and other activities and 2.6% for emergency aid. The last is for immediate purchasing for emergency aid programs and as a contingency reserve.

Contributions from governments are the essential financial base for UNICEF. In 1971, 138 governments made donations to UNICEF's general resources in the amount of $38 million, of which $13 million or 34% was contributed by the United States. The U.S. contribution to the regular budget is exclusive of nongovernmental ("Trick or Treat") contributions and special relief contributions. In addition $4.7 million was provided by governments for specific projects, including emergency relief. $1.1 million was donated by the United States for disaster relief in Nigeria and over $40 million directly and indirectly for relief for the victims of the conflict in South Asia. Under P.L. 480 the United States also transferred foodstuffs to UNICEF valued at $5.4 million for ongoing nutrition programs and emergency relief in Nigeria. Additional income is realized by UNICEF from nongovernmental sources through greeting cards sales and public collection ("Trick or Treat"). In the United States the amount realized from such sales and collections totaled $8.7 million.

INTERNATIONAL ATOMIC ENERGY (IAEA)

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 are financed from that Agency's assessed budget. Many of the less developed countries have no nuclear materials to be safeguarded and have little interest in the safeguards program, regarding it as of benefit largely to the states which have nuclear weapons 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 nuclear science and experts and equipment for technical assistance projects, including the use of modern nuclear technology in hydrology, industrial processes, energy generation, medical diagnosis and treatment, and food preservation. 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 $1,750,000 to the Operational Program is proposed for FY 1973, $200,000 more than in 1972. Approximately $945,600 would be in cash and the remainder, $804,400, in kind.

In the last several years, the United States pledged a sum equal to its share of the target at its assessed rate, subject to the provision that its contribution not exceed 40% of the total unrestricted cash contributions of all member states. In 1970-1972 total contributions of all

countries have been sufficiently high, however, that the 40% limitation has been inoperative, and the United States has in effect contributed toward the target at its assessed rate. It is proposed that the pledge henceforth be made on the basis of the assessed base rate (probably 31.52% in FY 1973). The IAEA target for FY 1973 is expected to be $3 million, an increase of $0.5 million over FY 1972.

Increased support for the 1973 program is particularly desirable (1) because of the obligation the United States has assumed in Article IV of the NPT to further the development of the applications of nuclear energy for peaceful purposes with due consideration for the needs of the developing countires; (2) in order to maintain a healthy balance of programs within the Agency as NPT safeguards costs continue to grow (safeguards costs will probably increase by 25% in 1972 over 1971 to almost $2.5 million, and substantial growth will continue thereafter); and (3) in response to the increasing contributions of other countries to the IAEA's operational program.

Most industrialized countries have responded positively to the Agency's request to contribute voluntarily to the operational program at the same percentage rate as they are assessed for the IAEA regular budget. In 1971, 47 countries, including the United States, contributed to the target at a rate equal to or exceeding the equivalent of assessed shares. Altogether 66 countries pledged cash contributions. Additionally in 1971, 54 countries, including the United States, contributed more than $2 million in in-kind or special cash donations.

In 1972, the U.S. contribution is $945,600 in cash and $604,400 in kind. The $200,000 increase recommended for 1973 would be used to augment the U.S. in-kind program, bringing it to $804,400. The in-kind program is administered without regard to the level of in-kind contributions of other countries. It is designed to assist projects and programs of particular value or interest to the United States and usefully serves to broaden the familiarity of the foreign science community with U.S. techniques and manufactures in the field of atomic energy.

Contributions-in-kind at the $804,400 level would provide $402,200 for about 50 fellowships to train scientists and technicians from developing countries in the United States. This fellowship program is administered by the National Academy of Sciences. This level of contribution would also provide $402,200 for assistance to other activities of interest to the developing countries, specifically for advisory services of U.S. experts to the IAEA or its developing member states; for training courses, study tours, seminars and other technical meetings, including those held in the United States; and for small grants of equipment purchased from American firms for the IAEA's laboratories and technical assistance projects. This portion of the program is administered by the U.S. Atomic Energy Commission.

WORLD METEOROLOGICAL ORGANIZATION (WMO)

The WMO Voluntary Assistance Program, funded by voluntary contributions, was established by the World Meteorological Organization Congress in April 1967. At this same Congress, the WMO launched 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. The Voluntary Assistance Program is closely geared to the overall objectives of the World Weather Watch. This plan should improve weather forecasting for end-users, including agricultural producers and the construction, transportation and fisheries industries. The World Weather Watch was reviewed and further endorsed by the Sixth WMO Congress, which met in 1971.

The successful global implementation of the World Weather Watch is important to the United States. Adequate weather data has been unavailable for over 80% of the earth's surface, primarily the oceans and the less developed countries.

WMO operates on a 4-year budget cycle. Its programs and priorities for FY 1973 remain essentially unchanged from FY 1972.

Under the World Weather Watch, each of the 136 Members of the WMO is called upon to implement needed improvements in observations, data processing and communications in their territories. To the extent that less developed countries lack foreign exchange resources to obtain equipment required for the implementation of the World Weather Watch in their territories, the WMO Voluntary Assistance Program has assisted them with the necessary equipment such as rawinsonde ground equipment, observation balloons, radiosondes, and receiving and transmitting communications equipment. The assisted countries are expected to provide local facilities and personnel.

The WMO Voluntary Assistance Program has a total annual target of $5 million and is in two parts: (1) an Equipment and Services Program, to which member countries make contributions-in-kind; and (2) a Voluntary Assistance Fund, administered by the WMO, to which members make cash contributions.

Under the Equipment and Services Program, advanced countries provide technical equipment and services for projects which they select from a list approved by the WMO. The United States assists projects which we believe are most important to this country. The Voluntary Assistance Fund permits the WMO to provide equipment and services for high priority projects which need assistance but are not undertaken directly by advanced countries.

An appropriation of $1.5 million in FY 1973 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 CY 1973, 40% of the anticipated total unrestricted cash contributions of member nations. The remainder, $1,350,000, would be used for contributions-in-kind to the Equipment and Services Program. These in-kind contributions will consist of U.S. equipment, experts and services, and the training in the United States of persons from less developed countries in the field of meteorology. This program will be administered by the National Oceanic and Atmospheric Administration, which will be reimbursed from this appropriation for administrative costs estimated at 6% of project costs.

The amount requested for FY 1973 would permit a U.S. contribution at the same level as in the previous three years. 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. Its resources consist mainly of voluntary contributions from member nations, principally of food but also including cash for the purchase of food and for services such as ocean transportation.

U.S. support for and leadership in WFP is consistent with U.S. interests in providing assistance to developing countries through multilateral channels. Moreover, it reflects the viewpoint of the Congress as expressed in Section 205 of P.L. 480:

> "It is the sense of the Congress that the President should encourage other advanced nations to make increased contributions for the purpose of combatting world hunger and malnutrition, particularly through the expansion of international food and agricultural assistance programs. It is further the sense of the Congress that as a means of achieving this objective, the United States should work for the expansion of the United Nations World Food Program . . . "

The WFP has grown steadily during the first decade of its operations, both in resources and programs. Contributing membership has grown from 29 to 74 member nations during this period. The level of pledges and contributions has progressively increased from $85 million contributed for

the initial three-year period 1963-1965 to the level of $266 million already pledged for the two-year period 1973-1974. Aggregate pledges have reached $1.06 billion through 1974. The growth of programs has kept pace with the increase in resources. As of December 1971, total commitments for development and humanitarian assistance amounted to approximately $1.2 billion for 657 projects. Of this total, 220 projects valued at $138 million have been completed and 437 projects valued at $1,057.5 million are still in operation. These totals include emergency operations in connection with disaster relief. One hundred five of these emergency operations valued at $79.6 million have been completed, and another 42 emergency operations valued at $33 million are still in operation.

WFP assistance for economic and social development and humanitarian aid has four principal objectives: direct development assistance, development of human resources, improvement of economic and social infrastructure, and emergency operations.

Almost one-half of WFP's program is for direct development projects such as land development and improvement, crop diversification, promotion of animal husbandry, fisheries and forestry development and for industrial and mining projects. These projects are currently reaching 2.9 million beneficiaries, including 736,800 farmers and workers and their families.

Over one-third of WFP's commitment for development has been allocated for 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. By the end of 1970, human resources development had reached or was reaching 3.4 million beneficiaries, including 98,700 mothers, 426,400 preschool children, 2.3 million primary school children and 547,000 others.

About 13% of WFP resources have been allocated for projects designed to improve social and economic infrastructure through public health and housing programs, transportation and communications programs and community development projects. The WFP has undertaken 87 projects of this type at a cost of almost $135 million, providing food to over 4 million beneficiaries.

WFP assistance for these purposes forms an integral part of country development plans. Furthermore, by providing commodities rather than financial resources, the WFP gets food directly to the people and stimulates rural employment without generating inflationary pressures sometimes caused by direct financial assistance. The WFP also promotes the self-help principle: workers are paid fully or in part in food for work on projects usually of direct importance to their welfare, i.e., roads, land clearing, forest planting; governments must provide support services and manpower and must assume responsibility for continuation of the project after WFP assistance is terminated.

In its emergency operations, the WFP has sent food to victims of flood, drought, earthquake and other disasters and to refugees worldwide. As of December 1971, the Program had responded to 147 emergencies in 71 countries with food valued at $110 million. Current operations include assistance valued at $189,700 to victims of floods in Columbia, $3.9 million to victims of drought in nine countries of West Africa, $2.2 million to victims of drought in Afghanistan, $10.7 million to victims of flood, cyclone and civil disturbance in East Pakistan and $2.4 million to victims of typhoons in the Philippines. It is estimated that over seven million persons have received emergency assistance during the past year.

Against a target of $340 million for the 1973-74 biennium, 46 countries have already pledged a total of $266 million, including food, services and cash. This initial pledge made at the 5th WFP Pledging Conference in January 1972 represents 78%. of the targeted level, with most countries substantially increasing their pledges over previous years.

The U.S. pledge for the 1973-74 biennium is for contributions up to $136 million, subject to action by the Congress.

This pledge includes (a) up to $93 million in commodities subject to the condition that the U.S. contribution not exceed 40% of the total contributions of all governments in commodities and cash for the purchase of commodities; (b) $40 million for ocean transport; and (c) $3 million in cash toward meeting the administrative expenses of the Program. The 40% matching provision with respect to commodities in this pledge is a reduction from the 50% matching requirement contained in U.S. pledges to previous biennial targets. This reduced percentage level takes into account the increased capacity of other nations to contribute from their own resources and reflects the U.S. desire to enhance the multilateral nature of the program.

The $1.5 million requested for FY 1973 is needed to meet the first year's increment of the cash portion of the U.S. pledge for the 1973-74 pledge period.

UNITED NATIONS INSTITUTE FOR TRAINING AND RESEARCH

The purposes of the UN Institute for Training and Research (UNITAR), which began operations in 1966, are (1) to undertake operational research and analysis of problems facing the UN system and to stimulate and monitor research by others; (2) to provide in-house training of personnel in the UN system, and (3) to train personnel, particularly from the developing countries, for assignments in the UN system and for national service.

During 1971 research projects and activities under way or completed included studies of the relations between the UN and regional organizations, procedures of the UN General Assembly, the role and functions of the UN Economic and Social Council, the relationship of international youth organizations to the UN system, the migration of professionals from developed to developing countries, the peaceful settlement of disputes, and the use by media of news about the UN. Three studies on global environmental problems were completed. A recent development was the establishment by UNITAR of a Commission on the Future to identify major scientific and social trends that might require response from the UN system.

In its training role UNITAR conducted during 1971 a training program in international law, a course for senior officials of the UN system, regional programs in techniques and procedures of UN technical assistance, basic training courses in diplomacy for foreign service officials of the new countries of Africa and Asia, and seminars in New York and Geneva on the organization and functioning of the UN. UNITAR is developing proposals for a UN staff college designed to raise the level of competence in the middle and upper echelons of the UN.

The United States supports UNITAR as an important means of improving the efficiency of the UN and of exploring new solutions to problems and conflicts arising between nations. UNITAR is financed primarily by voluntary contributions from UN members; for 1971 they contributed $1,045,330, including $400,000 (38.3%) from the United States. The United States proposes to pledge $400,000 in FY 1973, the same amount as pledged annually since 1967, subject to the condition that U.S. contribution not exceed 40% of total contributions from governments.

WORLD HEALTH ORGANIZATIONS - MEDICAL RESEARCH

U.S. contributions to the World Health Organization (WHO) medical research program support the work of the International Agency for Research on Cancer (IARC), which was established in 1965 by a resolution of the World Health Assembly. There are now nine members: Australia, Belgium, France, Germany, Italy, the Netherlands, the United Kingdom, the USSR and the United States.

The IARC (1) plans, promotes, and develops research on the causation, treatment and prevention of cancer; (2) collects and disseminates information on the epidemiology of cancer research and on the causes and prevention of cancer; (3) provides for the education and training of personnel in cancer research through the provision of fellowships, special training awards, courses and seminars; (4) carries out special projects such as pilot demonstrations for cancer prevention.

The U.S. National Cancer Institute (NCI) continues to believe that the work of the IARC affords a unique opportunity to study cancer throughout the world. The NCI states that these studies are a valuable contribution to its work as they now believe 85% of cancer is caused by external or environmental factors. By making comparisons of conditions in areas where the incidence of cancer is exceptionally pronounced, the NCI is able to focus on environmental causes that are similar. This affords us data that we do not have in the United States. 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 the IARC in Africa, the NCI and IARC are able to cooperate in concentrating on selected studies of environmental conditions, which are now giving a better insight as to the causes of cancer.

When the IARC was established in 1965, its statute provided that for the first five years equal annual assessments of $150,000 should be paid by all members. Toward the end of this initial period, the Directing Council forecast a rising need for funds and voted in October 1970 to establish a system, which took effect in 1971, by which each member would pay a base contribution of $150,000, plus an additional sum related to capacity to pay. Under that system we are requesting $312,352 for FY 1973, approximately 14.7% of the IARC's budget. In order to slow the rate of increase for U.S. contributions, in October 1971 the United States proposed, and the Directing Council approved, an adjusted scale, to be effective in 1973, providing for 70% of the budget to be borne equally by members and the remaining 30% to be related to capacity to pay.

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 work shops; 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.

Recently the ISVS has placed increased emphasis on facilitating international cooperation in the volunteer service field, particularly by aiding in the establishment of multi-national teams and by assisting the organization of the new UN Volunteers Program (UNV). An agreement was concluded in May of last year between the Administrator of the UNDP and the Secretary General of the ISVS giving the ISVS responsibility for coordinating the recruitment, pre-selection and training of candidates for the UNV. The ISVS established a clearing house, which commenced the processing of UNV requests in July 1971. It has also taken steps to foster a closer working relationship with volunteer organizations in the developing countries of Asia, Africa, and Latin America. As a result of these efforts qualified volunteers from the Philippines, Chile and Argentina are now serving in UNV projects in Yemen and Iran.

A total of 24 countries have responded to the UNV programs by providing applicants for the various projects through the clearing house. They are Argentina, Austria, Belgium, Chile, Denmark, Egypt, France, Finland, Germany, India, Iran, Ireland, Italy, Japan, Liberia, Norway, New Zealand, Netherlands, Philippines, Sweden, Switzerland, Tunisia, United Kingdom and United States.

The ISVS international clearing house also organized a 5-week training course, including intensive Yemeni Arabic as well as cultural, health, geographic and technical details, for the first group of UNV's scheduled to go to Yemen.

The ISVS budget for FY 1972 amounted to approximately $267,125. Financial support is provided by about 20 governments. The United States pledged up to $73,000,

subject to the condition that our contribution not exceed 28% of total government contributions, and specified that our contribution be used to finance international clearing house functions.

ISVS has proposed a budget of $269,837 for FY 1973, which would cover increased costs due to price and wage rises. A United States pledge of up to $73,000 from FY 1973 funds is proposed, but limited to 28% of total governmental contributions to ISVS.

In addition to the United States 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), created in 1949, provides food, housing, schooling and health services to registered Arab refugees of the 1948-49 Arab-Israel conflict and, on a temporary basis, certain services to persons displaced as a result of the 1967 war. United States support for UNRWA meets a clear, humanitarian need and is an important element in promoting political stability in the Middle East, complementing current efforts to achieve peace and helping protect our basic interests there.

At the end of 1971 the refugee population registered with UNRWA numbered approximately 1,487,096 (of whom 829,919 were receiving rations from UNRWA), distributed as follows: East Bank of Jordan, 542,549; Israeli-occupied West Bank of Jordan, 275,414; Israeli-occupied Gaza strip, 321,270; Lebanon, 181,764; and Syria, 166,099.

UNRWA is still attempting to cope with the effects of the June 1967 war, when about 250,000 persons fled to the East Bank of the Jordan from the West Bank and Gaza, most of whom were subsequently denied return by the Government of Israel. At the request of the UN General Assembly, UNRWA is helping the Government of Jordan on an emergency basis in the administration of food, housing and health services to persons displaced by the June war who are not registered refugees.

In recent years, particularly during the crisis in Jordan in 1970, UNRWA has faced complications resulting from Arab guerrilla activities. Despite the Jordan crisis, UNRWA's services to the refugees have not been disrupted. In late 1971, the Commissioner General of UNRWA reiterated his assurances that the UNRWA is taking all measures possible in the circumstances which exist in the area of its operations to ensure that all contributed funds are used for assistance to eligible refugees, and are not diverted to subsidize military or para-military activity or for any other purposes foreign to its mandate.

UNRWA has estimated its 1972 requirements at over $51 million or (about $49.5 million if reimbursement payments to Arab host governments for health and education services to refugees are not included), an increase of over $2.5 million over 1971, resulting from rising costs of materials and services and an increase in the numbers of refugee children in UNRWA/UNESCO schools. The Commissioner General pointed out to the UN General Assembly in 1971 that it would be necessary to reduce services to the refugees if the required funds were not made available. In 1970 the Assembly established a working group to study UNRWA's expenditures, to seek additional revenues, and if necessary to recommend measures to bring UNRWA's budget into balance. Approaches made in various capitals by the working group and by a special representative of UNESCO have met with some success in obtaining additional contributions, both directly to UNRWA and to UNESCO for the schools serving the refugees. The 26th General Assembly extended the mandate of the working group for a year. It appears that income for 1972 will be about $47 million, or between $2 and $3 million short of projected requirements after reimbursement payments to host governments amounting to approximately $1.4 million are deducted. Some services have already been cut back, and further reductions will be required unless additional contributions are forthcoming.

The United States has contributed or pledged $22.2 million to UNRWA's regular budget for FY 1971 and the same amount for FY 1972 -- $13.3 million in dollars and U.S.-owned excess currencies and $8.9 million in commodities available under P.L. 480. An additional sum of $1 million will be pledged to UNRWA in FY 1972, bringing our total pledge to $23.2 million for the year. For FY 1973 a contribution of $23.2 million ($14.3 million cash, $8.9 million commodities) is also proposed. As in previous years the U.S. contributions will be limited to a maximum of 70% of total government contributions. As other governments' support of UNRWA has increased, the U.S. share has been proportionately reduced from 70% to about 55% in 1971

In addition, at the initiative of the late Congressman Fulton, the United States made special contributions to UNRWA of $1 million each in FY 1970 and FY 1971 for technical and vocational training of Arab refugees. These funds are being used to expand facilities at several vocational training centers in Jordan, Lebanon, Gaza and the West Bank, and to provide other training designed to enhance the prospect that Arab refugees will become self-supporting.

INDUS BASIN DEVELOPMENT FUND

The Indus Basin Settlement Agreements of 1960 and 1964 provide for the establishment of the Indus Basin Development Fund to finance a construction program which ensures an equitable division of the waters of the Indus Basin between India and Pakistan and helps provide arable land for over 50 million people in those countries. The United States and eight other donors (the World Bank, Australia, New Zealand, Pakistan, United Kingdom, Canada, Germany and India) contribute to the Fund.

The Indus Basin settlement succeeded in forestalling imminent hostilities between India and Pakistan over the Indus waters. Under the agreements, India received the use of the waters of the three eastern rivers -- the Ravi, Beas and Sutlej-- and Pakistan the use of the waters of the three western rivers -- the Indus, Jhelum and Chenab. The downstream irrigated areas in Pakistan formerly dependent on water from the three eastern rivers are being supplied with water brought from the three western rivers through a series of barrages (low dams) and replacement link canals supplemented by the construction of a high storage dam on the Jhelum. In addition to replacing water diverted to India the agreements provide for a substantial element of development for Pakistan which has been identified largely with the Tarbela Dam on the Indus. This structure will impound 11 million acre feet of water for additional irrigation of the 50 million acre area and have an initial power capacity of 700 megawatts.

All of the major replacement works of the Indus Basin have been completed, including the Mangla Dam, 300 miles of link canals and 7 barrages. Only a minor amount of remedial work remains before this phase of the project is closed. The Government of Pakistan, with the approval of the World Bank, concluded a contract for the main civil works of the Tarbela Dam in May 1968. The bulk of the funds contributed to the Indus Basin Development Fund this year and in the future will finance the construction of Tarbela Dam, which is scheduled for completion in 1976.

The Indus Basin Development Fund Agreement provides that contributors make payments to the Fund according to a fixed apportionment upon semi-annual call from the World Bank. Funds are called on the basis of the expected rate of construction and expenditure.

The total commitment for Indus Basin Development, Tarbela, amounts to $1,541.2 million in foreign exchange and rupees. The United States has pledged $295 million in grants, $121.2 million in loans, and $235 million equivalent in P.L. 480 guaranteed Pakistan rupees. India is contributing $168.8 million in foreign exchange, and Pakistan is contributing $1.2 million in foreign exchange and $360.5 million equivalent in rupees. In addition, Pakistan is meeting all rupee requirements for Tarbela Dam, which amount to about $500 million equivalent.

Funds called to date include $578.2 million from the United States, $168.8 million from India, $405.1 million from Pakistan and $296.5 million from other donors.

Although work on Tarbela was affected for a brief period by the war, between India and Pakistan, it is now proceeding at an increasingly rapid pace following the installation of a computerized conveyor system for the sorting and delivery of aggregate to the dam site. The contractor is now working 24 hours a day, seven days a week, making up for time lost during hostilities, and civil engineering works have proceeded at a steadily increasing rate. Contributions of foreign exchange for the project must therefore be available as contracts are entered into for mechanical and electrical work and manufacture or procurement of gates and bulkheads.

Based on World Bank estimates for required payments for FY 1973, we are requesting appropriation of $25 million in grants and $18 million in loans.

UN FUND FOR POPULATION ACTIVITIES

It is U.S. policy to encourage and assist the United Nations and its specialized agencies to develop effective population and family planning programs and activities. President Nixon stated this policy in his July 1969 message to Congress on population: "It is our belief that the United Nations, its specialized agencies and other international bodies should take the leadership in responding to world population growth."

Significant steps in the development of an effective UN population program have been taken since 1968 with funds provided by the United Nations Fund for Population Activities (UNFPA). These funds are applied to finance an expanded UN 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 possible solutions;

-- to extend and strengthen the capabilities of the relevant agencies of the UN 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, programming and implementing population projects.

With the initial U.S. contribution of $500,000 from FY 1968 funds, a field staff of 10 population officers began early in 1968 to help developing countries identify and prepare action projects in the population field. A further U.S. contribution of $2.5 million was made from FY 1969 funds to help finance the expansion of population programs of the UN regional economic commissions in Africa, Latin America, and Asia and the Far East; a number of UN population advisory missions to developing countries; and action projects requested by countries.

In early FY 1970 the United States contributed $1 million to finance expansion of WHO's staff on population activities. Responding to a proposal by the UN Secretary General for funds to expand the range of population activities of the UN 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-two countries did, in fact, pledge over $7.68 million equivalent, which with the $7.5 million U.S. pledge enabled the UNFPA to exceed its CY 1971 fund-raising goal. The United States pledged up to $15 million, again on a 50/50 matching basis, toward the UNFPA CY 1971 fund-raising goal of $25 to $30 million. Forty-five other donors pledged $14.5 million

equivalent toward that goal. The U.S. matching contribution of $14.5 million brings the total of funds raised by the UNFPA for CY 1971 to $29 million.

The UNFPA is seeking $45 to $50 million in pledges for CY 1972. The United States has not yet made a final decision on the level or matching basis of its CY 1972 pledge. However, the matching basis will not exceed the 50/50 formula which was used in our CY 1970 and 1971 pledges to UNFPA.

Since 1970 U.S. pledges to the UNFPA have been made on a calendar year basis, while U.S. contributions pursuant to these pledges have been funded from U.S. fiscal year obligations. Thus calendar year pledges may be met from funds made available in one or more fiscal years. $9.5 million was obligated from FY 1971 funds to cover part of our $14.5 matching contribution for CY 1971. $5 million from FY 1972 population funds was used to cover the remainder of our CY 1971 contribution. We currently estimate that an additional $15 million of FY 1972 population funds plus $9 million of FY 1973 population funds may be needed to meet a U.S. pledge for CY 1972. However, since the level and matching basis for the CY 1972 pledge is not yet definite, the amount required is tentative. If additional funds are needed in FY 1973 to cover our CY 1972 pledge, or to meet a part of our CY 1973 pledge, a portion of FY 1973 undistributed population funds could be used.

The UNFPA allocated for population activities $1.5 million in 1969, $6.8 million in 1970, and $15.9 million in 1971. The UNFPA estimates it will allocate $43.5 million during 1972. The substantial increases in amounts allocated each year since the UNFPA's inception indicate that the organization is moving ahead at a reasonable pace to utilize funds made available by the United States and other donors in response to UNFPA fund-raising drives. It is recognized that for the next several years there may continue to be a difference between the level of funds programmed by the UNFPA for approved population activities and amounts pledged by donors. This difference is justifiable in view of the fund's relative newness. We expect that as the UNFPA program gains momentum the difference will decrease. Recent efforts by the UNFPA to strengthen its programming capability include complete restructuring in February 1972 of the UNFPA headquarters office.

Projects financed by the UNFPA to date have included (1) large-scale support to seven country projects covering the provision of contraceptive supplies, medicine and equipment, consultants, and assistance to research, training and evaluation; (2) a major African Census project; (3) support for UN evaluation missions to a dozen countries in Africa, Asia and Latin America; (4) support for the population and family planning programs of agencies in the UN system, including UNICEF, WHO, FAO, ILO and UNESCO; and (5) grants to private agencies such as the International Planned Parenthood Federation and the Population Council.

UN FUND FOR DRUG ABUSE CONTROL

Eliminating the illegal traffic in narcotics and other dangerous drugs and combatting the abuse of such drugs are high priority objectives of our foreign policy. The Department of State, in cooperation with the Cabinet Committee on International Narcotics Control, as well as with other executive agencies, is vigorously pursuing that objective through multilateral and bilateral channels.

The UN Secretary General established the UN Fund for Drug Abuse Control in March 1971 and invited contributions from public and private sources "for the purpose of combatting 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 UN Commission on Narcotic Drugs, by the Economic and Social Council, and by the UN General Assembly. A personal representative of the Secretary General has overall responsibility for the Fund, including its development and maintenance.

The Fund is preparing to finance 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. Projects under the Fund will include efforts to: (1) expand the research and information facilities of UN drug control bodies; (2) plan and implement programs of technical assistance for crop substitution purposes, for the establishment and improvement of national drug control administrations and enforcement machinery, for the training of personnel, and for setting up or expanding research and training centers which could serve national or regional needs; (3) enlarge the capabilities and extend the operations of 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 contributed $2 million in 1971 and will make a similar contribution in 1972. In addition to our contribution, other countries pledged or contributed one million dollars.

The largest project thus far conceived is a comprehensive country plan for Thailand. Over the next five years and with a Fund contribution of $2 million, (matched by the equivalent or $5 million from the Government of Thailand) the project will promote crop substitution and development operations in the mountainous tribal areas where opium poppies are now grown, new methods and facilities for addict treatment and rehabilitation, and information programs geared toward high-risk segments of the population.

Other countries may request similar comprehensive programs. As demands on the Fund increase, so will the need for larger contributions. We are proposing a $5 million U.S. contribution in FY 1973.

UNITED NATIONS FORCE IN CYPRUS

The UN Force in Cyprus (UNFICYP) was established in 1964 to contribute to the restoration and maintenance of peace and security in Cyprus, and to a return to normal conditions. The UN Security Council has periodically extended UNFICYP's mandate, and the latest extension continues the force until June 15, 1972.

The size of the force requested in 1964 was 7,000 men. As a result of reductions made over the years, as of November 13, 1971, the force numbered 3,119 men comprised of the following national contingents:

Australia	38
Austria	105
Canada	585
Denmark	337
Finland	288
Ireland	391
Sweden	326
United Kingdom	1049

U.S. interest in the Cyprus problem reflects our goal of maintaining peace in the Eastern Mediterranean. Eruption of another round of inter-communal fighting would run the very strong risk of mutually destructive conflict between Greece and Turkey and incalculable damage to the southeastern flank of NATO. Experience has shown that UNFICYP is a stabilizing factor essential under present conditions.

The situation in Cyprus has become more critical in recent weeks and remains potentially explosive. With 20,000 armed men in close and hostile confrontation, incidents continue to occur from time to time. In the aftermath of the close brush with war that followed an outbreak of violence on the island in November 1967, intensive diplomatic efforts were made to establish a viable basis for negotiating a settlement. Since the summer of 1968 representatives of the Greek and Turkish Cypriot communities have been holding direct talks to seek a solution. In August 1971 the talks broke down. The UN Secretary General has suggested the talks be reactivated in expanded form. The United States supports the Secretary General's efforts and hopes that the talks will be resumed in the near future.

It would be unwise to make a major change in UNFICYP's role unless and until significant progress toward settlement is achieved. Although a UN force should not be stationed in Cyprus indefinitely, the UN Force is expected to be required through FY 1973.

INTERNATIONAL ORGANIZATIONS

The larger portion of the total costs of the UNFICYP operation since 1964 has been met from a fund administered by the UN and financed by voluntary contributions from member states and other governments. The UN estimates that the costs borne by this fund since 1964 totaled $141.0 million through December 15, 1971. Of this the United States has thus far pledged $59.3 million for costs through June 15, 1972. The remainder of the costs to the UN are borne by other governments, which provide cash contributions.

The governments which provide military and police contingents themselves bear a substantial share of the financial burden of such contingents rather than charge the UN for expenses relating to the presence of their contingents in Cyprus. Through December 1971 such contributions-in-kind are estimated at $39.2 million, of which the United States has furnished airlift services valued at $1.3 million.

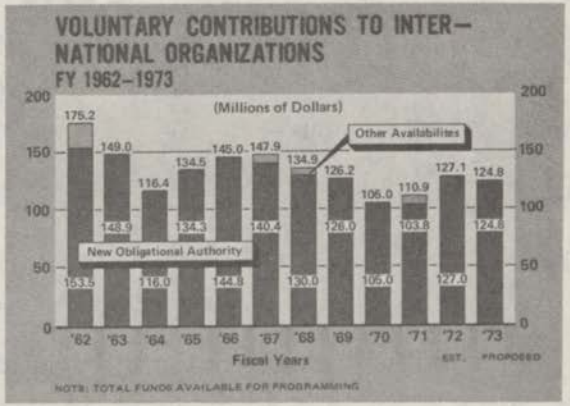
Contributions-in-kind through December 15, 1971.
($ millions)

Australia	2.2
Canada	18.3
Denmark	2.5
New Zealand	0.2
Sweden	2.9
United Kingdom	11.8
	37.9
US airlift assistance	1.3
Total	39.2

Taking into account both categories of contributions, the United States has pledged or furnished about one-third of the costs to date.

UNFICYP currently faces serious financial problems with a deficit of approximately $20 million. The United States is negotiating with other contributors in an effort to develop a new financial formula to eliminate the deficit and place future UNFICYP financing on a sound basis. The level of U.S. contributions would remain at the $4.8 million level annually subject to fluctuation in UNFICYP costs. The U.S. share under the new formula would be approximately 26% of total contributions in cash and in kind.

Because of a shortage of Supporting Assistance appropriated for FY 1972, only $2.4 million is being programmed for UNFICYP out of FY 1972 funds. Since pledges to UNFICYP are made on a calendar year rather than a fiscal year basis, a one-time six-month delay in funding of half the U.S. pledge can be sustained without affecting the level of the U.S. contribution. The full amount of the annual U.S. contribution -- $4.8 million -- is being requested for FY 1973.



U.S. CONTRIBUTIONS TO INTERNATIONAL ORGANIZATIONS AND PROGRAMS

($000)

	FY 1971 (Actual)		FY 1972 (Estimated)		FY 1973 (Proposed)	
	Voluntary 1/	Assessed	Voluntary 1/	Assessed	Voluntary 1/	Assessed
UN Development Program	86,268		86,000		90,000	
UN Children's Fund 2/	13,000		15,000		15,000	
UN Population Fund	14,000		20,000		9,000	
UN Fund for Drug Abuse Control	2,000		2,000		5,000	
IAEA, Operational Program	1,521	3,672	1,550	3,977	1,750	4,883
WMO, Voluntary Assistance Program	1,500	775	1,500	775	1,500	943
UN/FAO/World Food Program 3/	1,500	10,083	1,500	10,083	1,500	12,151
UN Institute for Training and Research	400		400		400	
WHO, Medical Research	150	21,681	312	23,741	312	26,342
International Secretariat for Volunteer Service	70		73		73	
UN Relief and Works Agency (UNRWA) 4/	13,300		14,300		14,300	
UN Force in Cyprus (UNFICYP)	4,800		2,400		4,800	
Special Contributions for Vietnam	950					
UNRWA-Arab Refugee Training	1,000					
TOTAL	140,459	36,211	145,035	38,576	143,635	44,319

1/ Administered by the Bureau of International Organizations Affairs, Department of State, from the following Foreign Assistance Act activities appropriations: Part I, Chapter 3 (International Organizations and Programs), Part I, Chapter 4 (Supporting Assistance), Part I, Chapter 2, Title X (Programs Relating to Population Growth), and Part I, Chapter 8 (International Narcotics Control), and Part I, Chapter 2, Title I (Development Loans).

2/ In addition, there are U.S. contributions of P.L. 480 commodities totalling $4,299,000 in FY 1971, an estimated $2,600,000 in FY 1972, and a proposed $2,400,000 in FY 1973. These figures are valued at CCC costs, but do not include P.L. 480 commodity contributions for UNICEF emergency relief activities in Nigeria and Bangladesh.

3/ U.S. contributions of P.L. 480 commodities and P.L. 480 shipping costs represent U.S. pledges to WFP for two-year periods. The United States's actual pledge for FY 1971 is $53,065,000 and $53,065,000 for FY 1972. For FY 1973, the United States has announced a pledge of up to $66,500,000.

4/ In addition, there are U.S. contributions of $8,900,000 in the form of P.L. 480 commodities for FYs 1971, 1972 and 1973. The figure represents the value of the P.L. 480 commodities FOB Beirut, Lebanon. It does not reflect the cost of the commodities to the CCC.

FISCAL YEAR 1973 REQUEST FOR INTERNATIONAL ORGANIZATIONS

Mr. PASSMAN. I would assume that you support the philosophy of the great AID Director, Dr. John Hannah as far as you can, do you not?

Mr. DEPALMA. In general I do, certainly.

Mr. PASSMAN. He has stated that on all AID programs there is an asking price and a taking price. You don't quarrel with that do you?

Mr. DEPALMA. Not as a general philosophy, but we have difficulty applying it to our programs.

Mr. PASSMAN. Your asking price this year is $124,835,000. Is that correct, sir?

Mr. DEPALMA. That is correct.

Mr. PASSMAN. Your fiscal year 1972 program is $120,635,000 so this is an increase of $4,200,000 over the 1972 program; is that correct?

Mr. DEPALMA. That is correct.

VOLUNTARY CONTRIBUTIONS TO PROGRAMS

Mr. PASSMAN. Would you indicate which programs listed on page L–1 are entirely dependent on voluntary contributions and which ones also receive an assessed contribution from the United States. Place it in the record.

Mr. DEPALMA. I will be glad to.

(The information follows:)

VOLUNTARY CONTRIBUTIONS TO INTERNATIONAL ORGANIZATIONS AND PROGRAMS
(in thousands of dollars)

	F. Y. 1971 (actual)		F. Y. 1972 (estimated)		F. Y. 1973 (proposed)	
	Foreign Assistance Voluntary 1/	State Department Assessed	Foreign Assistance Voluntary 1/	State Department Assessed	Foreign Assistance Voluntary 1/	State Department Assessed
UN Development Program	86,268		86,000		90,000	
UN Children's Fund 2/	13,000		15,000		15,000	
UN Population Fund	14,000		20,000		9,000	
UN Fund for Drug Abuse Control	2,000		2,000		5,000	
UN Institute for Training & Research	400		400		400	
IAEA Operational Program	1,521	3,672	1,550	3,977	1,750	4,883
WMO Voluntary Assistance Program	1,500	775	1,500	775	1,500	943
WHO Medical Research	150	21,681	312	23,741	312	26,342
UN/FAO/World Food Program 3/	1,500	10,083	1,500	10,083	1,500	12,151
International Secretariat for Volunteer Service	70		73		73	
UN Relief and Works Agency 4/	13,300		14,300		14,300	
UN Force in Cyprus	4,800		2,400		4,800	
UNRWA - Arab Refugee Vocational Train.	1,000					
Special Contributions for Viet Nam	950					
	140,459	36,211	145,035	38,576	143,635	44,319

1/ Administered by the Bureau of International Organization Affairs, Department of State from International Organizations, Supporting Assistance, Technical Assistance and other AID appropriations.

2/ In addition, there is a United States contribution from P.L. 480 commodities of $4,299 thousand in F.Y. 1971, $2,600 thousand in F.Y. 1972 and $2,400 thousand in F.Y. 1973.

3/ In addition, there is a U.S. contribution in the form of P.L. 480 commodities of $53,065 thousand in F.Y. 1971, $53,065 thousand in F.Y. 1972 and $66,500 thousand in F.Y. 1973.

4/ In addition, there is a U.S. contribution of $8,900 thousand in the form of P.L. 480 commodities for each of the fiscal years 1971, 1972 and 1973.

Mr. PASSMAN. The facts are when you people discuss these agreements with the other nations, it is understood that this creates no legal obligation for the Congress to authorize these programs, neither does it commit the Congress legally to appropriate the funds. Is that correct?

Mr. DEPALMA. That is clearly understood, Mr. Chairman.

Mr. PASSMAN. It is clearly understood that it is entirely based upon the subsequent authorization, and upon a subsequent appropriation. They understand that thoroughly?

Mr. DEPALMA. Yes.

Mr. PASSMAN. They know what we mean when we talk about making adjustments either downward or upward do they not?

Mr. DEPALMA. They certainly have learned from experience.

Mr. PASSMAN. So it is a question of negotiation if there is a reduction?

Mr. DEPALMA. That is right.

AUDIT OF INTERNATIONAL ORGANIZATIONS

Mr. PASSMAN. I believe we have been told and I would like you to verify it, that the United States does not exercise the right or claim to have the right to audit these funds contributed to the international organizations do we?

Mr. DEPALMA. No, sir; not unilaterally.

Mr. PASSMAN. I am talking about the United States, we are the largest contributor.

Mr. DEPALMA. We do not have the right.

Mr. PASSMAN. The right to contribute but not the right to audit. Is that a fair statement?

Mr. DEPALMA. No single country has a right to audit.

Mr. PASSMAN. I am talking about the United States because we are putting up the biggest share. We have the right to contribute but not the right to audit; is that correct?

Mr. DEPALMA. We have the privilege to contribute, or rather this opportunity but not the right to audit.

Mr. PASSMAN. Who will answer my question for me?

Mr. DEPALMA. I am answering, Mr. Chairman.

Mr. PASSMAN. No, you are arguing. We have the right to contribute but we do not have the right to audit.

Mr. DEPALMA. Right, sir.

Mr. PASSMAN. If you will just give me an answer. We are gullible enough to give away hundreds of millions of dollars and we do not have the right to audit. We don't know anymore about how effective these programs are and without the right to audit there is no way we will ever know.

Then it would follow that after the contribution is made by the United States, you have no direct control of it from then on out. It is controlled by the organization?

Mr. DEPALMA. That is correct, subject to the guidance provided by the Board of Governors of which we are members.

Mr. PASSMAN. We have no control. That is a complete and fair answer.

DUAL ADMINISTRATIVE ORGANIZATIONS

Isn't it also true when funds are channeled through the multilateral institutions that our country has to pay in effect for two administrative organizations to disburse these funds instead of one as in the bilateral program?

Mr. DePALMA. Yes. We have our own staff.

Mr. PASSMAN. You have the administrative staff in Washington to take care of the funds when we make it available and then it is turned over to the U.N. and they have another administrative cost. What is the percentage spent for purely administrative purposes at both levels? Do you have that?

Mr. DePALMA. I don't have it for our own bureau, but the UNDP total administrative costs including their headquarters cost and the administrative costs for the agencies to carry out the programs is about 20 percent.

Mr. PASSMAN. That is the U.N.?

Mr. DePALMA. Yes, the UNDP.

Mr. PASSMAN. To get the grand total we have to back up and get the Washington administrative expenses, wouldn't we?

Mr. DePALMA. Yes.

Mr. PASSMAN. Would you assume that is about the same amount, 20 percent, more or less?

Mr. DePALMA. Twenty percent of what? I don't know.

Mr. PASSMAN. Of the appropriation that we make.

Mr. DePALMA. Of this appropriation I honestly don't know. I would be glad to try to calculate it.

Mr. PASSMAN. Don't you think we should know?

Mr. DePALMA. I think it is a relevant question.

PERCENTAGE OF U.S. CONTRIBUTION FOR ADMINISTRATIVE EXPENSES

Mr. PASSMAN. I wish you would try to furnish for the record what percentage of our contribution goes for administrative purposes. How many in your office in Washington?

Mr. DePALMA. About 185.

Mr. PASSMAN. You have 185 people?

Mr. DePALMA. Yes.

Mr. PASSMAN. What is the average salary of your employees would you say?

Mr. DePALMA. I don't know, $10 or $11,000.

Mr. PASSMAN. Let's take $11,000. How many employees?

Mr. DePALMA. 185.

Mr. PASSMAN. 185 times $11,000 is how much?

Mr. DePALMA. $2,030,000.

Mr. PASSMAN. For each person on the payroll, it takes a certain sum to support him.

Mr. DePALMA. Not all of the 185 people are involved. You asked how many in the bureau and I gave you the answer, but they are not all involved in this.

Mr. PASSMAN. I would assume you would like to be helpful in ascertaining the amount of the taxpayer's money that is gobbled up in red tape or in overhead expenses at the two administrative levels.

Mr. DePALMA. I would like to provide the calculation.

Mr. PASSMAN. You ought to have some system of control so that you know what this particular program is costing. Let's have this understanding: You people on that side of the table may have all the brains but people on this side of the table are duly elected to represent 209 million Americans. Right, wrong or indifferent, it is our job to find out what part of this money is being wasted. It is not very pleasant to have to harass you people to get the information.

(The information follows:)

In the Bureau there are two officers who work full-time on UNDP matters. There are six other people, including two secretaries, who spend various percentages of their time on the UNDP. The total time spent on UNDP is estimated at about four man-years at a cost of approximately $75,000 including support costs.

Similar calculations for the U.S. Mission to the United Nations show about 2.25 man years at a cost of approximately $53,000 including support costs. Combining the USUN and the State Department figures shows our costs related to the UNDP as $128,000 per year. Travel expenses raise the total to approximately $135,000. AID also devotes three man years of officer time plus one secretarial position to UNDP matters at an estimated annual cost of $95,000 including support and travel. The combined State-AID expenses thus add up to about a quarter of a million dollars per year.

Within the UNDP itself approximately 20 percent of total program costs are for administrative and overhead costs with the remaining 80 percent going into project expenditures. Out of a $90 million contribution therefore, about $18 million goes for expenditures other than actual projects.

COMMUNIST COUNTRIES RECEIVING IO FUNDS

Mr. PASSMAN. Let's refer if we may, to the fund requests listed on page L–1. How many Communist countries are receiving funds out of this program this year?

Mr. DEPALMA. There are nine recipients from UNDP.

Mr. PASSMAN. Out of the United Nations development program there are nine Communist countries receiving aid?

Mr. DEPALMA. That is correct.

Mr. PASSMAN. What is our percentage contribution to the UNDP?

Mr. DEPALMA. This year we are at about 30.3 percent.

Mr. PASSMAN. How about last year?

Mr. DEPALMA. Thirty-four percent last year.

Mr. PASSMAN. Would you list for the record at this point the Communist countries?

Mr. DEPALMA. Albania, Bulgaria, Cuba, Czechoslovakia, Hungary, Mongolia, Poland, Rumania, Yugoslavia.

Mr. PASSMAN. I believe that Red China will be eligible to receive aid as a member of the U.N. now will it not?

Mr. DEPALMA. It will be eligible.

REIMBURSEMENT OF REPUBLIC OF CHINA CONTRIBUTIONS

Mr. PASSMAN. At first Nationalist China was a member of the United Nations and a contributor. Are they still eligible for aid out of UNDP?

Mr. DEPALMA. No, sir, Mr. Chairman. It was determined in March of this year that projects in the Republic of China would be phased out.

Mr. PASSMAN. Are they going to be reimbursed for their part of the contribution if there is any in the undisbursed category?

Mr. DEPALMA. I wouldn't think so.

Mr. PASSMAN. Is this right to say to Nationalist China, you paid in a certain amount of money to the UNDP but now you are not in the UN so you will not receive additional aid or be reimbursed? Wouldn't it be fair play to reimburse those people for the money they paid in? It is a matter of principle.

Mr. DEPALMA. From one point of view.

Mr. PASSMAN. What do you mean one point of view?

Mr. DEPALMA. I was going to say on the other hand they were receiving considerably more than they had put in.

Mr. PASSMAN. Some countries receive 50 times more than they put in.

Mr. DEPALMA. That is right.

Mr. PASSMAN. But that is not it. That was understood. That is the formula. When you say we are not going to provide any additional aid as of this date and it was cut off, whatever part is in the pipeline in undisbursed funds, a percentage of that was furnished by Nationalist China. Isn't that correct?

Mr. DEPALMA. Yes.

Mr. PASSMAN. I think you ought to take a new reading of that matter. It doesn't sound right to me, because had they put in 60 percent of the total the vote would have been the same and the aid would be cut off as of this date, wouldn't it?

Mr. DEPALMA. I would think so.

Mr. PASSMAN. So you are dealing with a formula. Doesn't it make sense to you if these people are cut off, they would be entitled to receive back whatever percentage of that undisbursed money they put in of their own funds? Wouldn't it make sense that it be handled that way?

Mr. DEPALMA. I think it would be sensible.

Mr. PASSMAN. Why don't you admit it?

Mr. DEPALMA. It would make sense from my point of view.

Mr. PASSMAN. You are administering the program. Why couldn't you just tell them and make that recommendation? After all, we are not supposed to be going around slapping our friends in the face. You know my country tried to keep the Republic of China in the U.N. We failed. I know our great President tried very hard. We failed. That is bad enough, but to look at the UNDP undisbursed funds, knowing that some of that money was put up by Nationalist China—but we are saying to them we are not going to give it back to you, we are going to give it to your enemy, Communist China. Why don't you make some recommendations?

ELIGIBILITY OF PEOPLE'S REPUBLIC OF CHINA FOR FUNDS

Mr. DEPALMA. We are not giving it to Communist China. I said they are eligible. I don't know whether they are going to receive aid.

Mr. PASSMAN. They are taking Nationalist China's place in the U.N.

Mr. DEPALMA. Yes.

Mr. PASSMAN. They are eligible for all of the contributions that Nationalist China was eligible for; is that correct?

Mr. DePALMA. That is correct.

Mr. PASSMAN. Do you know that Red China will never ask for any contributions.

Mr. DePALMA. I am told, Mr. Chairman, that actually the Republic of China had an unpaid balance when they dropped out, they hadn't paid their pledge. I don't know what the precise figures are.

Mr. PASSMAN. They may have had an unpaid commitment. That is what you are saying?

Mr. DePALMA. Yes.

Mr. PASSMAN. I am not talking about an unpaid commitment. I am talking about the pipeline. Sometimes some of these agencies will build up several years reserve. What is the amount of undisbursed funds as of December 31 of last year?

Mr. DePALMA. It would be $284.1 million as of December 31, 1971.

CONTRIBUTIONS TO THE UNDP

Mr. PASSMAN. What percentage of the total did Nationalist China commit themselves to? Ours is about 34 percent through December 31 last year. What was China's percentage?

Mr. DePALMA. I don't believe I have the accumulative figures.

Mr. PASSMAN. You have a formula. Did they contribute 6 percent?

Mr. DePALMA. There is no formula for the other countries in UNDP. It is purely voluntary. For 1970 the Republic of China pledged six one-hundredths of 1 percent, which amounted to $157,000.

Mr. PASSMAN. It usually follows a pretty set pattern from year to year. Ours may vary 1 percent. Isn't that about right?

Mr. DePALMA. Others have been increasing by considerable amount, 20, 30, 40, or 50 percent in some cases.

Mr. PASSMAN. They ought to contribute more because some put in a dollar and get out 50.

Mr. DePALMA. I am not talking about those who are also recipients.

Mr. PASSMAN. I am talking about them. That is true, isn't it?

Mr. DePALMA. Yes.

Mr. PASSMAN. That is a pretty good game. I would like to do that. Why shouldn't they put in $2 and pull back $80 rather than $1 and get $40 if that is what you are talking about by way of increase?

ADMINISTRATOR OF THE UNDP

Who is head of the UNDP fund now?

Mr. DePALMA. Mr. Rudolph Peterson.

Mr. PASSMAN. What does he know about the program?

Mr. DePALMA. I think he knows a lot about it now.

Mr. PASSMAN. You tell him we want to have him appear before the committee. He is the administrator; isn't he?

Mr. DePALMA. Yes.

Mr. PASSMAN. Do you know him?

Mr. DePALMA. Yes.

Mr. PASSMAN. Will you inform him we want him to come before the committee and back up your justification of the program?

Mr. DePALMA. I certainly think he could discuss these things informally with you and would be glad to.

Mr. PASSMAN. Why can't he do it formally? He is a U.S. citizen and asking for the money. He has raised more heck than any man I ever knew when we cut it last year. If he can raise heck publicly, couldn't he talk privately?

Mr. DEPALMA. He could talk privately and informally.

Mr. PASSMAN. This is privately.

Mr. DEPALMA. I don't think it would be appropriate at an official hearing.

Mr. PASSMAN. I don't want him to talk about how we cut the UNDP request unless he is willing to come down and testify. I don't like this idea of go-betweens. These sessions are executive. We would let him come in under an assumed name. He is spending the funds; let's find out what he knows about the program. He is a nice fellow. Will you let him know the wishes of this committee?

Mr. DEPALMA. He will know, Mr. Chairman.

PERCENTAGE OF U.S. CONTRIBUTIONS TO I.O. PROGRAMS

Mr. PASSMAN. What percentage is the U.S. contribution for each of the programs listed on page L–1? Place that in the record.

(The information follows:)

VOLUNTARY CONTRIBUTIONS TO INTERNATIONAL ORGANIZATIONS, FY 1973
(Amounts in thousands of dollars)

	EXECUTIVE BRANCH REQUEST			
	(1)	(2)	(3)	(4)
	Amount	Maximum Percent	Total Contributions (est.)	U. S. % of total (est.)
United Nations Development Program	90,000	40.00	306,900	29.33
United Nation's Children's Fund - total	(17,400)		54,900	31.69
Cash	15,000	40.000	52,500	28.57
P.L. 480 Commodities	(2,400) b/	a/	2,400	
UN Fund for Population Activities				
Total C.Y. 1972	(24,000) c/		(50,000) c/	48.00
From FY 1973 funds	9,000	50.00		
UN Fund for Drug Abuse Control	5,000	a/	7,000	71.43
IAEA Operational Program	1,750		4,600	38.04
Cash	946	d/	2,600	36.37
In Kind	804	a/	2,000	40.20
WMO Voluntary Assistance Program	1,500		5,000	30.00
Cash	150	40.00	450	33.33
In Kind	1,350	a/	4,550	29.67
UN/FAO World Food Program	(58,000)	40.00	170,000	40.00
Cash	1,500		35,500	
P.L. 480 Commodities	(46,500)		114,500	
P.L. 480 Shipping	(20,000)	e/	20,000	
UN Insitute for Training and Research	400	40.00	1,143	35.00
WHO Medical Research (IARC)	312	14.73	2,120	14.73
International Secretariat for Volunteer Svce.	(100)			
Cash	73	28.00	270	27.05
Detailed Personnel	(27)			

VOLUNTARY CONTRIBUTIONS TO INTERNATIONAL ORGANIZATIONS
(Amounts in thousands of dollars)

	EXECUTIVE BRANCH REQUEST			
	(1)	(2)	(3)	(4)
	Amount	Maximum Percent	Total Contributions (est)	U. S. % of total (est)
UN Relief and Works Agency - total	(23,200)	70.00	45,000	51.56
Cash	14,300			
P.L. 480 Commodities f/	(8,900)			
Total Program Request	138,835 g/			
Total including P.L. 480 Commodities	(216,635)			

a/ No matching formula proposed
b/ Valued at cost to CCC
c/ The $9.0 million requested combined with $15.0 million from prior year funds makes the total C.Y. 1972 estimate $24.0 million
d/ U.S. pledge is planned to be at assessed percentage (31.52) of a target of $3.0 million
e/ U.S. pledged shipping to move U.S. commodities; $20.0 million is present estimate of shipping costs
f/ Market Value
g/ Exclusive of UN Force in Cyprus which is financed under Security Supporting Assistance

N.B. Data shown in columns 3 and 4 are based on present estimates of contributions by other countries for fiscal periods which in most cases will end December 31, 1973

Mr. PASSMAN. As you know, in last year's House report on the foreign aid appropriation bill for fiscal year 1972, the committee urged the executive branch to study the possibility of reducing the U.S. voluntary contributions to these U.N. agencies to 25 percent of the total contribution pledged. Do you remember that?

Mr. DEPALMA. Yes, sir.

Mr. PASSMAN. Why didn't you do it?

Mr. DEPALMA. Mr. Chairman, the contributions vary as you know all the way from smaller percentages to much larger ones. I don't think a set percentage is relevant to this kind of contribution. We ought to contribute in relation to program requirements and in terms of our national interest.

Mr. PASSMAN. If you did, maybe you wouldn't get 65 cents. It all depends on who is making the interpretation, doesn't it?

Mr. DEPALMA. I certainly agree.

Mr. PASSMAN. Are you telling this committee that if we make a firm recommendation that our contribution should be fixed at 25 percent; you think you have a veto over that?

Mr. DEPALMA. We certainly don't, Mr. Chairman. I am making the point——

Mr. PASSMAN. You make the point that you people who spend the money should decide whether it was in our national interest. I think the committee and Congress should make that decision. I don't think you should.

Mr. DEPALMA. The President is only recommending to the Congress the percentage he thinks in the national interest.

Mr. PASSMAN. He is a great President but he doesn't know any more about this program than I do surgery and I couldn't pick a splinter out of my foot. It is the President's program only because he is head of the administration. You know who justifies these programs and you know I know that. Isn't that right?

Mr. DEPALMA. It is a considered judgment——

Mr. PASSMAN. It is the bureaucrats who are getting us into all of these entanglements.

OTHER U.S. CONTRIBUTIONS TO INTERNATIONAL ORGANIZATIONS

Mr. Secretary, Public Law 480 commodities and local currency are also provided by the United States to these organizations; is that correct?

Mr. DEPALMA. That is correct.

Mr. PASSMAN. That is in addition to the $124,835,000 request?

Mr. DEPALMA. It is $77.9 million in the form of Public Law 480 commodities.

Mr. PASSMAN. Let's put it altogether. You add to that $124,835,000. What is the grand total now?

Mr. DEPALMA. $202,735,000.

Mr. PASSMAN. So the request is $202 million as our share of this contribution; is it not?

Mr. DEPALMA. That is correct.

Mr. PASSMAN. Do other nations provide in kind contributions?

Mr. DEPALMA. In the world food program they do. I am not aware that they do in other programs.

Mr. PASSMAN. We are all Americans and taxpayers. So the facts are, we are putting up over 50 percent of the total contributions when we put the two together aren't we? Take your time and figure it out.

Mr. CUMMINS. You would have to compute each program individually.

Mr. PASSMAN. No, we don't. We know you are asking this subcommittee for $124,835,000, that is 31 percent of the grand total. That is $390 million.

Mr. CUMMINS. This 31 percent represents our share for the UNDP. Percentages vary by program.

Mr. PASSMAN. That is what it is this year. But in addition to the amount we are putting up in cash requests, we are also putting up $77 million in food.

Mr. CUMMINS. $77.9 million, but not for UNDP. It is for other programs.

Mr. PASSMAN. It goes to the U.N.

Mr. CUMMINS. That is why we have to compute this individually by program.

Mr. PASSMAN. Let's compute it. Let's put all of the programs together. What is the total amount for each program? Your total request for all pieces of this program is $124,835,000. Isn't that all pieces?

Mr. DEPALMA. Yes, sir.

Mr. PASSMAN. Add to that the $77.9 million. Let's take out what percentage of the grand total it is.

Mr. CUMMINS. As I say, we have to take the total expenditures anticipated for each of eight or nine separate programs. It is not just the UNDP.

Mr. PASSMAN. What is your grand total of this monster? Take your time. The world is not going to come to an end if we spend a few minutes getting this record accurate. You could take 31 percent and get the grand total, couldn't you?

Mr. CUMMINS. No, sir?

Mr. PASSMAN. Do it your way. Let's put that in the record.

(The information follows:)

U.S. Percentage Share Including P.L. 480 Commodity Contributions
(amounts in thousands of dollars)

	Total Contributions (Est.) 1/	U.S. Proposed Contribution	
UN Development Program	306,900	90,000	
UN Children's Fund	52,500	15,000	
IAEA Operational Program	4,600	1,750	
WMO Voluntary Assistance Program	5,000	1,500	
UN/FAO World Food Program	35,500	1,500	
UN Institute for Training & Research	1,143	400	
WHO Medical Research (IARC)	2,120	312	
Int'l Sec. for Vol. Service	270	73	
UN Refief and Works Agency	45,000	14,300	
	453,033	124,835	27.56%
Contributions in the Form of Commodities	145,800	77,900 2/	53.43%
	598,833	202,735 3/	33.85%

1/ Based on present estimate of contributions by other countries for fiscal periods which in most cases will end December 31, 1973.

2/ Includes $20.0 million in estimated shipping costs.

3/ Does not include UN Population Fund or UN Fund for Drug Abuse Control.

WORLD FOOD PROGRAM

Mr. PASSMAN. We contribute to some of the other spigots in the U.N., but in addition to that we also provide $77 million in food; do we not?

Mr. CUMMINS. Yes.

Mr. PASSMAN. Which is not matched by other nations?

Mr. CUMMINS. Except for the world food program.

Mr. DEPALMA. We are contributing to the world food program now at the rate of 40 percent.

Mr. PASSMAN. Of course, you answered just the opposite a moment ago.

Mr. DEPALMA. I said except for the world food program.

Mr. PASSMAN. What is the world food program?

Mr. CUMMINS. Mr. Chairman, in the world food program the United States is providing a Public Law 480 component of $46.5 million out of a total food component from all governments of $114.5 million.

Mr. PASSMAN. What about the $77 million figure?

Mr. CUMMINS. That was inclusive of all of the programs. This is just the world food program. In addition to the $46.5 million of Public Law 480 commodities for the world food program, we are anticipating $2.4 million for the U.N. Children's Fund in which other governments are not making a food contribution.

Mr. PASSMAN. Also on the world food program we pick up the freight.

Mr. CUMMINS. Yes.

Mr. PASSMAN. What is the amount of that?

Mr. CUMMINS. $20 million worth of freight is anticipated.

Mr. PASSMAN. In addition to the $46.5 million?

Mr. CUMMINS. Yes. These are the components of the $77.9 million we referred to earlier.

Mr. PASSMAN. But you add to that the freight on this world food program?

Mr. CUMMINS. The freight was included in the 77.

Mr. PASSMAN. But not the $46 million?

Mr. CUMMINS. Not in the 46.

Mr. PASSMAN. Certainly not. So it goes right back to $77 million?

Mr. CUMMINS. Yes, sir.

Mr. PASSMAN. Good, thank you. Local currencies are also provided by the United States to these organizations; is that correct?

U.S. CONTRIBUTIONS OF COMMODITIES AND LOCAL CURRENCIES

Mr. DEPALMA. Yes.

Mr. PASSMAN. Did you indicate a moment ago the amount of local currencies?

Mr. DEPALMA. We haven't yet.

Mr. PASSMAN. How much is that?

Mr. CUMMINS. I am looking for the figure. I would indicate that this is not over and above what we are asking for. The excess currencies are part of the dollar request.

Mr. PASSMAN. We want to know the amount.

Mr. CUMMINS. The amount we estimate for 1973 is a total of $5.7 million.

Mr. PASSMAN. Could you list in the record at this point what local currencies they are?

Mr. CUMMINS. For the record we will.

(The information follows:)

FISCAL YEAR 1973—ESTIMATED EXCESS CURRENCY UTILIZATION

[In thousands of dollars]

	Israeli pounds	India rupees	Yugoslav dinars	Moroccan dirhams	Pakistan rupees	Sudanese pounds	Tunisian dinars	Egyptian pounds	Total
UNDP	450	200		900	300	250	400	300	2,800
UNRWA	2,840								2,840
IAEA, Oper. Prog		20	20						40
Total	3,290	220	20	900	300	250	400	300	5,680

Mr. PASSMAN. Would you tell the committee how much is involved in these two areas in fiscal 1973 and how does this compare to the current fiscal year and the preceding 4 years? Will you place that in the record?

Mr. CUMMINS. Yes.

Mr. PASSMAN. Also indicate for the record which organizations are receiving the additional funds or commodities and in what amounts for fiscal 1973.

Mr. CUMMINS. Yes.

(The information follows:)

House Appropriations Committee
Mr. De Palma's Testimony
May 2, 1972

INTERNATIONAL ORGANIZATIONS RECEIVING CONTRIBUTIONS IN THE FORM OF EXCESS CURRENCIES OR AGRICULTURAL COMMODITION UNDER PUBLIC LAW 480

(in thousands of dollars)

Fiscal Year 1973, Estimated

	Dollars	Excess Currency	P. L. 480 Commodities	Total
UNDP	87,200	2,800	---	90,000
UNICEF	15,000	---	2,400	17,400
World Food Program	1,500	---	46,500	48,000 1/
IAEA Oper. Prog.	1,710	40	---	1,750
UNRWA	11,460	2,840	8,900	23,200
	116,870	5,680	57,800	180,350

1/ In addition the U.S. will provide shipping services estimated to amount to about $20 million.

Fiscal Year 1972, Estimated

UNDP	83,200	2,800	---	86,000
UNICEF	15,000	---	2,600	17,600
World Food Program	1,500	---	39,065	40,565 1/
IAEA, Oper. Prog	1,510	40	---	1,550
UNRWA	10,750	3,550	8,900	23,200
	111,960	6,390	50,565	168,915

1/ In addition the U.S. will provide shipping services estimated to amount to about $14 million.

Fiscal Year 1971

	Dollars	Excess Currency	P. L. 480 Commodities	Total
UNDP	83,468	2,800	---	86,268
UNICEF	13,000	---	4,300	17,300
World Food Program	1,500	---	39,065	40,565 1/
IAEA, Oper. Prog.	1,496	25	---	1,521
UNRWA	10,690	3,610	8,900	23,200 2/
	110,154	6,435	52,265	168,854

1/ In addition shipping services amounted to about $14 million.
2/ Includes special $1.0 million contribution for Refugee Vocational Training.

Fiscal Year 1970

UNDP	84,268	2,000	---	86,268
UNICEF	13,000	---	4,306	17,306
World Food Program	1,300	---	35,000	36,300 1/
IAEA Oper. Prog.	1,348	30	---	1,378
UNRWA	6,050	8,250	8,900	23,200 2/
	105,966	10,280	48,206	164,452

1/ In addition shipping services amounted to about $13.5 million.
2/ Includes special $1.0 million contribution for Refugee Vocational Training.

Fiscal Year 1969

UNDP	69,500	1,500	---	71,000
UNICEF	13,000	---	4,313	17,313
World Food Program	1,300	---	35,000	36,300 1/
IAEA Oper. Prog.	937	63	---	1,000
UNRWA	5,500	7,800	8,900	22,200
	90,237	9,363	48,213	147,813

1/ In addition shipping services amounted to about $13.5 million.

ESTIMATED UNEXPENDED BALANCES FOR FISCAL YEAR 1972 AND FISCAL YEAR 1973

Mr. PASSMAN. What will be the estimated unexpended balance for this program in fiscal 1972 and fiscal 1973? Please break these figures down by organizations.

Mr. CUMMINS. All right.

(The information follows:)

CONTRIBUTIONS TO INTERNATIONAL ORGANIZATIONS AND PROGRAMS 1/
ESTIMATED EXPENDITURES AND UNEXPENDED BALANCES, FY 1972 AND 1973
(thousands of dollars

Organization	Unexpended 6/30/71	FY 1972 Obligations	Total Availability	FY 1972 Expenditures	Deobligated	Unexpended 6/30/72	FY 1973 Proposed	Total Availability	FY 1973 Expenditures	Unexpended 6/30/73
UN Development Program	124,105	86,000	210,105	100,125		109,980	90,000	199,980	99,980	100,000
UN Children's Fund	6,500	15,000	21,500	14,000		7,500	15,000	22,500	17,000	5,500
UN Population Fund	18,700	20,000	38,700	15,200		23,500	9,000	32,500	18,500	14,000
UN Fund For Drug Abuse Control	1,600	2,000	3,600	1,000		2,600	5,000	7,600	4,100	3,500
IAEA Operational Program	2,822	1,550	4,372	1,988		2,384	1,750	4,134	1,884	2,250
WMO Voluntary Assistance Program	3,132	1,500	4,632	2,500		2,132	1,500	3,632	2,062	1,570
UN/FAO/World Food Program	1,800	1,500	3,300	1,800		1,500	1,500	3,000	1,500	1,500
UN Institute for Training and Research	400	400	800	400		400	400	800	800	-0-
WHO/International Agency for Research of Cancer	150	312	462	462		-0-	312	312	312	-0-
UN Relief and Works Agency	3,200	14,300	17,500	15,300		2,200	14,300	16,500	14,300	2,200
International Secretariat for Volunteer Service	35	73	108	80		28	73	101	97	4
UN Force in Cyprus	16,800	2,400	19,200	10,800		8,400	4,800	13,200	6,000	7,200
UN Assistance to Congo	250	-0-	250	-0-	250	-0-	-0-	-0-	-0-	-0-
Special Contributions for Vietnam	1,810	-0-	1,810	1,045		765	-0-	765	765	-0-
Total	181,304	145,035	326,339	164,700	250	161,389	143,635	305,024	167,300	137,724

1/ Includes funds appropriated for International Organizations Technical Assistance, Supporting Assistance, UNRWA-Arab Vocational Training, Development Loans, Alliance for Progress, Programs Relating to Population Growth and Narcotics Programs.

LETTERS OF CREDIT

Mr. PASSMAN. Upon receipt of your appropriation after it has been signed into law, do you turn this over to the organizations all at one time or do they call for it as they need it?

Mr. DEPALMA. We do not, Mr. Chairman. Mr. Cummins is the expert on this. Most of the payment is in the form of irrevocable letters of credit. The letters of credit are not cashed until the funds are needed.

Mr. PASSMAN. They are cashed pretty rapidly, it appears, by the large size of the pipeline.

Mr. CUMMINS. At the moment, if we just take the present, there is some $47 million worth of letters of credit that have not been drawn down.

Mr. PASSMAN. That, of course, is only about 45 percent of what we gave last year. We still have 2 months to go.

Mr. CUMMINS. This goes back to prior years as well.

Mr. PASSMAN. But you have 2 months to go?

Mr. CUMMINS. Yes.

Mr. PASSMAN. This is the aggregate?

Mr. CUMMINS. Yes.

Mr. PASSMAN. It is a pretty short pipeline then.

Mr. CUMMINS. Yes. May I add that the letters of credit are not issued until after other governments have made their contributions, not their pledges, but actual contributions. We only match upon the basis of certified statements from the controllers that these moneys have been received.

Mr. PASSMAN. If you are a member of the UNDP or any of the other spigots, and you put up $1 and get back $50, you wouldn't waste much time putting up your money, would you?

Mr. CUMMINS. In my personal life I am not that lucky.

Mr. PASSMAN. If you were like India and got $40 back, you wouldn't delay putting up that dollar, would you?

Mr. CUMMINS. No.

Mr. PASSMAN. I thought the record should show they have a pretty good incentive to put up their contribution.

UNDP UNLIQUIDATED BALANCE

What will be the unobligated balance available to this program as of June 30, 1972?

Mr. CUMMINS. There will be no unobligated balance. The unliquidated balance we estimate at the end of 1972 will be $161 million.

Mr. PASSMAN. Of course, it is unobligated. If there is no unobligated funds, it is because you have turned it over to them all at one time.

Mr. CUMMINS. Not necessarily, sir. They may be under obligation for future payment.

Mr. PASSMAN. This letter of credit goes to them and you consider it obligated?

Mr. CUMMINS. Yes, sir; but in the case of 1972 money, we are dealing primarily with the organizations' calendar year 1972.

Mr. PASSMAN. I am trying to figure out how you could run a program with $200 million and not have a dollar unobligated.

Mr. CUMMINS. As I was trying to explain, the organizations are only in the middle of their fiscal period. They are only in the 4th month of their calendar year, whereas we are close to the end of our fiscal year. So these obligations that we have on the books for our fiscal year have to be reserved for contributions made by other countries for the whole calendar year.

Mr. PASSMAN. So, in reality, you have an amount reserved; you don't know whether it is over or under what is needed?

Mr. CUMMINS. The amounts are reserved on the basis of the matching formula.

Mr. PASSMAN. It is reserved?

Mr. CUMMINS. Yes, sir.

Mr. PASSMAN. But you could conceivably be overfunded. It depends on what the other contributions are?

Mr. CUMMINS. If other governments were to stop contributing; yes, sir.

Mr. PASSMAN. I didn't say "stop." They could maybe adjust their contributions.

Mr. CUMMINS. Or reduce them.

Mr. PASSMAN. So you don't know whether there is going to be unobligated funds or not; do you? You are assuming there will not be?

Mr. DEPALMA. We are assuming.

Mr. PASSMAN. Why don't you give it to us that way? I don't want to quarrel. You knew I knew that. You gave a blanket answer, there are no unobligated funds. I don't know of any agency that is so accurate they can work it down to a dollar or $1 million.

Thank you.

U.S. CONTRIBUTIONS TO INTERNATIONAL ORGANIZATIONS

Would you provide for the record a table similar to the one appearing on pages 694–697 of last year's hearing using the updated figures?

Mr. DEPALMA. Yes.

(The information follows:)

U.S. CONTRIBUTIONS TO INTERNATIONAL ORGANIZATIONS AND PROGRAMS[1] FISCAL YEARS 1971–73, ESTIMATED

[In thousands of dollars]

	1971			1972			1973		
	State contributions appropriation	foreign assistance voluntary[2]	Other appropriation	Contributions appropriation	foreign assistance voluntary[2]	Other appropriation	State contributions appropriation	foreign assistance voluntary[2]	Other appropriation
United Nations	[3] 46,451			[3] 52,438			[3] 60,119		
United Nations Children's Fund		13,000	[4] 4,299		15,000	[4] 4,300		15,000	[4] 4,300
Special contributions for Nigerian relief			[4] 1,142						
United Nations development program		86,268			86,000			90,000	
United Nations force in Cyprus		4,800			2,400			4,800	
United Nations Fund for Drug Abuse Control		2,000			2,000			5,000	
United Nations Fund for Population Activities		14,000			20,000			9,000	
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	[4] 8,900		14,300	[4] 8,900		14,300	[4] 8,900
UNRWA—Arab refugee training		1,000							
United Nations volunteers			200			200			200
United Nations South Asian humanitarian assistance:									
United Nations relief operation in East Pakistan			2,000			55,245			200,000
United Nations High Commissioner for refugees			15,500			[5] 75,375			
Food and Agriculture Organization	10,083			10,083			12,151		
UN/FAO—World food program		1,500	[4] 53,065		1,500	[4] 53,065		1,500	[4] 66,500
Intergovernmental maritime consultative organization	112			116			152		
International Atomic Energy Agency	3,672			3,977			4,883		
IAEA—Operational program		1,521			1,550			1,750	
International Civil Aviation Organization	3,848			4,236			4,495		
International Labor Organization	[6] 3,759			[6] 0			8,709		
International Telecommunication Union	703			810			967		
United Nations Educational, Scientific and Cultural Organization	10,531			12,018			12,018		
Universal Postal Union			71			84			88
World Health Organization	21,681			23,741			26,342		
International Agency for Research on Cancer		150			312			312	
Special voluntary programs			436						
World Meteorological Organization	775			775			943		
WMO—Voluntary assistance program		1,500			1,500			1,500	
Special contributions for Vietnam		950							
Subtotal	101,615	140,389	86,613	108,194	144,962	198,169	130,779	143,562	280,988

INTER-AMERICAN ORGANIZATIONS									
Organization of American States	16,030			18,780			20,768		
Inter-American Export Promotion Center			587			675			710
OAS CIAP programs						2,000			2,000
Special development assistance fund			4,800			4,900			5,145
Special multilateral fund (education and science)			7,208			6,911			8,900
Tourism year of the Americas						375			125
Pan American Health Organization	9,263			10,437			11,313		
Inter-American Indian Institute	62			62			62		
Inter-American Institute of Agricultural Sciences	2,695			2,960			3,197		
Inter-American Tropical Tuna Commission			452			452			533
Pan American Institute of Geography and History	151			151			151		
Pan American Railway Congress Association	5			15			15		
Postal Union of the Americas and Spain			21			25			28
Subtotal	28,206	0	13,068	32,405	0	15,338	35,506	0	17,441
REGIONAL ORGANIZATION									
North Atlantic Treaty Organization	5,161			5,315			6,415		
North Atlantic Assembly	60			73			80		
Central Treaty Organization			139			135			135
Multilateral science fund			20			20			20
Multilateral technical cooperation fund			105			105			105
Population program			40			45			45
Colombo plan council	8			9			9		
Indus basin development			4,925			15,000			25,000
Organization for Economic Cooperation and Development	4,955			5,352			6,402		
Population fund						100			
Southeast Asia Treaty Organization	310			396			453		
South Pacific Commission	199			215			248		
Subtotal	10,693	0	5,229	11,360	0	15,405	13,607	0	25,305
OTHER INTERNATIONAL ORGANIZATIONS									
Customs Cooperation Council	259			342			385		
General Agreement on Tariffs and Trade			624			707			814
Hague Conference on Private International Law	11			12			12		
Intergovernmental Committee for European Migration			3,050			3,250			3,225
International Bureau of Exhibitions	12			7			7		
International Bureau of the Permanent Court of Arbitration	1			1			1		
International Bureau, Protection of Intellectual Property	15			15			15		
International Bureau for the Publication of Customs Tariffs	17			19			20		
International Bureau of Weights and Measures	75			86			99		
International Center, Preservation of Cultural Property				70			70		
International Coffee Organization	230			254			290		
International Commission for Conservation of Atlantic Tunas			12			15			25
International Commission for the Northwest Atlantic Fisheries			6			6			6

See footnotes at end of table.

U.S. CONTRIBUTIONS TO INTERNATIONAL ORGANIZATIONS AND PROGRAMS[1] FISCAL YEARS 1971–73, ESTIMATED—Continued

[In thousands of dollars]

	1971			1972			1973		
	State contributions appropriation	foreign assistance voluntary[2]	Other appropriation	Contributions appropriation	foreign assistance voluntary[2]	Other appropriation	State contributions appropriation	foreign assistance voluntary[2]	Other appropriation
International Cotton Advisory Committee			21			23			23
International Council for the Exploration of the Sea									12
International Council of Scientific Unions and Associated Unions	97					110			138
International Criminal Police Organization			29			29			53
International Hydrographic Organization	16			18			18		
International Institute for Cotton			1,318			1,074			1,100
International Institute for the Unification of Private Law	8			9			12		
International Lead and Zinc Study Group			5			5			5
International North Pacific Fisheries Commission			23			26			28
International Rubber Study Group			8			9			9
International Secretariat for Volunteer Service		70			73			73	
International Seed Testing Association			1			1			1
International Union of Official Travel Organizations			15			17			18
International Whaling Commission			1			1			1
International Wheat Council	33			39			42		
Interparliamentary Union	27			29			33		
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	805	70	5,119	905	73	5,279	1,008	73	5,464
Total	141,319	140,459	110,029	152,864	145,035	234,191	180,900	143,635	329,198
Grand total by years, all appropriations		(391,807)			(532,090)			(653,733)	

[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 International Organization, Technical Assistance, Supporting Assistance, and other AID Appropriations.

[3] Excludes offsets for repayment of U.N. bonds: fiscal year 1971, $3,928,000; fiscal year 1972 $3,874,000; and fiscal year 1973, $3,879,000.

[4] Public Law 480.

[5] Includes Public Law 480 commodities, valued at $55,125,000, delivered during fiscal year 1971 and fiscal year 1972.

[6] Amounts appropriated by the Congress. Actual requirement was $7,459,000 in fiscal year 1971 and $7,816,000 in fiscal year 1972.

Mr. PASSMAN. Are the funds requested for international organizations in fiscal year 1973 used to fund the programs for calendar year 1973 or part of it?

Mr. CUMMINS. In most cases it is for calendar 1973. Not in all cases.

RETURN OF UNLIQUIDATED BALANCES

Mr. PASSMAN. What happens if U.S. funds are appropriated and obligated to a specific program but certain pledges are not forthcoming from other nations?

Mr. CUMMINS. I think unless there was a reprograming involved the money would just revert back to the U.S. Treasury.

Mr. PASSMAN. None has reverted back has it?

Mr. CUMMINS. There have been unobligated balances returned; yes. Very, very small amounts.

Mr. PASSMAN. For the reason I said, they did not make the payments?

Mr. CUMMINS. Yes, sir.

PERCENTAGE OF U.S. CONTRIBUTIONS

Mr. PASSMAN. Do we renegotiate with the other nations to keep the U.S. percentage at the same level or just let them have our contribution no matter if they receive the others or not?

Mr. DEPALMA. The fact is that our relative contribution has been dropping as others have been increasing at a much greater rate than ours. As I say, we are down to 30.3 in UNDP.

Mr. PASSMAN. You are off 1 percent this year.

Mr. DEPALMA. I say the others are increasing their contributions at a greater rate than ours.

Mr. PASSMAN. I think we established that the more they put up, the more they get back. You tried to make the point that the reason Nationalist China didn't get any back was they received more than they put in.

Mr. DEPALMA. Relatively we dropped from what used to be 40 percent down to 30.3 in UNDP. What we are requesting now we estimate will further reduce it to 29.3 percent for 1973.

Mr. PASSMAN. If the Congress should pass legislation that in no case shall our contribution exceed 25 percent of that paid in by other nations, it is a formula that could be complied with, couldn't it?

Mr. DEPALMA. Yes, it certainly could. I think it would be a great mistake, Mr. Chairman.

Mr. PASSMAN. I am not asking what you think at this particular moment. I am interested in the terrible mess you people are getting us into. Do you realize that the first part of this year our balance-of-payments deficit soared to unprecedented heights. You got the administration and everybody else associated with it very frightened. Are you familiar with that?

Mr. DEPALMA. I am.

Mr. PASSMAN. Are you familiar with the fact that we had our first trade deficit since 1888 last year?

Mr. DEPALMA. Yes.

Mr. PASSMAN. Doesn't this frighten you people? You always seem to get very frightened if we make adjustments in your account. You

say it is not in our best interest. Something had better happen in our interest or we are going to be in a mess. Aren't we going to have to have, in all probability, another maintenance of value adjustment?

Mr. DePALMA. Mr. Chairman, I can't agree with everything you say.

Mr. PASSMAN. Don't go any further then.

Mr. DePALMA. I must go further. I would like to point out about 70 percent of what we contribute to UNDP comes back directly to the United States since we are talking about balance of payment. We can document that and I would be glad to.

Mr. PASSMAN. How about the other 30?

Mr. DePALMA. It does not come back.

Mr. PASSMAN. It is the last straw that broke the camel's back isn't it? Do you understand?

Mr. DePALMA. Yes.

Mr. PASSMAN. We don't get a thing in the world for it in the U.S. Treasury.

Mr. DePALMA. American citizens get it back.

Mr. PASSMAN. There is none ever paid back into the U.S. Treasury.

Mr. DePALMA. Except insofar as we collect taxes.

Mr. PASSMAN. You know what question I am asking. Why don't you give me an answer?

Mr. DePALMA. It does not come back directly.

Mr. PASSMAN. There is no provision to pay it back. It is not a loan, it is a gift. It is a one way street. A grant.

Mr. DePALMA. It is a grant.

INDEPENDENT EVALUATION OF IO PROGRAMS

Mr. PASSMAN. As you know, the General Accounting Office's reviews of U.S. financial participation in international organizations have shown the need for independent reviews and evaluations of the organization's programs and activities.

Would you tell us what has been done, if anything, to implement these recommendations?

Mr. DePALMA. UNDP has had evaluation procedures and under their revised administrative procedures they are now strengthening these evaluation procedures. This program is in the first stages. I am not going to make any claims for it yet.

Mr. PASSMAN. Wouldn't that be like having my staff in my office investigate me and write a report?

Mr. DePALMA. It is an in-house evaluation.

Mr. PASSMAN. It would be just the same as conducting an investigation of me and using my loyal staff to do the investigation and write the report. Isn't that right?

Mr. DePALMA. Except they have to account to the UNDP Governing Council.

Mr. PASSMAN. So do my staff have to account to the Internal Revenue Service.

Mr. DePALMA. That is right.

Mr. PASSMAN. Thank you very much, that is good enough. They are not going to snitch on each other are they?

Mr. DePALMA. No; but I wouldn't think they would get away——

Mr. PASSMAN. Are you familiar with my amendment several years ago whereby the GAO would go and audit these organizations?

Mr. DEPALMA. Yes, sir.

Mr. PASSMAN. I don't think you quarreled with that did you?

Mr. DEPALMA. I don't believe we can have unilateral audit by one government. We are trying to built in audit procedures that will satisfy all governments including our own.

Mr. PASSMAN. Mr. Secretary, do you know what you are advocating and all the other spenders—give the funds to us and please don't ask questions about it. As you testified earlier, we don't have any more control over this money than you have over what I am going to have for dinner this evening. You give it to them. We don't know when it is obligated, to what country, how much, and for what purposes. Even the man who administers the UNDP, you said it would be unethical for him to appear before this committee.

Mr. DEPALMA. In a formal hearing.

Mr. PASSMAN. If it is not formal, it doesn't amount to anything. We have to have a go-between.

Mr. LONG. Are you opposed to a U.S. audit?

Mr. DEPALMA. Congressman Long, I would like to have an American audit but I am not sure I want to subject them to a Russian audit, British audit——

Mr. LONG. Why not?

Dr. DEPALMA. You couldn't possibly run an organization with 132 countries separately auditing the accounts. Obviously, they would be doing nothing but responding to the auditors. It can't be done.

Mr. PASSMAN. How many auditors would it take?

Mr. DEPALMA. I don't know how many it would take. Would the British be satisfied with an American audit?

Mr. PASSMAN. I don't know whether they would or not.

Mr. DEPALMA. Would we be satisfied with a British audit?

Mr. PASSMAN. We would be satisfied with our audit.

Mr. LONG. It surely is not cheap or easy to do on audit, is it?

Mr. DEPALMA. I wouldn't think so.

Mr. LONG. It is quite likely most countries would not want to spend the money or take the trouble to do it. In all probability only the larger contributors would do the auditing.

Mr. DEPALMA. Probably.

Mr. LONG. So there probably wouldn't be audits by 132 nations, only by three or four. Why wouldn't it be worthwhile to try it for a while? If U.N. officials legitimately demonstrated this auditing was interfering with their work, we could adjust to that. We are reasonable people. What do you think of that proposal?

Mr. DEPALMA. As I said, I would like to have an American audit. I would have no difficulty discussing this matter and try to find out what can be done. I am just trying to point out what the political facts of life are.

Let me tell you something that is shocking and it resulted because we don't have the right of audit as such. Let's look at the International Development Association. This outfit was created 11 years ago. The first year they requested $73 million. Then they came along and said we want $61 million a year for 4 years. They then jumped their request

up to $104 million a year for 3 years. Then they jumped the request up to $160 million a year for 3 years.

This year they doubled the amount to $320 million a year for 3 years. The law was signed on March 10, 1972. That is only part of the story.

We were somewhat shocked when we learned that the people downtown who spend this money wanted a supplemental of $320 million for fiscal year 1972.

Then they wanted to back it up with another $320 million to be provided in fiscal year 1973. We did a little investigating and found they had on hand $463 million unobligated. They called is undisbursed, but it is unobligated as such.

Forty-two percent of the money that we gave them in 11 years, was on hand unobligated as such. How did we catch them out of the henhouse with a rooster under one arm and a hen under the other? They wanted 8.57 percent of this $463 million added to our past contributions to maintain the value of this contribution because of our devaluation. Had we had the right of audit of these international organizations as such, we would have soon found out this money was just committed to a program or series of programs but not obligated for individual projects as such.

Mr. LONG. I am not sure what you said is realistic. You are not sure either. We also have got some political facts of life here. I am reponsible to my constituents, as the chairman is responsible to his constituents, to see that American money is wisely spent. Rightly or wrongly a great many Americans don't have great confidence that the world organizations are spending our money wisely.

We could sell this program better and justify it a lot better to Congress if we did have some kind of an audit. In fact, I suspect it is going to be very difficult to ever pass your multilateral aid program unless we have something of this sort.

INTERNAL AUDIT OF U.N. ACCOUNTS

Mr. DEPALMA. May I add something for the record?

Mr. PASSMAN. Yes.

Mr. DEPALMA. The fact is that in addition to their own internal evaluation there is an audit of U.N. accounts conducted by a board of auditors, three-man board, three separate countries.

Mr. PASSMAN. What countries?

Mr. DEPALMA. They are the Auditors General of Canada, that I know of, and representatives from Colombia and Pakistan.

None of the big five has ever been on the Board of Auditors.

In addition to that, there is a joint inspection unit which has the right to conduct investigations of all kinds of programs throughout the U.N. system and they have conducted a number of these.

U.S. FUNDING OF MULTILATERAL ORGANIZATIONS

Mr. PASSMAN. Mr. DePalma, we have a good reason for bringing this up.

Let me make this point and I certainly don't want to be unreasonable about this matter. Each member of this committee has a right to his own opinion but I am pretty much for sticking to the coldblooded statistics of the record.

Let's take the overall request for fiscal 1973 authorizations and appropriations. A great many people even in the departments actually believe that foreign aid is being reduced. But foreign aid is increasing by leaps and bounds. It is coming out under different names. Most of the increase is in the multilateral organizations.

Do you know the terms of these IDA credit?

Terms, 50 years, with no interest at all during that 50 years. Only three-quarters of 1 percent service charge. What a concession!

Concession No. 2, 10-year grace period, not a nickle paid back on it.

Concession No. 3, for the next 10 years you pay only 1 percent a year.

Concession No. 4, right of cancellation at any time.

Concession No. 5, not one dime of it ever gets back to the U.S. Treasury. The money goes out with no provision for it to ever come back to the U.S. Treasury. Had we had the right of direct examination of the people in charge of the program, and had we exercised the right, chances are we wouldn't have wound up in this mess. This is why we are having this serious balance-of-payments situation.

. That is why we have this trade deficit. That is why the dollar is losing purchasing power. That is why foreign aid is continuing to increase. This year the aggregate is over $18.5 billion if you put all pieces of aid and assistance together. It is reaching frightening proportions. I wouldn't offend you for anything in the world. I don't mean to be offensive, but I am frustrated and frightened. If we cut $3 they add $4 back the following year. They are just ahead of us all the time.

I yield.

HOUSING PROJECT IN VENEZUELA

Mr. LONG. The chairman was talking about loans we are making at three-quarters of 1 percent service charge with a 10-year grace period. I had occasion to inspect a housing project in Venezuela last summer, which was precisely this type of thing. The people were being charged quite a high interest rate. The rentals were so high that there were quite a few vacancies and people living on hillsides in some of the worst shacks I have ever seen. This is the type of thing that we ought to look into from a humanitarian point of view.

We are being sold these programs on the grounds that they are going to help poor people. The people living in these homes were middle class, not the kind living in the barrios up on the hills. They were being charged quite sizable sums. Who got the gravy? I don't know. Some people said the builders got it, but it is not going to help the poor people.

I would like your comments on that. Then I have a question on the audit.

Mr. DEPALMA. I couldn't but express the same concern that you have over that state of affairs. Let me say that the program I am talking about today does not involve loans of this kind. This is technical assistance and pre-investment surveys. It is training people and conducting surveys.

Mr. LONG. This came out on the question of audits. That is why we feel the audit is important. I understand the GAO made some informal audits.

Have you used these audits in preparing your requests to Congress?

Mr. DEPALMA. We certainly do. As a matter of fact, the GAO is busy right now. There are some GAO people in New York working with our people. We have been working with the GAO for the last 3 years since I have been in this job.

Mr. LONG. Where in your presentation is the informal audit of the GAO being used to help you and support you and assist you in your presentation?

Mr. DEPALMA. We have changed the request we make of the agencies for information. We have sought all kinds of information on the basis of suggestions made by the GAO. We have persuaded the organizations to adopt various procedures on the basis of suggestions made by the GAO. This is a continuing process. As I say, they are busy right now working at it.

Mr. LONG. That is very general language. Could we get something to get our teeth into, specific examples?

Mr. DEPALMA. As a matter of fact, we could submit not only GAO reports but our responses to them. If you would like, I can submit a special report on the——

Mr. LONG. Formal report of the GAO and your response?

Mr. DEPALMA. Yes, sir.

(The information follows:)

COMPTROLLER GENERAL'S REPORT TO THE CONGRESS

MANAGEMENT IMPROVEMENTS NEEDED IN U.S. FINANCIAL PARTICIPATION IN THE UNITED NATIONS DEVELOPMENT PROGRAM
Department of State B-168767

D I G E S T

WHY THE REVIEW WAS MADE

The United Nations Development Program was established to assist technical, economic, and social development in less developed countries with funds contributed voluntarily by member governments, one of which is the United States. The Program currently provides financing for projects in 140 countries and territories.

This is one of a series of reviews by the General Accounting Office (GAO) examining into responsibilities of the Department of State in connection with U.S. Government financial participation in international organizations.

These responsibilities, as they relate to the United Nations Development Program, are to be viewed in the context of the U.S. membership in the multinational body governing that Program.

The United States has been a continuing member of this body which reviews and approves the financing of projects requested by governments upon recommendation by the Program's administrative officials, or secretariat.

FINDINGS AND CONCLUSIONS

The United States has contributed more than $550 million to the United Nations Development Program and its predecessors during the past 10 years. The President requested an appropriation of $100 million for the 1970 contribution. The State Department has attempted to establish U.S. contributions at increasing levels--within a statutory limitation of 40 percent of the total contributed by member governments--with the view of encouraging other United Nations members to do likewise.

Year after year the State Department has requested the Congress to appropriate increasing funds to be contributed to the Program despite the fact that it is not, and has not been, in a position to give the Congress basic assurance that such funds have been used satisfactorily to accomplish intended objectives. Vigorous efforts must be made by the State Department to improve its administration of U.S. financial participation in the Program. (See p. 17.)

Action is needed in the following areas:

1. The State Department has not developed and promulgated U.S. policy objectives and priorities relative to U.S. support of the Program. Moreover, the Department has not prevailed successfully upon the Program's secretariat to provide assistance to only the less developed countries and to the priority needs of countries.

Consequently, from 1965 through 1969, $100 million of assistance was granted to countries which were either relatively developed or seemingly in a position to pay for such assistance. Also, projects were often reported to be of low priority and widely scattered, which dissipated the impact that could be gained from an intensification of efforts in more concentrated areas. (See pp. 20 and 23.)

2. For some time, there has been considerable evidence that some of the United Nations agencies no longer have the capacity to administer effectively the ever-increasing number of United Nations Development Program projects assigned to them. A study, undertaken by the Program's secretariat at the initiative of the United States and completed in November 1969, reported two broad conclusions:

--first, the capacity of the United Nations system to handle development projects is overextended and

--second, unless substantial reforms (recommended in the study) are undertaken, the capacity of the system to effectively absorb projects will be limited to a level of about $200 million to $250 million annually.

Even this amount, according to the study, is more than the system can handle effectively at present. The Program has received firm pledges and estimates for members' contributions for 1970 totaling $238 million. (See pp. 26 to 29.)

3. The State Department has not obtained sufficiently descriptive information nor established machinery to make useful appraisals of proposed projects or to provide adequate assurance that approved projects are effectively carried out. (See pp. 30 to 38.)

4. Both the United States and the United Nations have recognized the need for detached evaluations of the activities of United Nations-affiliated organizations. Both have taken some specific steps to meet this need. Although some progress is being made, GAO believes that the current evaluations are not sufficient to be of much assistance in ascertaining what the actual accomplishments of the United Nations Development Program have been or in making independent judgments relative to the efficiency and effectiveness with which its projects are being carried out. (See pp. 39 to 51.)

RECOMMENDATIONS OR SUGGESTIONS

The Secretary of State should:

--develop and promulgate policy objectives and priorities relative to U.S. support of the United Nations Development Program on a basis consistent with the Program's purpose of providing assistance to the priority needs of less developed countries (see p. 25),

--emphasize that future U.S. contributions will have to be justified by a demonstration that projects are responsive to the priority needs of the less developed countries and can be carried out efficiently, effectively, and timely (see p. 25),

--instruct U.S. diplomatic missions to enlist the support of other governments in expediting the needed improvements in the United Nations development system (see p. 29),

--improve the effectiveness of U.S. appraisals of proposed and continuing projects (see pp. 37 and 38), and

--encourage the establishment of a single United Nations-wide review body of appropriate size and competence to meet the need for effective, independent evaluations of United Nations activities. Until an effective internationally constituted means of evaluation is developed, the Secretary of State should arrange to improve the quality of U.S. evaluations by its overseas posts (see pp. 50 and 51).

AGENCY ACTIONS AND UNRESOLVED ISSUES

The State Department said that implementation of many of GAO's recommendations exceeded the Department's capacity in terms of available staffing. It said that, within these limitations, it had reviewed the accomplishments of the United Nations Development Program as best it could and had attempted to monitor Program operations to gain the necessary assurances that funds contributed were used effectively. (See pp. 55, 56 and 65.)

The Department agreed that the United States should have policy objectives and priorities underlying its support of the United Nations Development Program and stated that it had been striving since 1961 for the establishment of a centralized voluntary fund in the United Nations to provide technical assistance. (See p. 57.) The Department stated also that it intended to give careful attention to the capacity study so that those portions of it which would serve to further U.S. long-term goals might be quickly implemented. (See p. 60.)

78-827 O - 72 - pt.2 - 44

The Department said that the success of the United Nations Development Program may be measured by the continuing increase of requests f assistance from the recipient countries and that these countries are not likely to use their own resources to support projects if the projects are not successful. The Department also said that developed countries are not likely to increase their contributions unless they are satisfied with the Program's operations. (See p. 56.) In GAO's opinion, the State Department is not in a position to make firm assessmen relative to the Program's performance.

MATTERS FOR CONSIDERATION BY THE CONGRESS

The House Committee on Appropriations, in reporting the Foreign Assistance and related programs bill for fiscal year 1970, expressed the view that the proposed contribution to the United Nations Development Program of $100 million was excessive in view of the Report by the Commission on International Development which said that the Program's operating capacity seemed strained to the limit. The fiscal year 197 appropriation for voluntary contributions to international organizations was less than the Department requested, and the Department applied $14 million of the reduction against contributions to the Unite Nations Development Program. Thus the 1970 contribution to the Progr is now estimated at $86 million.

GAO's observations provide additional information for use by the Congress in its deliberations on future requests for contributions to th Program.

April 7, 1972

Mr. Oye V. Stovall
Director, International
Division
General Accounting Office
441 G Street, N.W.
Washington, D.C. 20548

Dear Mr. Stovall:

In its report to the Congress on U.S. Participation in the UN Development Program on March 5, 1970, the Comptroller General made the following recommendations: The Secretary of State should (1) establish policy objectives and priorities to UNDP on a basis consistent with the Program's purpose, (2) emphasize that future U.S. contributions will have to be justified by a demonstration that the projects are responsive to priority needs of the LDC's, (3) instruct U.S. missions to enlist the support of other governments in expediting needed improvements in the UN development system, (4) improve the effectiveness of U.S. appraisals, and (5) encourage the establishment of a single UN-wide review body.

The Department generally agreed with the GAO's findings and recommendations, and the purpose of this letter is to describe the very considerable progress that has been made in implementation of these recommendations.

It should be remembered, however, that the Department's ability to effect change and improvement is limited by the negotiating environment of multilateral diplomacy. For this reason, it has had to work at a pace consistent with the consensus of other members.

The Department has maintained policy objectives and priorities which would improve the UNDP's capacity to carry out its program. A major effort to reform the UNDP was begun in 1968, when, upon a U.S. initiative, Sir Robert Jackson was requested to prepare "A Study of the Capacity of the UN Development System." Published in December 1969, the Capacity Study included recommendations for a wide variety of organizational and procedural reforms--many of which were accepted by the UNDP Governing Council and set forth in a consensus document at its 10th session in June 1970, which was subsequently approved by ECOSOC and the General Assembly.

These reforms have now been largely implemented by the UNDP administration, the executing agencies and the participating governments. While too numerous to describe in detail, the reforms already implemented include complete merger of the Special Fund and Technical Assistance activities of the UNDP, extensive reorganization of the UNDP headquarters staff, strengthening of the field staff, initiation of country programming responsive to the priority needs of the developing countries, a five-year planning cycle, greater coordination of the technical assistance activities of the various UN organs under UNDP leadership as well as increased coordination with bilateral donors, a new financial system and fuller utilization of resources. Also, a review of the qualifications and performance of all Resident Representatives and Deputy Resident Representatives is being carried on at the highest level.

We are especially pleased with the rapid evolution of UNDP's Evaluation Division, following the reorganization of UNDP. Although the Evaluation Division has been in existence since 1967 as an experimental unit, it was given new life and vigor only in the last 18 months; that is, with the reorganization of UNDP. We believe

that UNDP's Evaluation Division will now be in a position to set the standards and lead the way for the specialized agencies. The FAO, for example, has now created its own Evaluation Unit, modelled on UNDP's which was modelled on AID's. UNDP believes that it has instituted evaluation standards and practices which are now on a level comparable with USAID's.

The U.S. has also been in the forefront in urging the UNDP Governing Council to establish new approaches and criteria for assistance which would assure greater assistance to the least-developed countries. Consequently, the UNDP administration presented to the 13th session in January 1972 proposals for special measures in favor of the least-developed countries, and it will present to the 14th session new criteria for determining the volume of assistance to be provided each recipient country.

The Department has not explicitly emphasized that future U.S. contributions will have to be justified by a demonstration that projects are responsive to the priority needs of the less-developed countries. Our interest in this matter is well known; financial threats set a bad precedent and have a tendency to be counterproductive to the end sought. It has, rather, emphasized positive measures of improvement and has stressed in private conversations with UNDP officials that continued confidence by donor countries depends to a large extent on implementing the reforms.

On March 10, 1970, an instruction on the U.S. position concerning the Jackson Capacity Study recommendations was sent to posts for use in conversations with host governments. That most of the reforms desired by the U.S. were approved by the Governing Council may be attributed in part to efforts made as a result of this instruction.

During 1971, various instructions were also sent to posts urging full cooperation with the UNDP Resident

Representative and host governments in country programming. In many countries which have initiated country programming exercises, a useful degree of cooperation has actually been achieved.

AID has made a major contribution to the U.S. Government's capacity to comment effectively on the Country Programs, 19 of which have already been dealt with. A careful, critical review of each country program was made by the appropriate regional bureau with the assistance of the technical officers and field missions. This very useful procedure will be continued throughout the full cycle of country programming.

The Department has maintained an annual reporting requirement from the field focussed on the UNDP which has provided valuable information on the programs of the UNDP and cooperating organizations of the UN system. Also, proposed UNDP projects are routinely reviewed by the U.S. Government prior to approval. Consultation with UN representatives in the field and with the recipient country itself also provides an early opportunity for the exercise of U.S. influence.

The Department's effort to improve its capacity in this regard has been hampered by lack of personnel both in the field and in Washington. However, the Bureau of International Organization Affairs has undergone reorganization which provides (in theory) for an increased staff for program evaluation, policy formulation and coordination. Depending on personnel availability, the Department should soon be better able to analyze and evaluate UNDP-sponsored projects and programs.

The General Assembly at its 25th session in October 1970 approved a UN Development Strategy for the Decade which includes provision for a uniform UN-wide evaluation system. Effective implementation of such a

system depends on a number of related factors such as uniform budgeting procedures among UN agencies, information storage and retrieval capacity on all programs, competent personnel, etc. This will take time and effort. However, the trend is favorable, and the UNDP's own Evaluation Division referred to earlier is an important step in the right direction.

Sincerely,

George A. von Peterffy
Deputy Assistant Secretary for
International Organization Affairs

Clearances:
IO/CMD:DMarshall
PPC/IA:AHeyman

IO/CMD:WMKerrigan:RSpringer:vdr 4-7-72

COMPTROLLER GENERAL'S REPORT TO THE CONGRESS

U.S. FINANCIAL PARTICIPATION IN THE UNITED NATIONS CHILDREN'S FUND DEPARTMENT OF STATE B-166780

D I G E S T

WHY THE REVIEW WAS MADE

The General Accounting Office (GAO) undertook this review to determine how well the Department of State has carried out its responsibilities concerning (1) the makeup of the projects and programs of the United Nations Children's Fund (UNICEF), and (2) the manner in which the projects were carried out. These responsibilities are to be viewed in the context of the U.S. membership in the multinational UNICEF Executive Board which inherently places some constraints on actions that can be taken unilaterally no matter how constructive the proposed actions might be.

Currently, UNICEF is providing assistance to 119 countries. United States cumulative cash contributions to UNICEF amount to $260 million, or about 40 percent of the total contributed by all governments. The United States also has donated about $100 million in agricultural commodities for distribution by UNICEF.

FINDINGS AND CONCLUSIONS

UNICEF's primary function is to assist governments in underdeveloped areas of the world in establishing long-range health, education, and welfare programs for children and mothers. UNICEF projects are formulated by the UNICEF Secretariat and approved by the UNICEF Executive Board, of which the United States is a member.

GAO found that procedures employed by U.S. officials for analyzing proposed UNICEF projects had to be abandoned in 1968 because UNICEF, over the objections of the Department of State, discontinued the previous arrangements for providing the United States with the information on which the analyses were made. Proposed alternative arrangements which would allow U.S. officials to make future analyses are uncertain. (See pp. 9 to 12.)

Although a body of knowledge regarding the general content and direction of UNICEF programs could be acquired from an analysis of documentation made available by UNICEF, it was not sufficient to permit reliable assessments of actual projects. (See pp. 13 to 14.)

The United States and the United Nations recognized the need for, and have recently initiated, some independent evaluations of UNICEF projects. GAO believes, however, that the current evaluations are insufficient in

scope and coverage for officials to make informed independent judgments relative to the efficiency and effectiveness of UNICEF operations or to provide a basis for encouraging action by UNICEF to resolve indicated problems. (See pp. 15 to 20.)

RECOMMENDATIONS OR SUGGESTIONS

The Department of State by appropriate means should:

--Obtain necessary information on and make analyses of proposed UNICEF projects so that it can make more informed judgments relative to continued support of UNICEF activities. (See p. 11.)

--Elicit from UNICEF more complete and meaningful operational data. (See p. 14.)

--Work out an arrangement whereby U.S. overseas posts will make selective periodic evaluations of UNICEF projects until means for internationally constituted evaluations are developed. (See p. 20.)

AGENCY ACTIONS AND UNRESOLVED ISSUES

The Department of State advised GAO that it is arranging with the UNICEF Secretariat to provide more complete operational data. (See p. 14.) The intentions are still in an obscure stage, leaving the decisions as to the nature, scope, and form of information to be furnished up to UNICEF. GAO believes that the Department should be assured that the information to be furnished is adequate for it to make assessments on the implementation of UNICEF projects.

The Department also advised that it had performed evaluations in connection with its annual reviews of proposed projects. (See p. 19.) Since UNICEF in 1968 discontinued furnishing the information from which these reviews were being made, opportunity for evaluation is now dependent on the U.S. making future arrangements with UNICEF. GAO found little indication of actual observation of continuing UNICEF projects by U.S. personnel; such observation being an essential element of evaluation. (See p. 19.)

MATTERS FOR CONSIDERATION BY THE CONGRESS

The Congress may wish to review with the Department of State the problems and issues dealt with in this report since they are essentially the same as those noted in GAO's reviews of United States financial participation in the World Health Organization (B-164031(2), January 9, 1969) and in the Organization of American States (B-165850, April 9, 1969--classified Confidential).

UNICEF: GAO RECOMMENDATIONS

The 1969 GAO report on UNICEF made three recommendations to the Department of State regarding project review and evaluation. The Department has mobilized its available resources to implement the GAO suggestions. Actions have been within the financial and personnel limitations which exist in IO/CAD, as well as the restraints placed on any member state belonging to an international organization. Implementation efforts taken in response to GAO recommendations are as follows:

RECOMMENDATIONS:

The Department should "obtain necessary information and make analysis of proposed UNICEF projects so that it could make more informed judgements relative to continued support of UNICEF activities and "should elicit from UNICEF more complete and meaningful operational data."

ACTION:

The Department opened discussions with UNICEF immediately after the GAO made its recommendations. The Secretariat of the agency has since that time--and within its limitations--provided more detailed descriptions of proposed and on-going projects. These are used to obtain comments from Embassies and AID Missions, as well as the Washington community--HEW, AID, Department of Labor, etc. This has given the U.S. Representative a basis for commenting on a large number of activities and to make recommendations and suggestions for changes and improvements. Comments are made orally at Executive Board meetings and written comments are also given to the Secretariat.

Information has been provided to the Department on a year-round basis. In 1971 the Executive Director's report on selected projects and programs provided IO with an analysis of developments in eight UNICEF regional offices. In

addition, as a follow-up to the U.S. request in 1970 the Executive Director reported at the 1971 Board meeting an increase in the number of countries where project analyses were made as a combined effort of the host governments and a specialized agency.

In addition to the above information, several times each year senior UNICEF officials visit Washington for a full day of discussion with U.S. Government personnel concerned with UNICEF operations. The most recent of these occurred December 4, 1971; the next is scheduled for early March 1972. During these meetings UNICEF officials always remind the Department of the open invitation for AID and/or Embassy staff to consult with UNICEF field personnel.

RECOMMENDATION:

The Department "should work out an arrangement whereby U.S. overseas posts would make selective periodic evaluations of UNICEF projects until means for internationally constituted evaluations were developed."

ACTION:

The (CERPS) report received annually from all Embassies is the only comprehensive analytical document prepared for the Department. However, it is an economic evaluation and does not deal fully with social development projects other than in their economic aspects. And with the shortage of personnel, it is unlikely in the foreseeable future that other types of reporting will be initiated by the Department. Budgetary stringencies and the lack of personnel in IO have prevented total implementation of the GAO recommendation regarding evaluation. Nonetheless, several initiatives have been taken to get a better assessment of UNICEF programs. Each has provided useful information but not the kind of quantitative and qualitative data necessary for precise evaluations.

An example is an effort conducted in January 1971. At the request of State, AID sent selected UNICEF project previews to 14 posts for field comment. Replies from 27 projects were available to the U.S. Representative at the 1971 Executive Board meeting, and were used effectively.

During 1971 an officer of IO and the U.S. Representative of UNICEF reviewed projects in Africa by on-site inspection. Their trip covered 12 African countries in a month of travel. Their assessments of projects and staff were overall favorable. With only one exception, projects were well planned and well managed. The above is a sample of techniques for reviewing UNICEF projects, but not in the technical sense evaluating them. Evaluation is the role of the UNICEF Secretariat. As only one of 32 member states it would be inappropriate for the U.S. to investigate projects of an international agency even if funds and staff were available. Decisions must be made by all members of the governing body, not a single state.

Overall the Department has been satisfied with the recent attempts made by the UNICEF Headquarters to evaluate projects, although clearly much more remains to be done. It is IO's understanding that future projects will have some type evaluation mechanism built in. This will help in determining the success or failure of an activity prior to its termination--sometimes as long as five years--and insure that necessary changes occur as needed.

It should be noted that evaluating social development projects is not an easy task. Few tools for accurate cost benefit measurement are available in social development. Social indicators, the counterpart of economic indicators, are still in the process of being developed. Until such time when these measurement tools have been devised and tested, it will be impossible to predict with any precision the political, social and economic ramifications of UNICEF activities. Finally, it should be

kept in mind the United Nations Children's Fund has over the past 25 years successfully carried out its stated objectives--helping needy children. It has over the years gradually and with caution entered into activities which contribute directly and indirectly to the entire development process. These were activities difficult to measure in dollar terms. The Department will continue to express concern regarding project information and evaluation. It will continue to review activities where personnel and funds allow. We shall also continue assisting in the development of tools which will lead to more accurate evaluations of social development programs.

IO/CMD:CSaston:WIKerrigan:vdr 2-2-72

COMPTROLLER GENERAL'S REPORT TO THE CONGRESS

U.S. FINANCIAL PARTICIPATION IN THE FOOD AND AGRICULTURE ORGANIZATION OF THE UNITED NATIONS
Departments of State and Agriculture
B-167598

D I G E S T

WHY THE REVIEW WAS MADE

The Food and Agriculture Organization of the United Nations (FAO) fosters international cooperation in the fields of nutrition, food, and agriculture. Its programs are financed with funds contributed directly by its member nations and with funds allocated to it by the United Nations (U.N.). FAO also, jointly with the U.N., administers the World Food Program (WFP).

U.S. contributions amount to about 40 percent of all contributions to the programs. U.S. contributions pledged to programs solely or jointly administered by FAO for the 3 years 1966 through 1968 amounted to $219 million, including $92 million in commodities for the WFP.

The General Accounting Office (GAO) undertook this review as part of its continuing efforts to examine into the Department of State's responsibilities for directing and coordinating U.S. Government financial participation in international organizations. These responsibilities are to be viewed in the context of the U.S. membership in the 117-member FAO governing body.

FINDINGS AND CONCLUSIONS

The Departments of State and Agriculture have not obtained the information nor developed the procedures needed to make adequate analyses of FAO activities.

The U.S. Government has no firm basis for making informed judgments, except in very broad terms, as to just what FAO is doing or plans to do with the contributions it has received. (See pp. 17 to 38.)

Although some attempts have been made recently to evaluate FAO's performance, the evaluations have not provided a basis for assessing the manner in which FAO's programs are carried out. At the same time, there is a great deal of evidence that FAO's organization, structure, and operating methods are not geared to the scope and character of the programs being carried out by FAO and that this has hampered effective and efficient administration of the programs. The State Department hopes that a recent reorganization of FAO will help to alleviate this problem. (See pp. 40 to 49.)

Superimposed and perhaps overshadowing these more immediate problems is the fact that the State and Agriculture Departments, after several unsuccessful attempts, have not developed U.S. long-range policy objectives and program priorities to guide present and future participation in FAO, although this is their responsibility. It is therefore difficult, if not impossible, to determine the extent to which FAO activities are consistent with U.S. interests. (See pp. 12 to 16.)

RECOMMENDATIONS OR SUGGESTIONS

The Department of State with the assistance of the Department of Agriculture should: (1) Obtain the information and develop the procedures necessary for making adequate analyses of FAO and WFP activities. (See pp. 38 and 56.) (2) Evaluate FAO program performance until the means for internationally constituted evaluations are developed. (See p. 49.) Establish long-range policy objectives and program priorities relative to U.S. support of FAO. (See p. 14.)

AGENCY ACTIONS AND UNRESOLVED ISSUES

The State Department agreed that GAO's recommendations should be implemented. Both State and Agriculture stated, however, that the recommendation for the establishment of long-range policy objectives for FAO should not be implemented at this time.

They advised that it would be a mistake to undertake such a study in the absence of a U.S. policy on the question of whether or not the United States plans to expand multilateral vs. bilateral aid and because of the lack of knowledge as to the planned future level of support of FAO by other major donors. (See pp. 14 to 16.)

MATTERS FOR CONSIDERATION BY THE CONGRESS

The Departments of State and Agriculture must take the initiative in formulating long-range policy objectives and postulating an appropriate level of U.S. support for FAO.

For these Departments to defer on this matter is to raise a question as to whether they are discharging their responsibility for ensuring that the interests of the United States are met in connection with U.S. participation in FAO.

The Congress may therefore wish to question these Departments with the view of exploring what the future role of the United States should be in FAO.

Mr. Oye V. Stovall
Director
International Division
General Accounting Office
441 G Street, N.W.
Washington, D. C. 20548

Dear Mr. Stovall:

In your report to the Congress on U.S. participation in the Food and Agriculture Organization (FAO) of November 17, 1969, the Comptroller General made the following recommendations:

> "The Department of State with the assistance of the Department of Agriculture should: (1) obtain the information and develop the procedures necessary for making adequate analyses of FAO and WFP activities; (2) Evaluate FAO program performance until the means for internationally constituted evaluations are developed; and (3) Establish long-range policy objectives and program priorities relative to U.S. support of FAO."

The purpose of this memorandum is to describe the considerable progress that has been made in implementing the above recommendations.

There have been a number of important developments in several areas with the effect of enhancing U.S. capability to review and evaluate FAO and WFP activities, of improving the organization, structure and operating methods of the FAO itself, and of ensuring more efficient administration of its field programs. These developments are also paving the way for the clarification and application of long term U. S. objectives in evaluating the programs of these organizations.

Developments Within the U.S. Government

Our own U.S. capacity for participation in FAO and WFP has been enhanced by the reorganization of the Bureau of

International Organization Affairs (IO) and the establishment within the Bureau of an Agricultural Directorate (IO/AGR), the Director of which reports directly to the Deputy Assistant Secretary. This organizational unit, with a strength of three officers including an officer in liaison capacity from the Department of Agriculture as Deputy Director, has substantially improved interdepartmental working relationships and has made possible a more intensive focus on the programs and administration of both FAO and WFP.

Additionally AID has evidenced increasing interest in and commitment to the monitoring and evaluation of multi-lateral development activities. AID missions are being drawn progressively into the country plan concept of coordination and exchange of information and even sharing of project responsibilities with UN development agencies. Moreover, we have been able to establish and improve a working arrangement whereby information on multi-lateral development projects uncovered by U.S. inspection and auditing activities are brought to the attention of the FAO and WFP.

Internationl Organization Developments

Probably the most important development in recent years in shaping and eventually sharpening the programs of the organizations in the UN system was the adoption by the UNDP Governing Council of the majority of the recommendations of the Jackson capacity study. The establishment of UN development assistance on a country programming basis should play an increasingly important role in delineating areas of real need and in attracting agency attention to those areas. The evaluation capacity of UNDP implicit in the new organizational and procedural arrangements are consistent with the GAO recommendation with respect to FAO. The UNDP/Specialized Agency country team concept is a long step forward in ensuring balance and coordination in the field activities of the participating agencies.

Developments Within FAO

A development of basic importance has been the casting of the FAO budget for 1972-73 as a program-budget based upon five "Areas of Concentration" plus the objective of Agricultural Development Planning. The aims of the Program Budget System are eventually to provide:

(a) Identification and assessment of objectives and programmes in relation to short, medium and long-term requirements.

(b) Review of validity and establishment of programme priorities.

(c) Execution of current activities on a programme (i.e., output), rather than organization/object-of-expenditure (i.e., method) basis.

(d) Presentation of objectives and activities on a programme basis with costs for three biennia - past, current and the next-for review and approval by Governing Bodies.

(e) Establishment of programme targets and measurement of performance with a management information system to provide the basis for more effective planning, programming and execution.

(f) Greater responsibility and discipline by programme managers in carrying out their programmes.

The program budgeting system in effect and applicable to the 1972/73 biennium includes the development of a Management Information System. This system will provide the basis on which resource requirements for each program and sub-program can be reliably assessed, progress monitored and performance compared with the original target.

FAO has also developed, as a companion piece to the UN's Second Development Decade, a Medium Term program. Covering the next three biennia up to the end of 1977 it endeavors to bridge the organization's long term objectives and the immediate program of work. Although we are not entirely satisfied with the medium term plan as presented, we welcome it as a further concrete step in placing the organization and its program on a logical planning basis.

Improvement of FAO Operations

Also in 1972, the Development Department of FAO has added an additional unit, the "Operations Center", under the

Area Services Division. This unit takes over responsibility for holding a "watching brief" on on-going project operations previously carried out by the individual Area Services. The "watching brief" is, above all, to be understood as a servicing function to the operating division in solving operational and other problems which threaten to impede or stop progress in project implementation. The Center will:

(a) Consult with operating divisions (Forest Resources, Fisheries Resources, Land and Water Development, etc.) whenever the divisions seek the assistance of the Department of Development with reference to the prevention or solution of operational problems;

(b) Make proposals to the Area Services for whatever action seems necessary;

(c) Draw the attention of the Field Programme Coordination Services* whenever problems indicate the desirability of a review in standards, general policies and procedures; and

(d) Collaborate in evaluation of project progress and assessment of country impact and in the organization of related missions.

The Establishment of U.S. Long Term Objectives

Progress has also been made toward establishment of long term objectives with respect to our participation in FAO and as existing processes, already in motion, continue to evolve we should be able to define our objectives with increasing clarity. Consistent with the President's report to the Congress February 9, 1972, a basis for and goal of our policy is to contribute to the economic development of the less developed countries through increased emphasis on multilateral assistance programs. In terms of FAO, this means U.S. support for the FAO field program of direct economic assistance to the developing countries, such programs being funded from UNDP,

---

*Provides policy coordination, harmonization and servicing for the Organization's headquarters and field-based development assistance activities, including programming, monitoring, liaison and related policy formulation, financed by UNDP and other sources.

International Bank and other sources. It also embraces FAO regular programs which by their nature contribute most substantially to meeting the needs and solving the problems of the field program. In addition, our long term objectives would include support for those programs which contribute directly to U.S. interests.

Having stated this basis for a long term policy, it becomes clear that the specifics of the regular program in terms of sectoral objectives can only be defined with authority when the country development programs have sufficiently progressed as to illuminate the areas requiring greatest attention and emphasis. The clarification of their definition, therefore, will be a product of both the emerging country programs and the increased evaluation procedures.

Sincerely yours,

John W. McDonald, Jr.
Acting Deputy Assistant Secretary for
International Organization Affairs

IO/AGR:EWLawrence

COMPTROLLER GENERAL'S REPORT TO THE CONGRESS

U.S. PARTICIPATION IN THE INTERNATIONAL LABOR ORGANIZATION NOT EFFECTIVELY MANAGED
Department of State
Department of Labor
Department of Commerce B-168767

D I G E S T

WHY THE REVIEW WAS MADE

This is one of a series of reviews by the General Accounting Office (GAO) on its examination into responsibilities of the State Department for directing and coordinating U.S. Government financial participation in international organizations in which it holds membership. This review concerns the International Labor Organization.

The International Labor Organization administers programs aimed at raising labor standards and improving working conditions throughout the world. Its programs are financed with funds contributed directly by member nations and funds allocated by the United Nations.

Direct U.S. contributions amount to 25 percent of all members' contributions. The United States has contributed almost 40 percent of the funds that the United Nations has allocated to the Organization. In all, U.S. contributions to the Organization were estimated to be $65 million for the 5-year period 1966-70. (See p. 9.)

FINDINGS AND CONCLUSIONS

Although U.S. contributions to the Organization have increased steadily, the State Department cannot give assurance they are being used efficiently and effectively or that U.S. interests are being served by the expenditure of these funds. GAO believes that the Department and other agencies must make vigorous efforts to correct weaknesses in the administration of U.S. participation in the Organization.

The U.S. Government policy objectives for participation in the International Labor Organization are broadly defined and are not very susceptible of measurement. They are aimed at promoting (within the Organization) economic and social development of less developed countries and free democratic institutions, as an alternative to totalitarian systems. (See p. 11.)

Individuals interviewed and documents reviewed by GAO indicate that there has been a lack of U.S. initiative to implement a firm policy aimed at

attaining its political objectives and that the United States is not having any great success in achieving such objectives. The result, according to these sources, has been almost unimpeded expansion of Soviet-bloc influence in the Organization. (See p. 15.)

The executive branch has not been successful in its efforts to increase substantially the number of Americans employed by the Organization--an obvious means of making U.S. influence felt in the Organization. (See p. 21.)

U.S. representatives and other responsible U.S. officials do not have sufficient information on most of the Organization's programs and activities and the manner in which they are carried out. U.S. representatives have not determined just what the programs and activities have accomplished or how efficiently and effectively they have been managed. (See p. 27.)

RECOMMENDATIONS OR SUGGESTIONS

The Departments of State, Labor, and Commerce should frame definitive and measurable U.S. objectives and should develop and implement a firm policy and a workable plan for achieving such objectives. Specifically, this plan should include steps to increase employment of Americans by the Organization. (See p. 20.)

The Department of State should:

--obtain more complete and informative budget and program proposals from the Organization,

--make thorough analyses of these proposals,

--obtain adequate information on the Organization's operations, and

--make effective evaluations of the Organization's projects and programs. (See p. 40.)

AGENCY ACTIONS AND UNRESOLVED ISSUES

Apart from certain reservations (of degree rather than substance), the State Department agreed with GAO's recommendations for more effective analysis and evaluation of programs and activities. (See p. 39.)

With respect to U.S. influence in the Organization, the Departments of State and Labor said that there had been recent improvements in the pursuit of U.S. policy objectives and the recruitment of Americans by the Organization. The State Department felt that the present situation was more satisfactory than was indicated in GAO's report. The Labor Department said that the United States was now pursuing a firm policy and expressed the

belief that the United States was not losing out politically in the Organization. (See p. 18.)

The agencies' views appear to need reassessment. In June 1970 the United States learned that the Organization's newly elected Director-General had appointed a Russian as Assistant Director-General without consulting or notifying the United States, whose opposition to such as appointment was known. A Department of State official said that the appointment was a culmination of Soviet efforts from the time it had rejoined the Organization in 1953. (See p. 19.)

Also, whereas the percentage of Americans employed by the Organization remained fairly constant from 1956 through 1969, the percentage of Soviet-bloc nationals employed by the Organization in 1969 was 3-1/2 times greater than it was in 1956. (See pp. 19 and 20.)

On August 4, 1970, the President of the American Federation of Labor and Congress of Industrial Organizations (AFL-CIO) said that, year-by-year, the Communist elements had been gaining greater influence and control of the Organization--almost without resistance from democratic elements. He announced that the U.S. labor movement's delegate to the Organization could be withdrawn unless the situation changed. (See p. 19.)

MATTERS FOR CONSIDERATION BY THE CONGRESS

The agencies have seemingly continued to direct much attention to defense of their manner of participation in the Organization and to make statements indicating that the situation is more satisfactory than it actually is.

This seems to indicate a disinclination by the agencies, particularly the Department of State which has primary responsibility in this area, to formulate the objectives and take the actions required to meet and deal with the very difficult problems which remain.

Action was initiated in the Congress in August 1970 to deny funds for a U.S. contribution to the Organization for the remainder of calendar year 1970.

GAO believes that this report provides information that will be useful to the Congress in its further considerations of management, by the executive branch, of U.S. interests in the International Labor Organization.

DEPARTMENT OF STATE
Washington, D.C. 20520

April 25, 1972

Mr. Oye V. Stovall, Director
International Division
United States General Accounting Office
Washington, D. C.

Dear Mr. Stovall:

In this letter I would like to report to you on the progress that has been made toward improving those aspects of our participation in the International Labor Organization that were dealt with in your report of December 22, 1970.

With respect to technical assistance, the US has requested, and the ILO has agreed to provide, a significantly increased body of data on all ILO programs. An expanded report on ILO technical assistance will be presented to the 187th Session of the Governing Body in November 1972. Also at US initiative, there will be on the November 1972 Agenda an item to consider setting up a tripartite subcommittee to review technical assistance in greater depth than has been done heretofore.

The Department of Labor has reviews in progress on the following ILO programs:

A. Conditions of Work and Life
B. Human Resources
C. Employment Planning and Promotion
D. Social Institutions Development

In connection with the review of Conditions of Work and Life, the Department of Labor has made a study of the ILO's Occupational Safety and Health Program for the U. S. Assistant Secretary of Labor for

Occupational Safety and Health who, in May 1972, will participate in a meeting on this subject that was called in response to a US initiative.

The ILO Director General, starting with the 184th Session of the Governing Body in November 1971, adopted a new style of reporting giving a detailed review of the ILO's activities during the preceding year. The first of these new reports added significantly to the current information available on the ILO's program to the Governing Body members.

I cannot report any significant progress in the employment of Americans by the ILO in the past year. Because the United States has not paid its ILO assessments since mid-1970, the Organization has had to take measures to reduce expenditures. Among these measures was, initially, the freezing of recruitment, and currently, a reduction in force. If, as now appears possible, the Congress will appropriate funds for the payment of part of our obligations to the ILO, I expect that recruitment will resume, and we will continue our efforts to increase the recruitment of qualified Americans by the ILO.

Very truly yours,

John W. McDonald, Jr.
Acting Deputy Assistant Secretary
International Organizations
Affairs

COMPTROLLER GENERAL'S REPORT TO THE CONGRESS

U.S. PARTICIPATION IN THE WORLD HEALTH ORGANIZATION, DEPARTMENTS OF STATE AND OF HEALTH, EDUCATION, AND WELFARE
B-164031(2)

D I G E S T

WHY THE REVIEW WAS MADE

U.S. grants to international organizations, which currently amount to over $300 million annually, are increasing. Grants to one such organization--the World Health Organization (WHO)--have doubled in the last 5 years. During that period, U.S. grants for WHO programs amounted to over $100 million. The grants are made on the basis of assessments associated with membership in the organization and on a voluntary basis.

Currently, WHO has 126 member nations which make up the World Health Assembly--the governing body. Even though U.S. grants amount to 36 percent of all members' grants, the United States, like each member, has but one vote in the Assembly which is charged with the responsibility to review and approve the annual budgets and programs which are formulated by the WHO Secretariat.

The General Accounting Office (GAO) undertook this review in order to determine how well the United States was able to exert a beneficial influence over (1) the makeup of the programs and budgets of WHO, and (2) the manner in which the programs were carried out. GAO did not make an evaluation of the relative success or failure of WHO programs or projects.

FINDINGS AND CONCLUSIONS

GAO found that executive agencies have not obtained the specific analytical information relative to proposed and continuing WHO projects and programs needed to identify programs whose justification may be questionable or which could be accomplished with greater economy and efficiency. (See pp. 13 to 17.) Budget and operational data furnished to members by the WHO Secretariat has been too sketchy and incomplete to make firm assessments regarding implementation of WHO projects and programs. (See pp. 26 to 33.)

The United States has no systematic procedure for evaluating WHO projects and programs. Those attempts which have been made by the United States and by United Nations agencies have fallen far short of what is required by United States officials to make independent judgments relative to the efficiency and effectiveness of WHO operations. (See pp. 34 to 41.)

In 3 of the last 4 years, the United States voted against adoption of the proposed budgets on the basis that they were higher than the United States considered appropriate. The proposed budgets were adopted, however, on the votes of other members, and the United States thus contributed to budgets greater than it wished to support. (See pp. 14 to 15.)

Although U.S. interests appear to have been reflected in certain WHO programs--notably malaria and smallpox eradication--GAO has found it difficult to determine to what extent U.S. objectives have been met over the years because the executive branch has not decided on the relative order of magnitude which it believes appropriate for the various WHO programs. (See pp. 18 to 25.)

RECOMMENDATIONS OR SUGGESTIONS

GAO recommends that the Departments of State and of Health, Education, and Welfare take actions directed towards obtaining the pertinent factual data necessary to make sufficient analyses of WHO programs and budgets in order to exert meaningful influence on the programs and budgets. (See p. 17.)

AGENCY ACTIONS

The Departments of State and of Health, Education, and Welfare agreed in principle with most of the recommendations. The Department of State pointed to actions being taken on a United Nations-wide basis to seek improvements in fiscal and administrative practices of international organizations. The agencies, however, did not indicate any intention to actually implement the recommendations. (See pp. 16, 23, 32, and 40.)

ISSUES FOR FURTHER CONSIDERATION

Although the agencies have indicated a willingness to work for improvements in the fiscal and administrative practices of international organizations, GAO continues in its belief that more agressive action is needed by the agencies in order to solve the specific and basic problems discussed in this report.

LEGISLATIVE PROPOSALS

None.

Mr. Oye V. Stovall
Director
International Division
General Accounting Office
441 G Street, N.W.
Washington, D. C. 20548

Dear Mr. Stovall:

In your report to the Congress on U.S. participation in the World Health Organization (WHO) of January 9, 1979, the Comptroller General made the following recommendations:

> "Budgetary and operational data furnished by the WHO secretariat to its members is too sketchy and incomplete to permit firm evaluation of WHO projects and programs. The U.S. executive agencies have no systematic procedure for evaluating WHO activities. They cannot identify programs whose justification may be questionable or which could be accomplished with greater economy or efficiency. In short, the U.S. executive agencies should obtain specific analytic information relative to proposed and continuing WHO programs, and establish procedures enabling United States officials to make independent judgments of WHO activities.

This memorandum describes the progress that has been made in implementing the above recommendations.

Developments Within the U.S. Government

The Executive branch has taken steps to improve its own internal capacity for evaluating WHO activities.

1. The Department's Bureau of International Organization Affairs has been reorganized. The new structure provides greater staff for examination in detail of the WHO's administrative operations and substantive programs.

2. The Office of International Health of the U.S. Public Health Service has been reorganized. It is providing increasing analysis-in-depth of the major WHO programs and the health needs of recipient countries. These analyses help determine U.S. positions on program and budgeting issues within the WHO.

3. An International Health Attache has been assigned to the U.S. Mission in Geneva.

4. The Department continues its efforts to develop a management information system and projects for purposes of analysis and evaluation.

Impact of U.S. Efforts on WHO

The U.S. Government also had several major successes in obtaining passage in the WHO Governing Body, the World Health Assembly, of resolutions which relate to the CHO report. Chief among these are:

Actions in 1969

1. A request for the External Auditor to include in his reports on examinations of accounts substantive comments on the administration and management of the organization. Such comments were made on the 1969 accounts which were useful in analyzing the effectiveness of the organization.

2. Effective with the presentation of the 1971 budget, the Director General was instructed to and did present his tentative budgetary projections for the second ensuing year. This information provides advanced data on proposed major program changes and allows more time to examine the merits of such changes before they are actually implemented.

3. Provision was made for the inclusion in future Financial Reports of both the original and revised budget estimates as well as the actual obligations incurred. Thus, it will be possible to trace a given program from inception through implementation to conclusion in terms of both proposed and expended resources.

4. The WHO Director General was instructed to disseminate to any Member of the Executive Board (the U.S. is a member) "such available evaluation on projects as currently exists and that the Member may require". While such evaluations may not be completely satisfactory, they do provide additional information for evaluation. Moreover, this practice represents a departure from prior policy of not disclosing "internal" data.

Actions in 1970

A routine request for a one year extension of the WHO's four year program evolved into a detailed instruction to the Director General with important implications for the framework within which the WHO program is to be formulated. The ensuing resolution underscored the need for long-term projections; called attention to the basic functions and principles of WHO; called for analysis and evaluation of health conditions with a view of developing strategies to meet needs; called for study of the methodology of planning and organization of health services to ensure effective development based on cost effectiveness and cost/benefit analyses and on identification of rational methods of assisting member states to develop their own health services.

Actions in 1971

The 47th Session of the WHO Executive Board, held in January 1971, was highly successful from the U.S. point of view and indicates further improvements in program evaluation and administrative practices during the forthcoming year. The main items supported by the U.S. and approved by the Board were as follows:

1. The Board approved a new format for the Appropriations Resolution which has been long needed. Previously, approximately 80% of all funds were carried as a single line item entitled Operating Program. The Director General had almost unlimited freedom to transfer funds within that line item. The new format divided the Operating Program into

7 sections, corresponding to the major programmatic activities. (Communicable Disease Control, Education and Training, Health Protection and Promotion, Public Health Services, Other Activities, and Regional Offices), with only 10% transferability between the sub-sections.

2. The Board approved expanding the terms of reference of the Standing Committee on Administration and Finance to review the annual financial reports and comments of the External Auditor, "including analysis and comparisons of the original and revised budget proposals together with the obligations incurred". This institutes a program-type audit comparing the original budget proposals with actual program expenditures. Taken together with (1), these actions provide governments with better control of proposed expenditures and accountability for actual expenditures.

3. Largely at U.S. initiative, the Board refused to accept the Five Year Program of Work as presented, where the proposals said in effect that the Organization would do more in each health area. The U.S. stressed the concept of quantified objectives for the Work Program, measurable against the Organization's purposes. A special drafting group headed by the U.S. representative met in 1971 to examine a new document along these lines. This action has important implications for the future of program budgeting, cost/benefit analysis and other similar tools of management control within WHO.

4. The Board endorsed the establishment of an International Computer Center in Geneva, combining the present data processing capabilities of the UN, WHO, and other international agencies. The Center will process and maintain both program and administrative data for the member agencies. Such a data bank could be of great assistance both to the agencies and member governments in making available data upon which to base both program evaluation and analysis of administrative activities.

Prospects for 1972

1. It has long been the goal of the Geneva Group and the U.S. to move the WHO towards program budgeting. We took the first major step in this direction in 1971 by realigning the appropriations resolution along program lines. With help from the Geneva Group, the U.S. convinced the Director General that a program budget, reflecting the new program appropriations resolution, would be appropriate, coupled with a biennial budget cycle. This was accepted by the Executive Board in January 1972.

2. Through U.S. initiatives there continues to be a trend toward more effective use of the Working Capital Fund. A downward trend has been a long-term goal of the Geneva Group and other major contributors. In 1970 the Working Capital Fund amounted to 70% of the budget. In 1972 it is expected to be about 11%.

3. For the third time, the WHO Executive Board studied the Joint Inspection Unit report dealing with rationalization of procedures in the Health Assembly. Additional recommendations of the Inspectors, particularly those concerning documentation, were accepted, and satisfactory progress is being made towards the adoption of other recommendations. The Board has this matter under continuing review.

4. Resolution on Drug Dependence: The Executive Board approved the action of the Director General to seek assistance for expansion of the program of drug dependence. The Director General will transmit his report on drug dependence to the 25th World Health Assembly in May. This could prove to be a useful method of developing a greater awareness of the international drug problem.

Improvements in WHO Operations

The Department has been instrumental in securing the adoption of certain measures by WHO which will lead to improved information and evaluation. Measures taken by the WHO itself include:

1. An expanded program of external audits.

2. Reforms in budget presentation formats and Appropriations Resolutions which increase the ability of member states to analyze and evaluate budgets and programs.

3. Inclusion in financial reports of data on original and revised budget estimates in addition to traditionally reported obligations incurred.

4. Making available to members of the Executive Board any existing or required project evaluation information.

It has long been the goal of the U.S. to move the WHO towards program budgeting. We took the first major step in this direction in 1971 by realigning the appropriations resolution along program lines. Member governments guided by U.S. initiative convinced the Director General that a program budget, reflecting the new program appropriations resolution, would be appropriate, coupled with a biennial budget cycle. This was accepted by the Executive Board.

For the third time, the WHO Executive Board studied the Joint Inspection Unit report dealing with rationalization of procedures in the Health Assembly. Additional recommendations of the Inspectors, particularly those concerning documentation, were accepted, and satisfactory progress is being made towards the adoption of other recommendations. The Board has this matter under continuing review.

There was some feeling in the 1972 Executive Board, following the debate on the rationalization of procedures in the Health Assembly, that the JIU was not worth the cost to WHO. Following doubts expressed by several members, the Director General replied that perhaps it was time to change the JIU terms of reference in order to put less emphasis on the inspection function in favor of harmonization of procedures within the UN's family. Discussions are now being held in the UN in New York to strengthen the JIU. It is believed that these discussions will result in a more effective JIU.

The change of atmosphere which we noted last year in the attitude of the Secretariat towards the Board has continued. There is now a trend towards cooperation rather than confrontation between the Secretariat and the members. We welcome this, and see its effect in the Secretariat acceptance of a number of initiatives proposed by member governments, particularly the Geneva Group.

Sincerely,

John W. McDonald, Jr.
Acting Deputy Assistant Secretary for
International Organization Affairs

FY 1972 PROGRAMS

Mr. PASSMAN. What did you request last year for this program?
Mr. DEPALMA. $100 million.
Mr. PASSMAN. We gave you $86 million?
Mr. DEPALMA. Yes, sir.
Mr. PASSMAN. You operated very nicely on it; did you not?
Mr. DEPALMA. Yes, sir. We operate on what we have.
Mr. PASSMAN. You had a satisfactory program?
Mr. DEPALMA. Yes, sir.
Mr. PASSMAN. Thank you very much. That certainly establishes that we should have been cutting more from the program in the past. You are requesting less this year than last year's budget request?
Mr. DEPALMA. That is also the case that the UNDP is reprograming its reserve funds.
Mr. PASSMAN. I understand that perfectly. You knew that when you came before the committee last year?
Mr. DEPALMA. That is right.
Mr. PASSMAN. That answer is not pertinent at all. You knew that last year but you nevertheless asked for $100 million?
Mr. DEPALMA. That is correct.
Mr. PASSMAN. We gave you $86 million and you say that you had a satisfactory program; is that correct? Yes or no?
Mr. DEPALMA. I didn't say a word. I guess that I am supposed to say yes. I will say yes.
Mr. PASSMAN. If it is yes. Don't get aggravated at me. You people messed up these programs and I am trying to straighten them out. You are just milking these 208 million Americans dry because of this foreign aid program.
How many nations is the UNDP operating in?
Mr. DEPALMA. 135 countries and territories.

AMENDMENT TO AUTHORIZE GAO AUDIT

Mr. PASSMAN. Since the GAO indicates they have an interest in this area, I think it is perfectly legitimate and desirable that we reinstate my amendment of last year giving the GAO people the right to audit. For this reason, we are losing control of this foreign aid program. It is increasing by leaps and bounds and it is fouling up our economy. It is creating inflation, upsetting our trade deficits, and the balance-of-payments deficit is skyrocketing. Something has to be done.
Mr. LONG. Did I hear you say aid out of all spigots has gone up from $12 billion to $13 billion to $18 billion?
Mr. PASSMAN. Same pieces that you had the previous year, $18.5 billion.
Mr. LONG. Is the chairman going to make that available to us? I found this type of thing that the chairman has done very valuable.

U.N. DEVELOPMENT PROGRAM

Mr. PASSMAN. Let me change the subject and look at the U.N. Development Program as such.
You are requesting for fiscal year 1973, $90 million; is that right?
Mr. DEPALMA. That is correct.
Mr. PASSMAN. How many projects and subprojects are presently administered by the UNDP, all types?

Mr. DePALMA. There were 685 large-scale projects operational as of December 31.

Mr. PASSMAN. Get the small-scale ones.

Mr. DePALMA. About 3,500.

Mr. PASSMAN. In reality, under this program you have about 4,185 projects?

Mr. DePALMA. That is correct.

UNDP FUNDING OF ILO

Mr. PASSMAN. Has the UNDP provided funds to the International Labor Organization?

Mr. DePALMA. It provides funds which the International Labor Organization uses for projects in the field; yes.

Mr. PASSMAN. The answer is in the affirmative?

Mr. DePALMA. Yes, sir.

Mr. PASSMAN. How much was provided in fiscal 1972?

Mr. DePALMA. I don't think that I have that figure with me, Mr. Chairman.

Mr. PASSMAN. What is your estimate for fiscal year 1973?

Mr. DePALMA. I don't have that figure.

(The information follows:)

ILO disbursements on UNDP projects during calendar 1971 were $29.2 million and the overhead costs were $3.2 million for a total of $32.4 million. We cannot give a fiscal year figure because the ILO operates on a calendar year basis.

For calendar year 1972 the allocation is $31.5 million including overhead costs. We do not yet have a projection for calendar year 1973 but we expect the expenditure of UNDP funds on projects by the ILO would be approximately at the same level.

Mr. PASSMAN. Are these funds provided to the ILO to offset the reductions made in the State, Justice, Commerce, Judiciary appropriation bill?

Mr. DePALMA. No, sir. These do not go to the administrative budget of the ILO at all.

Mr. PASSMAN. Into the organization?

Mr. DePALMA. Through the organization. The organization is an agency which carries out the UNDP's technical assistance programs in its field.

Mr. PASSMAN. You have to channel funds through the International Labor Organization, do you not, to reach the source?

Mr. DePALMA. Yes, sir. But these moneys—

Mr. PASSMAN. The same people that administer all the other programs administer this program; do they not?

Mr. DePALMA. Yes, sir; but the amount that UNDP gives is not part of the regular budget of the agency. A certain percentage——

Mr. PASSMAN. Nevertheless it is the same organization?

Mr. DePALMA. Which carries on the program.

Mr. PASSMAN. One of the appropriations' subcommittees had a good close look at it and made some very substantial reductions for good and sufficient reasons; don't you think so?

Mr. DePALMA. I don't happen to agree, Mr. Chairman.

RESULTS OF THE JACKSON STUDY

Mr. PASSMAN. I am not asking you to agree. You have the right to disagree.

As you know, in the last several years we have gotten into quite a conversation concerning the findings of the Jackson capacity study. As you know, this study was highly critical of the U.N. development program. Also in last year's hearings, in response to a question by Mr. Long, Mr. DePalma, you stated that you thought that in all honesty to see any concrete results from the implementation of some of the recommendations of the study, it would take at least from 2 to 3 years.

Have these recommendations and facts been implemented, and what is your best estimate at this time when concrete results will be forthcoming?

Mr. DEPALMA. Mr. Chairman, I think the results are beginning to show up. Many of the recommendations——

Mr. PASSMAN. Could you give us some facts for the record? We want something other than just conversations. Where are the facts?

Mr. DEPALMA. I have here a list of 11 recommendations that have been adopted and implemented. I can read all 11 or supply them for the record.

Mr. PASSMAN. Supply them for the record.

(The information follows:)

UNDP-JACKSON CAPACITY STUDY

RECOMMENDATIONS APPROVED AND IMPLEMENTED

1. Introduction of UNDP country programing, which is designed to fully coordinate UNDP assistance with the receipient countries' own development plans; 19 country programs were approved by the UNDP Governing Council at its January 1972 session and 18 more will be considered in June; 58 additional country programs are currently scheduled for completion by June 1973. This process has forced some governments for the first time to focus on their overall development priorities and to coordinate the handling of external development aid.

2. Establishment of indicative planning figures as a guideline for country programing. Planning figures have been set for each country and region for the planning period 1972–76, giving each recipient an indication of the amount of assistance it may reasonably expect to receive from the UNDP during that period.

3. Delegation to the Administrator of authority to approve projects, with subdelegation of authority in the case of smaller projects to the resident representatives. The UNDP Administrator has been authorized to approve projects (except global projects and projects involving important policy considerations) within the financial and program limits set by indicative planning figures and country programs. Authority to approve projects costing up to $100,000 has been subdelegated to the resident representatives. These actions have relieved the UNDP Governing Council of a responsibility for which it was ill-suited and should speed project implementation.

4. Designation of the Administrator of the UNDP as being fully accountable for all aspects of the administration of the program and delegation of operational control of projects to the resident representatives. These actions have constitued a vital clarification of the authority of the UNDP vis-a-vis the executing agencies, which had in practice exercised primary control over the implementation of UNDP projects.

5. Strengthening of the role and authority of the resident representatives. In addition to their new authority with respect to project approval and implementation, the resident representatives have been given increased responsibility

for project evaluation. They are also serving as the principal representatives of the U.N. system in formulating country programs and coordinating technical assistance. To handle these responsibilities, they have been given not only increased authority but also enlarged staffs; 150 new field posts have been created and the number of agricultural and industrial advisers has been increased. Steps are also being taken to upgrade the quality of the resident representatives themselves.

6. Elimination of any distinction between the Technical Assistance and Special Fund components of the UNDP. As of January 1, 1972, the two components of the UNDP have been completely amalgamated, thus eliminating the last vestiges of dual pledging, dual accounting, and dual programing remaining from the joining in 1966 of the Expanded Program of Technical Assistance and the U.N. Special Fund.

7. Reorganization of the UNDP headquarters staff so that it may play an enlarged role in the U.N. development system. The UNDP headquarters staff has been completely reorganized, with the establishment of regional bureaus and a unit for program analysis and long-term policy planning, and extensive personnel changes are still in progress. These actions have resulted in a strengthening of the UNDP's authority over field operations.

8. Establishment of independent UNDP personnel administration. Separation of UNDP personnel administration from the general U.N. personnel system has aided the UNDP to recruit and to retain well qualified personnel.

9. Departure from "full funding" of projects at the time of their approval. Departure from full funding as of January 1, 1971, has allowed for greater use of UNDP resources and an increase in the growth of the program. UNDP's unexpended resources have been reduced from $343 million on December 31, 1970, to $284 million as of December 31, 1971. Of the latter amount, $150 million will be maintained in an operational reserve, while the balance will be expended over the next several years.

10. Introduction of a budgetary system which distinguishes between three categories of expenditures: project costs, program support costs, and administrative costs. This new system has provided the UNDP with improved financial control and has given governments a more realistic picture of program expenses.

11. Increased use of suitable services from governmental and nongovernmental institutions and firms for the execution of UNDP-financed projects. This action will reduce UNDP dependence of the U.N. specialized agencies and should result in more efficient program implementation.

RECOMMENDATIONS UNDER STUDY

1. Establishment of an integrated information system. (Some steps have already been taken to integrate the U.N. information systems, such as establishment of an International Computer Center at Geneva; and other actions are under consideration.)

2. Improvement of the U.N. communications system.

3. Centralized purchasing of equipment for all UNDP projects.

4. Use of common premises at the country level. (Although no decision has been taken on this question, common premises for all or most U.N. agencies have been established on an ad hoc basis in several countries.)

5. Use of common services by organizations of the U.N. system.

6. Establishment of a U.N. staff college. (While the UNDP has included $200,000 in its 1972 budget for this purpose the General Assembly has postponed its decision on establishment of a staff college and participation in its financing.)

7. Transfer to the Administrator of custodianship of UNDP funds.

RECOMMENDATIONS NOT APPROVED

1. Replacement of the Interagency Consultative Board by a policy coordination committee composed of heads of the specialized agencies to coordinate all activities of the agencies whether or not financed by the UNDP.

2. Establishment within UNDP headquarters of—

(*a*) A Development Resources Panel composed of the heads of the UNDP, IBRD, IMF, UNCTAD, UNICEF, WFP, and U.N. Department of Economic and Social Affairs, in order to harmonize the policies and integrate the program activities of the UNDP and the other components of the U.N. system responsible for development financing or general policy formulation; and

(*b*) A Technical Advisory Panel composed of officials of all the specialized agencies, to provide continuous technical and sectoral advice on all phases of the program.[1]

3. Amalgamation of the governing bodies of the UNDP, UNICEF, and the WFP, and gradual integration of the three programs,

4. Creation of a small standing committee of high-level experts who would render the services now provided by the Advisory Committee on Administrative and Budgetary Questions (ACABQ) and the Joint Inspection Unit, and who would report directly to the UNDP Governing Council.

5. Enlargement of the U.N. Capital Development Fund.

6. Transfer of UNDP headquarters to Geneva.

Mr. DE PALMA. I have a list also of seven which are still under study, which are not yet——

Mr. PASSMAN. Let me see one of them. I don't think you have scratched the surface, but maybe you have started.

Mr. DE PALMA. I think these are substantial changes in the procedures.

Mr. PASSMAN. I hope so. We want the audit sheets as to what specifically is being done.

Mr. DE PALMA. We can try to flush these out for you.

Mr. PASSMAN. I wish you would.

Mr. DE PALMA. For example, there are country programs now beginning. The UNDP Governing Council has approved 19 country programs so far this year. They will have 18 more this year and 58 next year.

Mr. PASSMAN. Why do we continue to increase this appropriation request before these concrete results are forthcoming?

Mr. DEPALMA. As I have indicated, we are already seeing concrete results, as 19 country programs have been approved by the UNDP Governing Council, 18 more are scheduled for consideration in June, and dozens more are in various stages of preparation. We have been informed by our missions in a number of these countries that as a result of UNDP country programing, the roles of the UNDP Resident Representatives and of Government planning agencies have been strengthened, and some Governments have for the first time been forced to focus on their overall development priorities. Country programing has also resulted in withdrawal of some projects previously requested from the UNDP and modification of many ongoing projects.

In approving many of the recommendations of the Jackson report, we also accepted an assumption that UNDP resources would increase at a rate of at least 9.6 percent per annum (the average rate of increase of voluntary contributions during the 5-year period 1966–70). While the contributions of other countries over the past 2 years have exceeded that rate, our own contribution has remained stationary at $86 million, resulting in an overall rate of increase of less than 9.6 percent. Utilizing resources released by departure from full funding, the UNDP has been able to speed the rate of program delivery during the same period. Such resources will be exhausted by early 1974, however, and increased contributions are essential if a drastic reduction in the rate of program delivery is to be avoided.

---

[1] The UNDP Administrator has established, instead, an Advisory Panel on Program Policy composed of 10 high-level experts to provide "creative thinking on new approaches to development."

FISCAL YEAR 1973 BUDGET

Mr. PASSMAN. What is the total proposed program level for the UNDP in fiscal year 1973?

Mr. DE PALMA. Estimated UNDP program costs for 1973 total $377.7 million, of which $301.5 million is for field program costs, $39.2 million is for agency overhead costs, and $27 million is for administrative and program support costs.

U.S. CONTRIBUTION FOR FISCAL YEAR 1973

Mr. PASSMAN. What part of the proposed U.S. contribution of $90 million for fiscal year 1973 will be allocated for new projects and what part for ongoing projects?

Mr. DE PALMA. About 20 percent of UNDP's expenditures are for administrative and overhead type costs, and the remaining 80 percent is for project costs. Of the project expenditures, approximately 25 percent is normally for new projects and 75 percent for ongoing projects.

SPECIALIZED AGENCIES FUNDED BY UNDP

Mr. PASSMAN. What specialized agencies received funds from the UNDP last year and in what amounts?

Mr. DEPALMA. We shall be glad to obtain that information and to supply it for the record.

(The information follows:)

Expenditures of UNDP Funds by U.N. Specialized Agencies and other Executing Agencies—1971 (in millions of dollars)

UN	42.1
ILO	30.9
FAO	83.1
UNESCO	34.0
ICAO	5.0
WHO	11.9
IBRD	9.5
UPU	6.5
WMO	5.7
IMCO	0.3
IAEA	1.7
UNIDO	9.3
UNCTAD	1.9
ASDB	1.1
IADB	0.2

RESTRICTIONS ON CONTRIBUTIONS TO UNDP

Mr. PASSMAN. Does any country restrict the use of its contribution?

Mr. DEPALMA. Yes. A number of countries make contributions fully or in part in nonconvertible currencies. These are mostly less developed countries but also have included Australia, Czechoslovakia, Hungary, Israel, New Zealand, Poland, and the U.S.S.R. For the most part, these currencies pose no problem, as they can be expended in the country contributing them. In addition the U.S.S.R. restricts the convertible portion of its contribution to uses involving employment of Soviet personnel, purchases of Soviet goods and transport and training programs

conducted in the U.S.S.R. The United States contributes a portion of its pledge ($2.8 million in calendar year 1971) in U.S.-owned excess currencies. We also have an understanding with the UNDP that no contributions in U.S. dollars from whatever source will be utilized for programs in Castro-controlled Cuba.

UNDP CONTRIBUTORS

Mr. PASSMAN. Would you provide a table showing what countries contribute to the UNDP for the last 2 years, indicating the amount and percentage of the total?

Mr. DEPALMA. We shall be glad to obtain that information and to supply it for the record.

(The information follows:)

Contributions by Country to the UNDP

	1970		1971	
	Contribution	Percent of total Contributions and Assessed local Costs	Contribution	Percent of total Contributions and Assessed Local Costs
Afghanistan	119,000	0.05	119,000	0.05
Albania	4,000	-	4,000	-
Algeria	275,000	0.11	300,000	0.12
Argentina	500,000	0.21	700,000	0.27
Australia	2,000,000	0.82	2,000,000	0.78
Austria	1,600,000	0.66	1,600,000	0.63
Barbados	10,000	-	12,000	-
Belgium	2,500,000	1.03	2,800,000	1.10
Bolivia	30,000	0.01	30,000	0.01
Botswana	7,000	-	8,400	-
Brazil	1,150,000	0.47	1,050,000	0.41
Bulgaria	74,000	0.03	80,000	0.03
Burma	100,000	0.04	100,000	0.04
Burundi	32,000	0.01	35,000	0.01
Cameroon	30,216	0.01	35,000	0.01
Canada	15,000,000	6.18	16,000,000	6.28
Central African Republic	3,597	-	3,597	-
Ceylon	180,000	0.07	180,000	0.07
Chad	2,540	-	2,000	-
Chile	174,721	0.07	300,000	0.12
China (Taiwan)	157,000	0.06	200,000	0.08
Colombia	250,000	0.10	400,000	0.16
Cook Islands	-	-	575	-
Congo, Peoples Republic of	4,097	-	7,194	-
Costa Rica	4,000	-	4,000	-

	1970		1971	
	Contribution	Percent of Total	Contribution	Percent of Total
Cuba	90,000	0.04	95,000	0.04
Cyprus	17,520	0.01	18,720	0.01
Czechoslovakia	623,269	0.26	692,521	0.27
Dahomey	3,596	-	3,597	-
Denmark	15,600,000	6.43	17,082,418	6.70
Dominican Republic	12,000	-	18,000	0.01
Ecuador	112,500	0.05	115,000	0.05
Egypt	459,982	0.19	459,982	0.18
El Salvador	9,700	-	9,700	-
Ethiopia	95,000	0.04	90,000	0.04
Fiji			10,000	-
Finland	2,000,000	0.82	3,000,000	1.18
France	4,324,324	1.78	5,036,232	1.98
Gabon	43,165	0.02	43,165	0.02
Gambia	3,000	-	3,120	-
Germany, Federal Republic of	11,202,186	4.62	13,714,286	5.38
Ghana	250,000	0.10		
Greece	400,000	0.16	400,000	0.16
Guatemala	27,000	0.01	27,000	0.01
Guyana	110,000	0.05	100,000	0.04
Haiti			1,000	-
Holy See	5,000	-	5,000	-
Honduras	5,000	-	5,000	-
Hungary	100,000	0.04	100,000	0.04

	1970		1971	
	Contribution	Percent of Total	Contributions	Percent of Total
Iceland	31,818	0.01	31,818	0.01
India	3,500,000	1.44	3,750,000	1.56
Indonesia	120,000	0.05	120,000	0.05
Iran	585,000	0.24	585,000	0.24
Iraq	220,000	0.09	220,000	0.09
Ireland	190,000	0.08	285,000	0.12
Israel	218,000	0.09	218,000	0.09
Italy	3,500,000	1.44	3,500,000	1.37
Ivory Coast	90,000	0.04	900,000	0.04
Jamaica	75,000	0.03	900,000	0.04
Japan	4,800,000	1.98	5,760,000	2.26
Jordan	47,002	0.02	[illegible]	
Kenya	70,000	0.03	75,000	0.03
Khmer Republic	18,018	0.01	21,622	0.01
Korea, Republic of	190,000	0.08	220,000	0.09
Kuwait	300,000	0.12	325,000	0.13
Laos	12,000	-	12,000	-
Lebanon	104,000	0.04	104,000	0.04
Lesotho	8,000	-	8,500	-
Liberia	65,000	0.03	75,000	0.03
Libya	300,000	0.12	[illegible]	
Luxembourg	40,000	0.02	40,000	0.02
Madagascar	244,900	0.10	24,490	0.01
Malawi	7,000	-	7,000	-
Malaysia	90,000	0.04	100,000	0.04
Maldives Islands	1,000	-	1,000	-

	1970		1971	
	Contribution	Percent of Total	Contribution	Percent of Total
Mali	18,018	0.01	18,018	0.01
Malta	7,200	-	8,400	-
Mauritania	30,000	0.01	30,000	0.01
Mauritius	3,022	-	3,022	-
Mexico	500,000	0.21	500,000	0.20
Monaco	2,378	-	4,022	-
Mongolia	12,000	-	12,000	-
Morocco	219,124	0.09	250,000	0.10
Nepal	13,230	0.01	20,000	0.01
Netherlands	9,444,444	3.89	11,111,111	4.36
New Zealand	504,032	0.21	563,584	0.22
Nicaragua	28,000	0.01	28,000	0.01
Niger	21,583	0.01	25,180	0.01
Nigeria	95,211	0.04	140,017	0.05
Norway	5,949,881	2.45	6,579,868	2.58
Pakistan	1,017,000	0.42	1,067,000	0.42
Panama	100,000	0.04	100,000	0.04
Paraguay	2,000	-	3,000	-
Peru	170,000	0.07	200,000	0.08
Philippines	500,000	0.21	500,000	0.20
Poland	517,500	0.21	552,000	0.22
Romania	183,333	0.08	201,667	0.08
Rwanda	6,050	-	6,655	-
Saudi Arabia	300,000	0.12	300,000	0.12
Senegal	44,065	0.02	65,000	0.03
Sierra Leone	50,000	0.02	75,000	0.03

	1970		1971	
	Contribution	Percent of Total	Contribution	Percent of Total
Singapore	80,000	0.03	100,000	0.04
Somalia	2,000	-	3,500	-
Spain	475,000	0.20	475,000	0.19
Sudan	170,000	0.07	170,000	0.07
Swaziland	2,800	-	4,200	-
Sweden	21,000,000	8.66	23,000,000	9.02
Switzerland	31,000,000	1.28	3,750,000	1.47
Syrian Arab Republic	20,942	0.01	20,942	0.01
Tanzania, United Republic of	70,028	0.03	84,034	0.03
Thailand	355,500	0.15	355,500	0.14
Togo	5,000	-	5,000	-
Trinidad and Tobago	90,000	0.04	90,000	0.04
Tunisia	170,000	0.07	180,000	0.07
Turkey	663,000	0.27	663,000	0.26
Uganda	28,011	0.01	28,011	0.01
USSR	3,000,000	1.24	3,000,000	1.18
Byelorussian SSR	150,000	0.06	150,000	0.06
Ukrainian SSR	375,000	0.15	375,000	0.15
United Kingdom	14,160,000	5.84	14,000,000	5.65
United States	86,267,505	35.57	86,268,000	33.85
Upper Volta	5,000	-	5,000	-
Uruguay	172,500	0.07	172,500	0.07
Venezuela	870,000	0.36	870,000	0.34
Viet Nam, Republic of	22,000	0.01	22,000	0.01

	1970		1971	
	Contribution	Percent of Total	Contribution	Percent of Total
Western Samoa	1,000	-	1,000	-
Yemen	2,000	-	2,000	-
Yemen, Peoples Democratic Republic of	1,300	-	1,650	-
Yugoslavia	750,900	0.31	825,990	0.29
Zaire	200,000	0.08	200,000	0.08
Zambia	59,999	0.02	94,500	0.04

Mr. PASSMAN. Are any member countries delinquent in their contribution to the UNDP?

Mr. DEPALMA. Yes, sir. As of December 31, 1971, contributions were outstanding from 21 countries in the total amount of $6,558,598. We shall be happy to provide a list for the record.

(The information follows:)

Balance Due Dec. 31, 1971

Country:	
Bolivia	$120,000
Brazil	1,150,000
Bulgaria	27,490
Chad	2,000
Dahomey	119,324
Ecuador	222,598
Honduras	3,500
Iraq	440,000
Italy	3,500,000
Liberia	53,850
Mali	174,369
Mauritania	3,561
Mongolia	12,000
Nicaragua	56,000
Peru	79,840
Senegal	174,065
Sierra Leone	50,000
Sudan	330,000
Uganda	3,501
Uruguay	34,500
Yemen	2,000

Mr. PASSMAN. As in most of the multilateral programs, I assume that the vast majority of the countries contributing to the UNDP are also receiving assistance from them, is that not correct?

Mr. DEPALMA. Yes, sir. In 1971, 130 countries contributed to the UNDP, while assistance was received by approximately 110 countries and 25 territories.

ADMINISTRATIVE COSTS OF UNDP

Mr. PASSMAN. How much of the fiscal year 1973 request of $90 million will be allocated for administrative expenses?

Mr. DEPALMA. UNDP's administrative costs for calendar year 1973 are projected at 9.9 percent of total expenditures. Overhead costs paid to the agencies which execute UNDP projects will raise the total portion not spent on projects to approximately 19.7 percent of total expenditures.

COMMUNIST COUNTRIES ASSISTED BY UNDP

Mr. PASSMAN. How many communist countries have received funds from the UNDP?

Mr. DEPALMA. Nine Communist countries have received assistance from the UNDP. They are Albania, Bulgaria, Cuba, Czechoslovakia, Hungary, Mongolia, Poland, Romania, and Yugoslavia.

UNEXPENDED RESOURCES OF UNDP

Mr. PASSMAN. What is the total unexpended balance of the UNDP at the present time?

Mr. DEPALMA. At the end of calendar year 1971 the resources carried over were $284.1 million including $150 million held in the Operational Reserve. Not all the $134.1 million above the Operational Reserve level was in cash or liquid forms of course. $63 million of the total resources were in the form of undrawn U.S. letters of credit. The carryover at the end of calendar year 1972 is expected to be $219.5 (again including the Operational Reserve) or a decrease of $64.6 million.

Mr. PASSMAN. I notice on page L–4 you mention the $343 million reserve we discussed in great detail last year and was the source of much confusion. Would you discuss with the committee briefly the status of this reserve?

Mr. DEPALMA. About $58.9 million of the carryover was expended in calendar year 1971 so that at the beginning of this year the amount was $284.1 million. That sum includes $150 million to be held as an Operational Reserve, so what we are really talking about is $134.1 million and those resources are not all cash or liquid instruments. They also include notes, letter of credit, unpaid pledges by donors and some investments such as participation in IBRD loans to several less developed countries. $63 million of the resources (nearly one quarter of the total) were in U.S. letters of credit.

It is currently estimated that these unutilized resources will be further depleted by $64.2 million in calendar year 1972 and by $57.8 million in calendar year 1973.

UNDP PROGRAM LEVEL

Mr. PASSMAN. I also note on page L–4 that you state that by the early part of fiscal year 1974 all the surplus funds will have been used, and unless there has been a substantial increase in voluntary contributions, the rate of program delivery may well have to be cut back. What has been your total program level for the last 5 years?

Mr. DEPALMA. Total UNDP expenditures for 1967 were $173.8 million, for 1968 $201.4 million, for 1969 $229.8 million, for 1970 $257.3 million and the tentative estimate for total expenditures in 1971 is $323.8. The 5-year sum is $1,186.1 million.

Mr. PASSMAN. Is it not true that you have greatly increased your program over the last several years?

Mr. DEPALMA. Yes. From 1966 through 1970 the program expanded at about 16 percent per year. The rate of increase was even higher in 1971—approximately 25 percent—and will remain high at least through 1972 and 1973. After that the rate of increase will be dependent on the increase in contributions received.

LARGEST ASSISTANCE TO AFRICA

Mr. PASSMAN. What geographical region of the world is receiving the most assistance from the UNDP?

Mr. DEPALMA. Africa. Approximately 40 percent of UNDP program expenditures for the projects in that region.

78-827 O - 72 - pt. 2 - 47

EXPANSION OF U.N. HEADQUARTERS

Mr. PASSMAN. Last year we were told that the UNDP would contribute $10 million in order to help to build the expanding U.N. headquarters in New York. Has this $10 million in fact been contributed?

Mr. DEPALMA. No. The U.N. headquarters expansion is presently in limbo. It was debated at the 1971 General Assembly and deferred until the 1972 General Assembly. At present there is no money in the account for this purpose and the UNDP has not made a contribution.

Mr. PASSMAN. Do you intend to make additional contributions for this building from the UNDP?

Mr. DEPALMA. No funds for such a contribution are in the UNDP budget for either 1972 or 1973. However, if funds for this proposed project are received from other sources, the UNDP will probably contribute the $10 million orginally planned. Congressional authorization existed for a U.S. contribution of $20 million but no funds were appropriated.

UNITED NATIONS CHILDREN'S FUND (UNICEF)

Mr. PASSMAN. Would you provide a table showing the amount each country has contributed to the Children's Fund, and its percentage of the total.

Mr. DEPALMA. Yes, Mr. Chairman, I would be happy to provide that information for the record.

(The information follows:)

UNITED NATIONS CHILDREN'S FUND FONDS DES NATIONS UNIES POUR L'ENFANCE

CONTRIBUTIONS FROM GOVERNMENTS - 1971*

Government	1971 Contribution	Percentage of Total Contributions
Afghanistan	$ 20,000	.05
Algeria	49,595	.13
Argentina	52,918	.14
Australia	626,977	1.65
Austria	119,093	.31
Belgium	347,072	.91
Brazil	75,000	.20
Bulgaria	42,735	.11
Burma	64,656	.17
Byelorussian S. S. R.	62,500	.16
Cameroon	25,180	.07
Canada	1,485,100	3.90
Ceylon	20,247	.05
Chile	120,000	.31
Colombia	284,702	.75
Costa Rica	30,000	.08
Cuba	70,600	.19
Czechoslovakia	104,167	.27
Denmark	874,700	2.30
Ethiopia	27,204	.07
Federal Republic of Germany	2,081,700	5.46
Finland	399,429	1.05
France	1,509,200	3.96
Gabon	26,906	.07
Ghana	21,010	.06
Greece	69,000	.18
Guinea	40,816	.11
Honduras	30,000	.08
India	1,000,000	2.62
Indonesia	50,000	.13
Iran	300,000	.79
Iraq	84,217	.22
Ireland	75,000	.20
Israel	42,500	.11
Italy	480,769	1.26
Japan	786,000	2.06
Kuwait	40,000	.10
Liberia	20,000	.05
Malaysia	65,501	.17
Mali	21,622	.06
Morocco	50,061	.13
Netherlands	277,800	.73
New Zealand	149,597	.39
Nigeria	70,008	.18
Norway	1,446,000	3.80
Oman	20,000	.05
Pakistan	155,435	.41
Panama	20,000	.05

* Contributions of $20,000 and over

UNITED NATIONS CHILDREN'S FUND FONDS DES NATIONS UNIES POUR L'ENFANCE

Government	1971 Contribution	Percentage of Total Contributions
Paraguay	$ 20,000	.05
Peru	100,000	.26
Philippines	204,762	.54
Poland	220,000	.58
Qatar	200,000	.52
Republic of Korea	28,000	.07
Republic of Viet-Nam	26,000	.07
Romania	25,000	.07
Saudi Arabia	20,000	.05
South Africa	49,986	.13
Spain	100,000	.26
Sudan	25,225	.07
Sweden	5,814,000	15.26
Switzerland	1,036,500	2.72
Thailand	177,232	.47
Tunisia	27,000	.07
Turkey	133,333	.35
Uganda	40,896	.11
Ukrainian S.S.R.	125,000	.33
U.S.S.R.	675,000	1.77
United Arab Emirates	75,000	.20
United Kingdom of Great Britain & Northern Ireland	1,455,000	3.82
United States of America	13,000,000 1/	34.12 1/
Yugoslavia	220,000	.58
Zaire	23,640	.06
Total (73 Governments):	37,656,495	
Contributions from Governments of less than $20,000:		
Total (65 Governments):	445,305	1.17
Total - 138 Governments:	38,101,800	100.00

1/ Exclusive of contribution made in form of P.L. 480 commodities.

UNICEF ASSISTANCE TO COMMUNIST COUNTRIES

Mr. PASSMAN. Has UNICEF provided any assistance to Communist countries during the last 5 years?

Mr. DEPALMA. Yes, UNICEF assistance has been provided to Bulgaria, Cuba, Mongolia, Poland, and Romania. The total amount from 1966 through 1971 was $1.8 million. Each of these countries receiving assistance has made contributions to UNICEF. (The chart follows:)

	Contributions to UNICEF	UNICEF assistance
Country:		
Bulgaria	$111,111.13	$203,185.04
Cuba	306,277.50	867,415.03
Mongolia	11,400.00	320,495.89
Poland	999,000.00	400,621.22
Romania	125,000.00	50,045.96
Total	1,552,788.63	1,841,763.14

RESTRICTED USE OF CONTRIBUTIONS

Mr. PASSMAN. Has any country restricted the use of its contribution in any way?

Mr. DEPALMA. In some cases, that is, the U.S.S.R., contributions are made in part in nonconvertible funds. These restrictions in no way affect the prorgams of UNICEF.

Funds in trust are often provided by countries for special projects. Such contributions are over and above the annual contributions made to UNICEF for general resources and they are not matched by the United States. Current funds in trust are shown in the table on the next page.

(The table follows:)

Table 12. Trust-funds for projects approved by the Executive Board and special relief operations
summary of 1971 transactions

Donors	Country of programme	Balances at 1 January 1971	Funds received	Funds receivable	Total available	Expenditure	Funds returned	Balances at 31 December 1971
		$	$	$	$	$	$	$
Governments								
Canada	Nigeria	26,886.18			26,886.18	26,886.18 a/		---
Finland	India		240,269.10		240,269.10	1,507.73		238,761.37
Netherlands	Democratic Republic of Viet-Nam	105,000.00 b/			105,000.00			105,000.00
	Republic of Viet-Nam	50,000.00 b/			50,000.00			50,000.00
Norway	India			100,000.00	100,000.00			100,000.00
Switzerland	Democratic Republic of Viet-Nam	47,500.00 c/		50,245.10	97,745.10			97,745.10
United States of America	Nigeria	1,711,705.82			1,711,705.82	1,711,705.82 a/		---
	Pakistan		220,495.59		220,495.59	20,999.58		199,496.01
	Republic of Viet-Nam	310,000.00			310,000.00	66,186.30 a/		243,813.70 d/
United Nations Agencies								
United Nations Fund for Population Activities		528,535.79	1,420,600.00		1,949,135.79	1,321,019.65 a/		628,116.14 d/
United Nations East Pakistan Relief Operation			750,000.00	1,440,240.58	2,190,240.58	2,190,240.58		---
United Nations High Commissioner for Refugees			19,717,124.91	150,014.21	19,867,139.12	19,867,139.12		---
United Nations Relief Operations in Sudan				115,656.00	115,656.00	115,656.00		---
Others								
Federal Republic of Germany:								
Misereor			275,578.81	34,906.69	310,485.50			310,485.50
Brot für die Welt			45,268.37		45,268.37			45,268.37
Evangelische Zentralstelle für Entwicklungshilfe			572,289.16		572,289.16			572,289.16
		2,779,627.79	23,241,625.94	1,891,062.58	27,912,316.31	25,321,340.96		2,590,975.35

a/ Funds received in 1970 had been accounted for as UNICEF income. The expenditure of $2,091,270.16 incurred in 1971 as against these funds are forming part of UNICEF's expenditure for assistance to projects as follows: Canada (Nigeria - $26,886.18); United States of America (Nigeria - $1,711,705.82); United States of America (Republic of Viet-Nam - $66,186.30); United Nations Fund for Population Activities (Indonesia - $137,356.07, Malaysia - $60,649.45, Philippines - $88,486.34).

b/ See the Financial Report and Accounts for the year 1970, (Official Records of the General Assembly, Twenty-sixth Session, Supplement No. 7B (A/8407/Add.2), part one, section D) part of note 19(b) page 35.

c/ See note 2, page 16.

d/ The liability for the unexpended balances of these 1970 trust-funds at 31 December 1971 totalled $533,357.63 as follows: Switzerland (Democratic Republic of Viet-Nam - $47,500.00); United States of America (Republic of Viet-Nam - $243,813.70); United Nations Fund for Population Activities (Indonesia - $242,043.93). The necessary funds have been transferred to the relevant trust-fund accounts from the 1971 UNICEF's miscellaneous income (see note 6, page 19).

DELINQUENT MEMBER

Mr. PASSMAN. Are any members delinquent in their contributions?

Mr. DEPALMA. Only Haiti is delinquent in its contributions to UNICEF. All other countries have made their pledged contributions.

FISCAL YEAR 1973 BUDGET

Mr. PASSMAN. How much of the fiscal year 1973 request of $15 million will be used for administrative expenses?

Mr. DEPALMA. Present calculations indicate that 7.4 percent of the U.S. contribution of $15 million will be used for administrative purposes, and 11.8 percent for program support, totaling 19.2 percent.

FAMILY PLANNING PROGRAM

Mr. PASSMAN. On page L–5 you indicate that the U.N. Children's Fund is also involved in family planning. Could you please explain how this program is related to assistance for children?

Mr. DEPALMA. Family planning has become an increasingly significant activity in UNICEF programing since 1967. Over the years it has become clear that neglect of children is often related to the number of children in families. Nutrition, health, clothing minimal to begin with in developing countries are almost nonexistent when 8 or 10 children require attention. In addition the health of the mother is endangered by numerous pregnancies, thus limiting her ability to care for the children adequately. It is, therefore, the policy of UNICEF that, where acceptable to the Government, information regarding family planning is made available on request. Mother and Child Health Centers (MCH) created by UNICEF are the focal point for family planning.

U.S. CONTRIBUTION

Mr. PASSMAN. On page L–6 you state the U.S. contribution to the regular budget is exclusive of nongovernmental "trick or treat" contributions in special relief contributions. Would you please tell the committee what these contributions are and what amounts are involved?

Mr. DEPALMA. Nongovernmental funds come from a variety of sources. Some contributions are made by private individuals interested in the work of UNICEF. Additional nongovernmental donations come from the sale of greeting cards, television fund raising campaigns, and from the trick or treat collections at Halloween. Similar activities are carried on in Canada and most European countries. During 1971 these contributions totaled $19.5 million. Of that amount private citizens of the United States contributed $9.2 million.

INTERNATIONAL ATOMIC ENERGY AGENCY OPERATIONAL PROGRAM

Mr. PASSMAN. The next program is the International Atomic Energy Agency—operational program, for which the fiscal year 1973 estimate is $1,750,000, an increase of $200,000 above the current year program. Would you please explain the need for an increase of $200,000?

Mr. DEPALMA. An increase in our contribution to the 1973 program is desirable for several reasons. Firstly, the United States has assumed in article IV of the Non-Proliferation Treaty an obligation to further

the development of the application of nuclear energy for peaceful purposes with due concern for the needs of the developing countries. An increase is also desirable in order to maintain a healthy balance between the Agency's technical assistance programs and the growing costs of its safeguarding responsibilities under the NPT. We wish additionally to respond to the generally increasing contributions of other countries to the IAEA operational program, which are reflected both in larger cash contributions to the Agency's voluntary contribution target, which was increased in 1972 from $2.5 million to $3 million, and in growing contributions in kind.

U.S. CONTRIBUTION

Mr. PASSMAN. As you know, last year there was a provision placed in the appropriations bill which required the International Atomic Agency to begin negotiations with our State Department in order to bring the U.S. contribution down to 31.5 percent. Would you please tell the committee if any negotiations have taken place as of the present time?

Mr. DEPALMA. Yes, sir. We have already spoken in Vienna with the representatives of a number of IAEA member states. I would like to give you a copy of a statement made by Ambassador Glennan in this regard to the Board of Governors in February, as well as a document distributed by our mission in Vienna to a number of representatives to the IAEA in April. I believe this provision was written into the appropriations bill largely as a reflection of the view that our voluntary contribution to the IAEA should be based on a "fair share" formulation.

(The statement follows:)

AMBASSADOR GLENNAN'S STATEMENT AT THE FEBRUARY 1972 IAEA BOARD OF GOVERNORS MEETING

Many of you are familiar with the problems which have arisen in the U.S. Congress in connection with this year's AID legislation. I do not know how much longer the United States may be able to contribute in the amounts which I have just specified. There is considerable sentiment that the percentage share—not necessarily the absolute amount—of U.S. voluntary contributions to international organizations be reduced. The IAEA in particular has been singled out as an organization where the total U.S. voluntary contribution—cash and in kind—should in the future be reduced to a level equivalent to its assessed rate.

A large number of members of the Agency already contribute toward the voluntary program target at levels equivalent to their assessed share of the target. A number of others are contributing even more, either in cash or in kind. This kind of response is to be encouraged and expanded.

You will recall that General Conference Resolution 100 of 1961 invites member states to contribute to the General Fund amounts that are at least the same percentages of the target as are their assessed contributions to the regular budget. If all of the Agency member states, and in particular the developed countries, should fully respond each year to this resolution, we would reach or be very close to the target figure, and we would have achieved a more equitable and a more satisfactory sharing of the responsibilities of the Agency's members for a healthy and effective operational program.

DOCUMENT DISTRIBUTED BY U.S. MISSION IN VIENNA TO OTHER MISSIONS IN APRIL 1972

When the Congress of the United States acted on the foreign assistance and related programs bill for the year 1972, the following provision, popularly called the Pastore amendment, was included in the final text of the bill as passed by the Congress:

"It is the sense of the Senate that the total United States contribution to the International Atomic Energy Agency be negotiated by the State Department with the members of the IAEA in order to bring our contribution down to a percentum not to exceed 31.5. Progress made on these negotiations shall be reported to the Foreign Relations and Appropriations Committees of the Senate by September 30, 1972."

In this connection, it is to be noted that the United States voluntary contribution, in cash and in kind, to the Agency's program for the year 1971 amounted to $1,504,671.[1] This represented 36.98 percent of the total contributions to that program of $4,067,945.[1] The United States would hope to be able to maintain the present general magnitude of its contributions to the Agency's work. Resolutions GC(XV)/281 and GC(XV)/286 of the 15th General Conference urged members of the Agency to provide voluntary contributions at a rate not less than their basic annual assessed percentage rate. An increase in the amount of other donors' contributions along these lines would permit the United States to provide a contribution of the same general magnitude as at present and yet reach compliance with the above provision as to its percentage share of the total received by the Agency. Members of the Geneva Group may wish to bring this matter to the attention of their governments.

The U.S. Government will continue its efforts to accomplish the above-stated objective, in order to comply with the provision which requires a report to the Senate by September 30 of this year.

The U.S. Mission anticipates that it will raise this matter for discussion at a future meeting of the Geneva Group, and with other member states not represented in the Group.

Mr. DePALMA. We have customarily applied this kind of formulation to assessed contributions but not to voluntary contributions. It has been and it continues to be our view that voluntary contributions should be based upon our ability to pay and upon our interest in the projects which the contributions will support. In the case of the IAEA, I believe it is important that the amount of our contribution should reflect our interest in the operational program and not only the size of voluntary contributions made by others. All the programs of the IAEA are of interest to us, and they often are of considerable benefit.

At the same time, we do hope that other countries will increase their voluntary contributions, and, in accordance with the provisions of the appropriations bill and our own views, we are seeking to encourage them to do so. A positive response would not only decrease our percentage share, it would also further strengthen the Agency's operational program.

CONTRIBUTIONS BY OTHER COUNTRIES

Mr. PASSMAN. Please provide a table showing what other countries contribute to this program, indicating the amount and the percentage of this amount to the total.

Mr. DePALMA. I am pleased to provide for the record a table which shows the amounts which other countries are contributing to the Agency's operational program.

(The table follows:)

---

[1] Costs of documents, films, library materials and cost-free experts provided to the Agency are not included in this figure.

CONTRIBUTIONS TO IAEA OPERATIONAL PROGRAM
Calendar Year 1971

Country	Amount	Per Cent	Country	Amount	Per Cent
Albania	800	.04	Madagascar	1,000	.05
Argentina	21,000	.98	Mexico	3,943	.18
Australia	30,000	1.40	Monaco	2,000	.09
Austria	13,000	.61	Morocco	2,050	.09
Belgium	12,500	.59	Netherlands	40,000	1.87
Brazil	30,000	1.40	New Zealand	6,600	.31
Bulgaria	4,000	.19	Nigeria	3,080	.14
Burma	1,000	.05	Norway	9,750	.46
Cameroon	1,000	.05	Pakistan	8,250	.39
Canada	70,000	3.28	Panama	1,000	.05
Ceylon	1,250	.06	Peru	2,250	.10
Chile	1,000	.05	Philippines	7,750	.36
China	10,000	.47	Poland	10,417	.49
Colombia	2,500	.12	Portugal	3,600	.17
Cyprus	900	.04	Romania	8,250	.39
Czechoslovakia	20,833	.98	Saudi Arabia	2,000	.09
Denmark	14,000	.66	Singapore	1,000	.05
Egypt	11,500	.54	South Africa	11,750	.55
Finland	11,000	.52	Spain	20,750	.97
France	30,571	1.43	Sweden	28,250	1.32
Germany	158,750	7.44	Switzerland	19,500	.91
Ghana	2,000	.09	Syria	708	.03
Greece	7,800	.37	Thailand	4,000	.19
Guatemala	500	.02	Turkey	8,000	.38
Holy Sea	2,000	.09	U.S.S.R.	277,778	13.01
Hungary	11,800	.55	United Kingdom	150,948	7.07
Iceland	1,000	.05	United States	786,250	36.84
India	40,000	1.87	Uruguay	2,000	.09
Indonesia	7,750	.36	Viet Nam	1,200	.06
Iran	4,600	.22	Yugoslavia	9,000	.42
Iraq	1,500	.07	Zaire	1,500	.07
Ireland	3,750	.18			
Israel	3,600	.17			
Italy	73,250	3.43	TOTAL	2,134.328 1/	
Ivory Coast	800	.04			
Japan	85,500	4.01			
Khmer	800	.04			
Korea	2,750	.13			
Kuwait	1,500	.07			
Lebanon	2,250	.10			
Liechtenstein	1,000	.05			

1/ In addition there were voluntary contributions in kind totalling $1,890,716 from all countries including $671,124 from the United States.

PROGRAM LEVEL OF FISCAL YEAR 1973

Mr. PASSMAN. What is the total estimated program level for fiscal year 1973 for this operation?

Mr. DEPALMA. The Agency's estimates provide for a 1973 operational program level of about $3.7 million. This includes cash contributions to the operational fund, additional cash contributions by a number of members for specific projects and miscellaneous income. I would guess the actual figure will be close to $3.4 million because of the likely short-fall in contributions to the $3 million operational fund target. The Agency's operational program will also include a number of other contributions, most of them in-kind. It has not attempted to anticipate the value of these other contributions for 1973 but I might note that in 1971 their value was about $1.6, and we should expect this figure to be somewhat larger in 1973.

FUNDS TO ASSIST COMMUNIST COUNTRIES

Mr. PASSMAN. Are any of these funds used to provide assistance to Communist countries?

Mr. DEPALMA. Yes, sir. The Agency's Board of Governors has approved technical assistance projects for 1972 for Albania, Bulgaria, Cuba, Hungary, Poland, Rumania, and Yugoslavia. These projects if implemented will be financed out of the Agency's operational budget. I think we may expect that most or all of these countries, which are members of the IAEA, will request technical assistance projects in 1973.

PURPOSE OF IAEA

Mr. PASSMAN. Would you please tell the committee briefly what the purpose of this Agency is?

Mr. DEPALMA. The purpose of the IAEA as defined in its statute is to seek to accelerate and enlarge the contribution of atomic energy to peace, health and prosperity through the world and to insure, so far as it is able, that assistance provided by it or at its request or under its supervision or control is not used in such a way as to further any military purpose.

U.S. CONTRIBUTION

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. DEPALMA. The inkind portion consists of the provision of American experts and American equipment to technical assistance projects which we select from a list of Agency-approved projects. It also is used to pay for fellowships to foreigners selected by us for study in the United States. Additionally a small portion of the funds may be used to help finance Agency meetings or study tours in the United States.

Mr. PASSMAN. In addition to this contribution the United States also contributes to the assessed budget of the International Atomic Energy Agency; is that not correct?

Mr. DEPALMA. Yes, sir. It is correct.

Mr. PASSMAN. Could you tell the committee how much this assessed contribution will amount to in fiscal year 1973?

Mr. DEPALMA. The U.S. assessed contribution to the Agency in fiscal year 1973 is $4,881,726, plus an additional $1,190 for a Working Capital Fund advance, making a total of $4,882,916.

WORLD METEOROLOGICAL ORGANIZATION VOLUNTARY ASSISTANCE PROGRAM

Mr. PASSMAN. The next program is the World Meteorological Organization. Would you provide for the record a list of the countries that contributed to this program, indicating the amount and percentage of the total?

Mr. DEPALMA. I will be happy to, Mr. Chairman. I will put into the record at this point a listing of cash contributions made by all countries in 1971.

(The information follows:)

Country	Amount	Percentage of total	Country	Amount	Percentage of total
Australia	$11,094	2.40	Japan	30,000	6.47
Austria	500	.10	Jordan	250	.05
Barbados	250	.05	Libya	8,467	1.82
British Caribbean territories	250	.05	Mauritius	500	.10
Burma	500	.10	Morocco	2,000	.43
Colombia	1,047	.22	Netherlands Antilees	250	.05
Czechoslovakia	2,000	.43	Norway	6,947	1.49
Denmark	5,000	1.07	Rwanda	500	.10
Egypt	11,500	2.48	Singapore	860	.18
El Salvador	250	.05	Sweden	29,791	6.42
France	33,672	7.26	Switzerland	11,574	2.49
Germany, Federal Republic of	60,000	12.94	Trinidad and Tobago	250	.05
Greece	300	.06	United Kingdom	72,000	15.54
Guyana	250	.05	United States	158,728	34.25
Iceland	500	.10	Yemen	240	.05
India	8,666	1.86			
Ireland	5,040	1.08	Total	[1] 463,426	
Jamaica	250	.05			

[1] In addition, 14 member nations have donated equipment, and training fellowships services valued at approximately $12,000,000.

Mr. PASSMAN. What is the total proposed funding level for this program in fiscal year 1972?

Mr. DEPALMA. $1.5 million has been requested for our 1973 contribution to the voluntary assistance program, the same amount as in the years 1969 through 1972.

Mr. PASSMAN. What part of the fiscal year 1973 request will be cash and what part will be "in-kind?"

Mr. DEPALMA. As in previous years, we anticipate that about $150,000 will be donated in cash to the Voluntary Assistance Fund and the remainder, $1,350,000, "in-kind" to be administered by the National Oceanic and Atmospheric Administration of the Department of Commerce.

Mr. PASSMAN. What types of "in-kind" contributions will be made?

Mr. DEPALMA. The major share of the United States "in-kind" contribution is expected to consist of the following: equipment and expert technical services for upper-air observation stations, the provision of weather satellite picture receiving sets, equipment, and technical services for completing regional telecommunications networks for the transmission of weather data, and eight fellowships.

UN/FAO World Food Program

Mr. Passman. The next program is the U.N./FAO world food program, for which the fiscal year 1973 estimate is $1,500,000, the same as last year.

Will you tell the committee what this fiscal year 1973 contribution will be used for?

Mr. DePalma. This money is to be used to meet administrative expenses of the program.

U.S. CONTRIBUTION

Mr. Passman. On page L–9 you state the following: "The U.S. pledge for the 1973–74 biennium is for contributions up to $136 million, subject to action by Congress. This pledge includes (*a*) up to $93 million in commodities subject to the condition that the U.S. contribution not exceed 40 percent of the total contributions of all governments in commodities and cash for the purchase of commodities, (*b*) $40 million for ocean transport, and (*c*) $3 million in cash toward meeting administrative expenses of the program." All these contributions mentioned are in addition to the $1,500,000 provided in this request; is that correct?

Mr. DePalma. No, sir, they are not all in addition; the $1.5 million for administrative expenses is included in it. That is, the $3 million cash portion of the U.S. pledge provides $1.5 million for each year of the biennium.

Mr. Passman. Why is the ocean transport figure so high?

Mr. DePalma. When the United States announced its pledge to the WFP in January 1972, it was estimated that the cost of shipping the full $93 million in commodities pledged by the United States would be $40 million. I should emphasize that the $40 million figure is an estimate of shipping costs based on previous years' experience and taking into account the possibility of cost increases. Past experience shows that the ratio of ocean shipping costs to export value is approximately 40 percent of the value of the commodities. Unfortunately, most of these commodities have to be shipped at liner rather than bulk shipping rates since the shipments are usually in relatively small quantities. If the total U.S. commodity pledge is not called forward by the WFP, the absolute cost of ocean shipping will, of course, be less than the amount pledged.

DONOR COUNTRIES

Mr. Passman. Would you provide for the record a table listing the donor countries, the amount contributed and the percentage of the total contributed?

Mr. DePalma. Yes sir, I will. This information shows the announced contributions pledged by donor nations at the Fifth Pledging Conference in New York in January 1972 for the 1973–74 biennium. I would like to point out that the U.S. contribution is, in accordance with the pledge matching formula, equal to 40 percent of the $340 million target for this pledge period. The amount actually contributed, as distinguished from the announced pledge, will be no more than 40 percent of the amount contributed by other countries whatever that may ultimately be, but in no case can it exceed the announced pledge.

(The information follows:)

ANNOUNCED PLEDGES FOR 1973/74
As at 31 January 1972

Country	US $	% of Total
Algeria	30,000.00	.01
Australia	3,056,500.00	1.15
Austria	1,700,000.00	.64
Brazil	250,000.00	.09
Canada	34,000,000.00	12.78
Ceylon	126,050.00	.05
Cuba	500,000.00	.19
Cyprus	3,000.00	.00
Denmark	23,338,049.00	23.68
Egypt	200,000.00	.08
Gabon	2,490,00	.00
Germany, Fed. Rep. of	11,620,796.00	4.87
Ghana	30,000.00	.01
Greece	170,000.00	.06
Hungary	240,000.00	.09
Iceland	8,000.00	.00
India	1,000,000.00	.38
Iran	60,000.00	.02
Ireland	1,530,612.00	.58
Israel	10,000.00	.00
Italy	1,000,000.00	.38
Japan	3,000,000.00	1.13
Khmer Rep.	1,000.00	.00
Kuwait	50,000.00	.02
Laos	825.00	.00
Lesotho	500.00	.00
Liberia	2,000.00	.00
Malawi	1,521.00	.00
Malta	1,200.00	.00
Morocco	21,459.00	.01
Netherlands	16,000,000.00	6.01
New Zealand	833,730.00	.31
Niger	3,831.00	.00
Norway	8,208,955.00	3.09
Pakistan	170,727.00	.06
Philippines	108,889.00	.04
Korea, Rep. of	9,000.00	.00
Sweden	14,000,000.00	5.26
Switzerland	2,083,333.00	.78
Thailand	20,000.00	.01
Tunisia	19,000.00	.01
Turkey	150,000.00	.06
United Kingdom & Northern Ireland	6,377,551.00	2.40
United States	136,000,000.00	51.12
Venezuela	100,000.00	.04
TOTAL	266,039,018.00	100.00

ASSISTANCE TO COMMUNIST COUNTRIES

Mr. PASSMAN. Has any assistance been provided to Communist countries?

Mr. DEPALMA. Yes, it has, but the amount is negligible. The four Communist countries which have received WFP assistance are Hungary, Rumania, Cuba, and Yugoslavia. The total amount of WFP assistance either completed or yet to be completed including emergency operations amounts to $7,354,200 or 0.006 of the total of approximately $1.2 billion in WFP assistance programed to all countries since its inception. The data in summary form is as follows:

Cuba	$795, 800
Hungary	3, 252, 700
Rumania	2, 076, 700
Yugoslavia	1, 229, 000
Total	7, 354, 200

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 1973 estimate is $400,000, the same as last year. Please provide for the record a table showing the countries contributing to this program, indicating the amounts and percentage of the total contribution.

Mr. DEPALMA. I have that information and will be happy to provide it for the record.

(The information follows:)

UNITED NATIONS INSTITUTE FOR TRAINING AND RESEARCH
CONTRIBUTIONS, 1970-1972

Country	1970 (Actual) Amount	1970 (Actual) Percent	1971 (Actual) Amount	1971 (Actual) Percent	1972 (Estimated) Amount	1972 (Estimated) Percent
Abu Dhabi	$		$ 10,000	.96	$	
Argentina	24,000	2.01	12,000	1.15	12,000	1.10
Austria			3,725	.36	3,725	.34
Barbados	250	.02			500	.05
Belgium	50,275	4.21	51,610	4.94	51,610	4.71
Canada	57,971	4.85	60,030	5.74	60,000	5.48
Ceylon	2,000	.17	1,000	.10		
Congo(DemRep)	3,000	2.51				
Cyprus	150	.01			150	.01
Czechoslovakia	2,000	.17				
Denmark	25,000	2.09	25,000	2.39	25,000	2.28
Ecuador	1,283	.11	2,951	.28	1,000	.09
Fed. Rep. Germany	75,000	6.28	100,000	9.57	100,000	9.13
Finland			40,000	3.83	20,000	1.83
Greece	7,500	.63	7,500	.72	7,500	.69
Guyana	500	.04	500	.05	500	.05
Iran			6,000	.57		
Iraq			20,000	1.91		
Israel	6,000	.50			6,000	.55
Italy	14,858	1.24				
Ivory Coast	18,698	1.57	17,980	1.72	18,000	1.64
Japan	80,000	6.70	40,000	3.83	40,000	3.65
Kenya	2,000	.17	2,000	.19	2,000	.18
Kuwait	50,000	4.19				
Liberia	1,500	.13	3,000	.29	1,500	.14
Libyan Arab Rep.			20,000	1.91		
Liechtenstein	2,315	.19				
Luxembourg			4,000	.38	2,000	.18
Malta	600	.05			600	.05
Nigeria	2,800	.23				
Norway	18,200	1.52	21,000	2.01	21,000	1.92

Country	1970 (Actual) Amount	1970 (Actual) Percent	1971 (Actual) Amount	1971 (Actual) Percent	1972 (Estimated) Amount	1972 (Estimated) Percent
Pakistan	$ 4,000	.33				
People's Dem. Rep. of Yemen	240	.02				
Philippines	14,286	1.20				
Rep. Korea	3,000	.25				
Rwanda	2,000	.17				
Saudi Arabia	2,000	.17				
Senegal	56	*				
Singapore			500	.05	500	.05
Sweden	38,421	3.22	38,718	3.70	60,000	5.48
Switzerland	34,722	2.91	34,722	3.32	39,000	3.56
Thailand	8,200	.69	4,100	.38	4,100	.37
Togo	181	.02				
Trinidad and Tobago			3,000	.29		
Tunisia			5,000	.48		
United Arab Republic			4,600	.44		
United Kingdom	100,792	8.44	100,792	9.64	109,200	9.97
United Rep. Tanzania	5,602	.47	5,602	.54	5,000	.46
United States	400,000	33.49	400,000	38.27	400,000	36.53
USSR	80,000	6.70			80,000	7.31
Venezuela	20,000	1.67			20,000	1.83
Yugoslavia	8,000	.67			4,000	.37
TOTAL	$1,194,400	100.00	$1,045,330	100.00	$1,094,885	100.00

* Less than 0.01%

Data represents unrestricted contributions by governments. UNITAR also receives special purpose grants from governments and foundations.

Sources: 1970 - UNITAR, Financial Report and Accounts for the year ended 31 December 1970 (Doc. A/8407/Add.4)
1971 - UNITAR Secretariat, January 7, 1972
1972 - UNITAR Secretariat, April 5, 1972

Mr. PASSMAN. In what ways has this organization helped in making the U.N. more effective?

Mr. DEPALMA. With limited resources, UNITAR has made useful contributions to the work of the U.N. family by preparing research studies for use in current major activities.

For example, its staff drafted papers for the intergovernmental groups preparing for the U.N. Conference on the Human Environment. A UNITAR paper on environmental quality control at the international level will be one of the basic papers considered in connection with action proposals at the Conference. Earlier UNITAR had issued a study on marine pollution and possible remedies.

UNITAR has also assisted in measures to improve the efficiency of the major U.N. bodies by preparing studies on the General Committee of the U.N. General Assembly and on the use of consensus practices in the Security Council. An indepth course on the functioning and procedures of the Economic and Social Council was held to give delegations, primarily those new to the game, a better understanding of how Ecosoc works.

We believe that UNITAR's activities, both in research and training, have been particularly helpful in improving the U.N. system of development assistance. It has prepared studies examining how technology can be transferred from the industrialized states to the developing countries, with specific work in such fields as petrochemicals and pharmaceuticals. UNITAR also prepared an early study on methods of evaluating technical assistance programs—a paper which was used extensively by Ecosoc in its discussions of the systems to be used by the U.N. for analyzing and improving the delivery of technical aid.

A substantial part of UNITAR's training activities have been directed at improving the competence of U.N. Secretariat personnel, including field personnel, specialized agency managers, and headquarters staff in the theory and practice of development assistance. Some training courses also include senior personnel of the governments receiving assistance.

Mr. PASSMAN. On page L–10 you indicate that this Institute has undertaken many studies. Would you indicate for the record the type of studies conducted by this Institute?

Mr. DEPALMA. UNITAR engages in research activities in six fields: the functioning and procedures of United Nations organs and agencies; the peaceful settlement of disputes; economic and social development; information and communication; the implications of science and technology for the U.N. system; and international law and human rights. I would be happy to provide for the record a list of studies and projects undertaken by UNITAR.

(The information follows:)

UNITAR STUDIES

UNITAR RESEARCH REPORTS

No. 1: Social Psychological Techniques and the Peaceful Settlement of International Disputes, 39 pages.

No. 2: International Research Conference on Race Relations, 19 pages.

No. 3: Emigration of Highly-Skilled Manpower from Developing Countries, 213 pages.

No. 4: Marine Pollution Problems and Remedies, 50 pages. (Also in French and Spanish)

No. 5: The Brain Drain from Five Developing Countries, Cameroon, Colombia, Lebanon, the Philippines, Trinidad and Tobago, 173 pages.

No. 6: Communications, Computers and Automation for Development, 61 pages.

No. 7: Transfer of Industrial Technology from Japan to Developing Countries, 50 pages.

No. 8: International Transfer of Automotive Technology to Developing Countries, 95 pages.

No. 10: The Transfer of Technology and the Factor Proportions Problem, the Philippines and Mexico, 101 pages.

No. 11: The Transfer of Technology: Economics of Offshore Assembly; the Case of Semiconductor Industry, 59 pages.

No. 12: The International Transfer of Technology in Establishment of the Petrochemical Industry in Developing Countries, 67 pages.

No. 13: The International Transfer of Commercial Technology to Developing Countries, 61 pages.

No. 14: Technology Transfer in the Pharmaceutical Industry, 53 pages.

No. 15: Soviet Experience in Transfer or Technology to Developing Countries.

PEACEFUL SETTLEMENT

No. 1: Peaceful Settlement of Disputes: Ideas and Proposals for Research.

No. 2: Analysis and Prediction in International Mediation.

No. 3: Complementary Structures of Third-Party Settlement of International Disputes.

No. 4: Consultation and Consensus in the Security Council (Also in French).

No. 5: Peaceful Settlement Among African States—Roles of the United Nations and the Organization of African Unity.

No. 6: The "Good Offices" of the Secretary-General in the Peaceful Settlement of Disputes.

UNITAR SERIES

No. 1: Development Aid, Criteria and Methods of Evaluation (Also in French and Spanish). The application of approved methods of determining the effectiveness of U.N. aid projects, 135 pages.

No. 2: Toward Wider Acceptance of U.N. Treaties: Reasons for the failure of states to adhere to U.N. treaties and analysis of measures, both international and national, to achieve wider adherence, 190 pages.

No. 3: Small States and Territories, Status and Problems. The problems of small states and proposals for dealing with them, 216 pages.

No. 4: The Prevention of Racial Discrimination in Britain. A study of the effectiveness of measures to prevent racial discrimination. 522 pages.

No. 5: Atomic Safeguards, a Study in International Verification. An analysis of the safeguards system of the International Atomic Energy Agency as an example of a method for verifying the enforcement of treaty obligations, 324 pages.

No. 6S: Navigable International Rivers and Canals: Financial, Juridical, and Institutional Aspects of Their Development (In Spanish). Comparative studies of the legal and financial arrangements connected with the management and improvement of works in major international waterways; the St. Lawrence, Rhine, Danube, Rio de la Plata, Panama Canal, and Belgium/Netherlands canal system.

Multinational Public Corporations in Latin America (In Spanish). A collection of papers delivered at a UNITAR seminar in international law on the role of multinational public corporations in regional economic development and integration in Latin America.

Youth Participation in International Affairs. Papers on the role of youth and youth organizations in the work of the U.N. and the specialized agencies.

Newer Techniques of Training for Managers. Papers outlining experience in the United States, the Soviet Union, Britain, Eastern and Western Europe, the developing countries and international organizations.

The United Nations and the News Media. The use by mass media of public information concerning the U.N., based on a survey carried out in 50 countries.

African International Legal History: Introductory Essays. The historical contribution of Africa to international law.

UNITAR LECTURE SERIES

No. 1: The U.N. Charter and the Challenge of the 70's, by Kenneth Younger.
No. 2: Towards a Better International Economic Order, by Jan Tinbergen.
No. 3: The International Labour Organisation in the U.N. Family, by Wilfred Jenks.
No. 4: The Future of International Education, by Robert M. Hutchins.

UNITAR TRAINING MANUALS

Manual of United Nations Technical Assistance (In French and Spanish).
Manual of External Financing (Also in French).

World Health Organization—Medical Research—IARC

Mr. Passman. The next program is the World Health Organization Medical Research, for which the fiscal year 1973 estimate is $312,000, the same as last year.

Mr. DePalma. The estimated figure for fiscal year 1973 was $312,000. After the request for $312,000 the Directing Council of IARC approved a larger budget of which our contribution was $336,789.

CONTRIBUTING COUNTRIES

Mr. Passman. What other countries contributed to this organization and in what amounts?

Mr. DePalma. The following table lists the other eight member countries of IARC and their contributions for financial year 1972 (our fiscal year 1973):

Australia	$173,348
Belgium	173,348
Germany, Federation of Republic	243,394
France	243,394
Italy	196,696
Netherlands	173,348
U.S.S.R.	336,789
United Kingdom	243,394

CANCER PROGRAM

Mr. Passman. Have there been any breakthroughs in cancer research discovered by this program?

Mr. DePalma. Our National Cancer Institute is encouraged by the progress of the work of the IARC. The research of the IARC is aimed at the determination of the incidence and causes of cancer due to external or environmental factors, an aspect of great interest to the United States. Through its study of cancer on a world-wide basis, the IARC can furnish data not available in the United States but which are giving us a better insight into the causes of cancer.

U.S. CONTRIBUTIONS

Mr. Passman. On page L–11 you state the following: "In order to slow the rate for U.S. contributions, in October 1971 the United States proposed and the Directing Council approved, an adjusted scale, to be effective in 1973, providing for 70 percent of the budget to be borne equally by members and the remaining 30 percent to be related to capacity to pay." Is this the system that is going to be used this year for providing contributions?

Mr. DePALMA. The Directing Council approved the 70–30 formula for he IARC financial year 1973 which will take effect in our fiscal year 1974. The trend now is in that direction. In fiscal year 1973 the IARC members will pay 63.66 percent of the budget in equal shares and 36.34 percent based on capacity to pay. The U.S. share amounts to 15.89 percent of the total. In fiscal year 1974 the U.S. share will fall to $334,000, or approximately 15 percent of the total if there are 10 members of IARC by that time.

Mr. PASSMAN. How will the remaining 36 percent be allocated to the specific countries?

Mr. DePALMA. In fiscal year 1973 each country will pay a basic contribution of $150,000. The remaining 36.34 percent which is based on capacity to pay is divided as shown in the table below:

	Amount	Percent of total contributions
Country:		
Australia	$23,348	1.1
Belgium	23,348	1.1
Germany, Federal Republic of	93,394	4.4
France	93,394	4.4
Italy	46,696	2.2
Netherlands	23,348	1.1
U.S.S.R.	186,789	8.8
United Kingdom	93,394	4.4
United States	186,789	8.8
Total		36.3

INTERNATIONAL SECRETARIAT FOR VOLUNTEER SERVICE

Mr. PASSMAN. The next program is the International Secretariat for Volunteer Service. Would you provide a table listing the countries contributing to this program, indicating the amount and the percentage of the total contribution?

Mr. DePALMA. The following table lists the countries which contributed to the International Secretariat for Volunteer Service during fiscal year 1970. Data for fiscal year 1971 is incomplete since several contributions from member countries—including the United States—which provides a matching contribution in the amount of 28 percent of other member contributions—are still outstanding.

	Amount	Percent of total		Amount	Percent of total
United States	[1] $69,272	[2] 31.19	Thailand	2,400	1.08
Denmark	21,000	9.45	Chile	3,100	1.4
Germany	27,500	12.38	Liberia	8,050	3.62
Israel	4,000	1.8	Ivory Coast	8,100	3.65
Netherlands	[1] 20,000	9	Sweden	18,300	8.24
Norway	2,500	1.13	Switzerland	17,900	8.06
Philippines	[1] 11,750	5.29	Finland	1,000	.45
Argentina	(1)				
India	7,250	3.26	Total	222,122	100

[1] Also contributes personnel and office facilities for ISVS regional offices.
[2] Percentage exceeds 28-percent limit for fiscal year 1970 only, due to accounting transition from calendar year basis to fiscal year basis. Figures for 2-year period do not exceed 28-percent limit.

U.N. VOLUNTEER PROGRAM

Mr. PASSMAN. Would you please explain what the U.N. volunteers program is and when it was started?

Mr. DEPALMA. On December 7, 1970, the General Assembly adopted, by a vote of 91 to 0 with 12 abstentions, the resolution establishing the U.N. Corps of Volunteers and requested the Secretary General to appoint the Administrator of the UNDP as Administrator of the U.N. volunteer program. The U.N. volunteers were established with effective date of January 1, 1971, and Ambassador and Assad K. Sadri of Iran was appointed coordinator of the U.N. volunteer program within the framework of the UNDP.

The primary purpose of the U.N. volunteers is to program volunteers into technical assistance projects financed by UNDP and the U.N. specialized agencies.

PEACE CORPS HELP

Mr. PASSMAN. You also detailed two Peace Corps staff members to the organization, is that not correct?

Also, who pays the salaries of the two staff members?

Mr. DEPALMA. From time to time Peace Corps has detailed one or more staff members to ISVS. At the present time, our officer, Mr. Ronald Davidson is serving as Special Assistant to the Secretary General of ISVS. His salary is paid by Peace Corps.

Our contribution to the U.N. volunteers is designed to advance a number of U.S. objectives including the following:

(1) To provide UNDP projects with a new manpower source that could help train local personnel, help fill the gap of middle-range personnel in order to extend the ranges of experts work, as well as provide potential recruits for future technical cooperation programs.

(2) To give youth a constructive opportunity to use their talent and skills in the implementation of national development plans and in carrying out programs of international cooperations.

(3) To provide international understanding through an exchange of young people, thus helping to build an international network of professionals with intercultural experience.

(4) To increase public sympathy throughout the world for development work, which could help stimulate increased aid by donor countries and also create a broader public participation in development by youth of the developing countries.

NEW VOLUNTEER PROGRAMS

Mr. PASSMAN. What volunteer programs have you started in the last year and in what countries were they started?

Mr. DEPALMA. I direct your attention to the report of the Coordinator of the U.N. Volunteers to the UNDP Governing Council (January 1972) in which he indicated that formal requests for a total of 116 U.N. Volunteers, to work on UNDP projects, have been received from eight countries (Chad, Iran, Niger, Pakistan, Yemen, Haiti, Jamaica, and Togo). Of these, 54 volunteers are now employed in the field on UNDP projects. The remaining 62 requests are under active recruitment. Additional requests are currently under negotiation.

United Nations Relief and Works Agency

Mr. Passman. The next program is the U.N. Relief and Works Agency, for which the fiscal year 1973 estimate is $14,300,000, the same as last year. In last year's justification you indicated that $13,300,000 would be used in fiscal year 1972. However, in this year's presentation I notice the 1972 figure has been increased by $1 million. Would you please comment on this increase?

Mr. DePalma. In January of this year the Commissioner General of UNRWA sent an aide-memoire to the Arab host governments outlining a program of reductions totaling $1.5 million which he would institute in 1972 in order to bring UNRWA's expenditures in line with its income. We had indications from the field as well as from USUN that the Arabs would strongly oppose any reduction in UNRWA's program. We felt that cuts in UNRWA's program could have an adverse political effect in Jordan and on U.S. relations with Arab governments in the area, at a critical time in our diplomatic efforts to achieve a political settlement in the Middle East. For this reason we decided to reprogram our funds to make an additional $1 million available to UNRWA.

CONTRIBUTING COUNTRIES

Mr. Passman. Please provide a list for the record of the countries contributing to this program, indicating the amount and its percentage.

Mr. DePalma. We have a table showing the contributions of governments to UNRWA for the years 1969, 1970, and 1971 for the record.

(The title follows:)

CONTRIBUTIONS TO UNRWA, 1969-71

	Calendar year 1969		Calendar year 1970		Calendar year 1971[1/]	
	percent[2/]	amount	percent[2/]	amount	percent[2/]	amount
Pledges and contributions by governments:						
Abu Dhabi	0.03	$ 10,000	0.02	$ 10,000	0.02	$ 10,000
Argentina		2,000			0.29	125,000
Australia	.92	364,934	0.49	201,600	0.49	213,014
Austria	.04	15,000	.05	20,000	0.05	20,000
Belgium	.19	74,771	.19	76,650	1.16	506,562
Canada	3.95	1,574,074	3.09	1,261,723	3.09	330,150
Central African Republic		1,800				
Ceylon		800		800	[2/]	1,000
Chile		1,000			[2/]	2,000
China, Republic of	.08	30,000	.07	30,000	.07	30,000
Cyprus		480		240	[2/]	482
Denmark	1.44	572,802	1.58	643,347	1.66	714,612
Finland	.15	60,000	.15	60,000	.35	150,000
France	1.72	682,959	3.39	1,382,913	3.36	1,445,348
Gaza Authorities	.23	93,414	.26	106,020	.21	88,728
Germany, Federal Republic of	7.72	3,073,055	7.37	3,008,931	7.86	3,384,146
Ghana		3,000		3,000	[2/]	3,500
Greece	.04	15,000	.04	16,000	.04	16,000
Holy See (Vatican City)	.03	12,500	.02	7,500	[2/]	2,500
Iceland			.02	9,939	.02	10,000
India	.03	13,333	.03	13,333	.03	13,333
Indonesia			.01	5,268		
Iran	.01	6,000	.04	16,049	.03	13,030
Iraq	.25	100,000	.24	100,000	.23	100,000
Ireland	.13	50,000	.12	50,000	.14	60,000
Israel	2.37	943,103	1.46	593,812	1.05	453,031
Italy	.60	238,619	1.18	481,285	.44	187,921

	Calendar year 1969		Calendar year 1970		Calendar year 1971 1/	
	percent 2/	amount	percent 2/	amount	percent 2/	amount
Jamaica		$ 3,250		$		$
Japan	.13	50,000	.86	350,000	1.28	550,000
Jordan	.38	151,894	.44	176,951	.45	194,608
Kuwait	.55	220,000	.54	220,000	.51	220,000
Lebanon	.13	51,222	.13	51,814	.12	50,811
Liberia	.01	5,500	.01	6,000	.01	5,000
Libya	.25	100,000	.24	100,000		
Luxembourg		3,000		3,000	.01	4,000
Malaysia		1,500		1,500	2/	1,500
Mexico					2/	180
Monaco		204		180	2/	180
Morocco	.10	40,000	.10	39,705	.10	45,083
Netherlands	.28	111,189	.41	166,903	.41	176,471
New Zealand	.17	67,200	.16	67,200	.16	69,172
Niger		450		500	2/	450
Nigeria	.10	5,000	.01	5,000	.01	5,600
Norway	.28	111,810	.45	181,818	.95	409,733
Oman					.02	10,000
Pakistan	.05	20,968	.05	20,969	.05	20,969
Philippines		3,750		1,250		
Qatar	.03	12,000	.03	12,000	.03	12,000
Saudi Arabia	.75	297,778	.73	297,778	.69	297,000
Sierra Leone			.02	6,666		
Singapore		1,000		1,000	2/	1,000
Spain	1.77	704,734	1.73	704,787	1.82	782,513
Sudan				554	2/	2,870
Sweden	5.51	2,194,028	5.38	2,193,081	5.69	2,449,865
Switzerland	2.18	869,086	1.26	513,455	1.37	588,358
Syria	.22	88,642	.23	92,105	.20	88,145
Trinidad & Tobago		1,500		1,500	2/	1,500
Tunisia	.01	4,000	.01	5,000	.01	5,000
Turkey	.03	10,000	.04	15,000	.03	15,000
United Arab Republic		400				

CONTRIBUTIONS TO UNRWA, 1969-71

	Calendar year 1969		Calendar year 1970		Calendar year 1971[1]	
	percent[2]	amount	percent[2]	amount	percent[2]	amount
United Kingdom	11.31	$4,500,000	11.50	$4,692,000	10.45	$4,500,000
United States of America	55.79	22,200,000	54.41	22,200,000	51.56	22,200,000
U.S.A.: portion of vocation training special contribution received in 1970 and 1971			1.35	550,000	3.37	1,450,000
Vietnam, Republic of		3,000		3,000		
Yugoslavia	.05	20,000	.05	20,000	.05	20,000
SUBTOTAL	100.00	$39,791,249	100.00	$40,801,131	100.00	$43,057,134
Contributions to UNRWA/UNESCO Special Appeal, 1971						1,136,707
Contributions by private and international agencies direct to UNRWA		1,773,160		1,508,573		(international agencies) 2,068,204
						(private contributions) 969,638
TOTAL		$41,564,409		$42,309,704		$47,231,683

1/ Estimated in UNRWA accounts, December 31, 1971
2/. No percentage shown for amounts of less than 0.01.

PUBLIC LAW 480 COMMODITIES

Mr. PASSMAN. In addition to the fiscal year 1973 request, how much will the United States provide in Public Law 480 commodities?

Mr. DE PALMA. The United States will provide commodities valued at $8.9 million to the Agency in fiscal year 1973, the same commodity amount it has contributed for several years.

ARAB REFUGEES

Mr. PASSMAN. What are the total Arab refugees presently being handled by this Agency and are all these refugees a result of the 1948–49 Arab-Israeli conflict or are some a result of the 1967 war?

Mr. DE PALMA. At the end of 1971 the refugee population registered with UNRWA numbered approximately 1,487,096—of whom 829,-919 were receiving rations from UNRWA—distributed as follows: East Bank of Jordan, 542,549; Israeli-occupied West Bank of Jordan, 275,414; Israeli-occupied Gaza Strip, 321,270; Lebanon, 181,764; and Syria, 166,099. All of these people are refugees of the 1948–49 Arab-Israeli war or their descendants. UNRWA provides food, housing, schooling, and health services to most of this number—some 200,000 of those registered either receive limited UNRWA assistance or no assistance from UNRWA. In addition, at the request of the United Nation General Assembly, UNRWA is providing limited assistance to about 200,000 persons displaced by the June 1967 Arab-Israeli war who are not registered refugees. Most of these people are located in east Jordan.

GUERRILLA AND TERRORIST GROUPS

Mr. PASSMAN. Many complaints have been leveled against the United Nations Relief and Works Agency about the failure to carry out some of its basic purpose and allowing the guerrilla and terrorist groups to use UNRWA camps. Would you please comment on this situation?

Mr. DE PALMA. We have received from the Commissioner General of UNRWA a statement that he believes that the Agency is taking all measures possible in the circumstances which exist in the area of its operations to insure that all of the funds contributed to UNRWA for assistance to the Palestine refugees are used for that purpose, in accordance with the mandate of UNRWA from the United Nations General Assembly. This information appears on page 2287. In Jordan, King Hussein has had remarkable success in 1970 and 1971 in breaking the hold of the fedayeen over large sections of his country. In Lebanon, as a result of recent Israeli incursions, the Government of Lebanon is taking vigorous measures to counter the fedayeen activities in southern Lebanon, measures very much in the interests of political stability in the area. In sum, the area is more quiescent than it was a few years ago, and UNRWA has been able to assure that its assistance only goes to registered refugees in need.

TERMINATION OF PROGRAM

Mr. PASSMAN. Do you have any indication at this point that this program will ever terminate?

Mr. DePALMA. When UNRWA was set up in 1949, it was everybody's hope that the rapid settlement of the refugee problem would soon render the Agency superfluous. That the Agency is still very much in being 23 years later makes your question a particularly germane one. Experience during these 23 years has shown that any plan designed to resolve the basic problem of the Palestine refugees will be difficult if not impossible to implement except as part of an overall political settlement of the Arab-Israeli dispute. The interrelationship of the various elements of a Middle East peace settlement, including the just settlement of the refugee problem, was recognized in United Nations Security Council Resolution 242 of November 22, 1967. Our continuing strong support of UNRWA is in line with our efforts to achieve a peaceful and lasting settlement in the Middle East. We would envisage the dissolution of UNRWA in the context of an overall political settlement in the Middle East.

VOCATIONAL TRAINING PROGRAM

Mr. PASSMAN. As you well know, last year the Foreign Assistance Act of 1971 authorized $1 million to be used for the UNRWA Arab refugee vocational training program for fiscal years 1972 and 1973. Last year no budget estimate was received from the executive branch for this $1 million. Would you please comment on the need for this additional funds for the vocational training program?

Mr. DePALMA. As you know, at the initiative of the late Congressman Fulton, the United States made special contributions to UNRWA of $1 million each in fiscal year 1970 and 1971 for technical and vocational training of Arab refugees, as authorized by Congress. Similar amounts were authorized for fiscal years 1972 and 1973 but have not been appropriated. Since this was a congressional initiative we had anticipated that the funds would be added by the Congress. There seems to be little doubt that UNRWA can use additional funds for vocational training. Had the United States made a special contribution of $1 million in fiscal year 1972 funds for vocational training, the Agency intended to propose that it be used to finance (1) the 1972–73 operating costs of the Amman Training Center ($375,000); (2) part of the 1972–73 operating costs of the Gaza Vocational Training Center ($175,000); (3) operating and capital costs at Kalandia Training Center in the West Bank ($275,000); and (4) other projects in education and training for the school years 1972–73 or 1973 ($175,000). The number of students currently enrolled in three training centers affected by the reduction in our contribution for vocational training is 1,230. As many as 1,500 more refugees may be affected if the Agency is unable to finance the other projects (item 4 above), including adult craft training courses, and training outside UNRWA centers for nurses, handicapped children, and university students.

Mr. PASSMAN. Is it your desire in fiscal year 1973 to receive $1 million for this program?

Mr. DePALMA. We would urge Congress to appropriate $2 million as a special contribution for UNRWA's expanded vocational and technical training programs, the amount authorized for this purpose in fiscal year 1972 and fiscal year 1973. As I indicated above, the 1972 contribution was not appropriated. This amount would enable UNRWA to maintain intact its full vocational training program.

Mr. PASSMAN. Dr. Long would you please preside?

Mr. LONG. Glad to do it, Mr. Chairman. I yield to the gentleman from Kansas.

UNDP PROJECTS IN COMMUNIST COUNTRIES

Mr. SHRIVER. Thank you, Mr. Chairman.

In what Communist countries does the UNDP operate?

Mr. DEPALMA. All except the Soviet Union, the Byelorussia, S.S.R., and the Ukrainian S.S.R.

Mr. SHRIVER. Does UNDP fund programs in all countries except those you mentioned?

Mr. DEPALMA. That is right.

Mr. SHRIVER. Take one—Bulgaria. What currently is being funded there out of the UNDP?

Mr. DEPALMA. Do you have that?

Mr. SHRIVER. How can we judge anything unless we have information on these projects?

Mr. DEPALMA. Mr. Chairman, there are a total of 4,000-some projects.

Mr. SHRIVER. There are in AID, too, but we have that information available to us. We have 17 pages here of justifications for $167 million.

Mr. DEPALMA. I will supply the information. I am just saying we cannot possibly carry information on 4,000-odd projects with us.

Mr. SHRIVER. The AID agency does.

Mr. DEPALMA. I don't know how.

Mr. SHRIVER. Find out information about any project they have.

Mr. DEPALMA. I will be glad to supply this. We will get it for you.

Mr. SHRIVER. What is another Communist country?

Mr. DEPALMA. Albania. Bulgaria, Czechoslovakia, Hungary.

Mr. SHRIVER. Do projects that we participate in funding, when we participate, contribute to the UNDP in that country?

Mr. DEPALMA. Yes, sir.

Mr. SHRIVER. Supply that information.

(The information follows:)

LARGE-SCALE UNDP PROJECTS IN COMMUNIST COUNTRIES

Project	Agency	Approved by governing council	Project duration (years)	Project costs (U.S. dollar equivalent)		
				Total	Governing council earmarkings [1]	Government counterpart contribution [1]
Bulgaria:						
Management Training Center for Engineers and Economists, Sofia.	110	June 1966	4	5,159,100	[2] 1,956,100	[2] 3,203,000
Central Institute of Public Health, Sofia.	WHO	January 1968	4	9,818,400	1,272,400	8,546,000
Assistance to the Nikola Poushkarov Institute of Soil Science	FAP	June 1969	5	9,313,000	1,041,000	8,272,000
Research Institute for Instrument Design, Sofia.	UNIDO	January 1971	1½	848,100	298,100	550,000

See footnotes at end of table.

LARGE-SCALE UNDP PROJECTS IN COMMUNIST COUNTRIES—Continued

Project	Agency	Approved by governing council	Project duration (years)	Project costs (U.S. dollar equivalent)		
				Total	Governing council earmarkings [1]	Government counterpart contribution [1]
Cuba:						
Central Agricultural Experimental Station, Santiago de las Vegas.	FAO	May 1961 November 1969*	5	3,035,600	1,157,600	1,878,000
Faculty of technology, University of Havana.	UNESCO	Jaduary 1966	5	25,646,500	2,096,500	23,550,000
Forestry Research and Training Center.	FAO	January 1969	5	2,626,800	992,800	1,634,000
Faculty of science, University of Havana.	UNESCO	January 1970	4	4,942,200	1,382,200	3,560,000
Expansion and improvement of the meteorological service.	WMO	June 1970	4	3,537,900	1,549,900	1,988,000
Fishery development	FAO	January 1971	2	1,985,400	905,400	1,080,000
Strengthening the National Institute of Hygiene, Epidemiology, and Microbiology.	WHO	do	4	2,749,200	707,200	2,042,000
Research Center for Industrialization of Bagasse.	UNIDO	January 1972	1	607,400	198,400	409,000
Czechoslovakia:						
Computing Research Center, Bratislava.	UN	January 1967	5	6,577,600	1,244,600	5,333,000
Federal Research and Development Center for Environmental Pollution Control.	WHO	January 1970	5	10,942,800	1,074,800	9,868,000
Hungary:						
Management Training Center, Budapest.	ILO	June 1967 May 1971*	3	5,929,800	1,439,800	4,490,000
Irrigated agriculture in the Tisza River Valley.	FAO	June 1969	1½	550,900	300,900	250,000
Do	FAO	January 1971	1¾	7,592,000	904,000	6,688,000
Mongolia:						
Polytechnic Institute, Ulan-Bator.	UNESCO	June 1966	5	13,655,300	1,855,300	11,800,000
National Industrial Vocational Training Scheme.	ILO	January 1968	4	7,529,300	968,300	6,561,000
Expansion of meteorological and hydrological services.	WMO	do	5	3,661,100	1,039,100	2,622,000
Agricultural vocational training	FAO	June 1968	4	8,398,600	1,185,600	7,213,000
Applied Research and Experimental Center for the Leather and Leather Goods Industry, Ulan Bator.	UNIDO	January 1970	3	2,743,500	957,500	1,786,000
Establishment of a computer center.	UN	January 1971	2½	1,941,200	1,065,200	876,000
Experimental and demonstration plant for processing goat and camel hair in Ulan Bator.	UNIDO	June 1971	3	2,758,200	1,008,200	1,750,000
Brucella vaccine production, Songino.	WHO	do	5	1,476,500	648,500	828,000
Experimental and demonstration plant for the utilization of scrap leather.	UNIDO	January 1972	3	1,924,400	824,400	1,100,000
Poland:						
Training, managerial specialist, and supervisory personnel.	ILO	May 1959 December 1965*	4	3,317,000	[2] 817,000	2,500,00
Research and extension services for food production, processing, and utilization.	FAO	January 1962 May 1969*	5½	4,651,500	1,020,500	3,631,000
Protection of River waters against Pollution	WHO	June 1965	5	3,319,200	1,381,200	1,938,000
Subsurface exploration for potassium salts.	UN	January 1966 September 1970*	2	2,377,300	971,300	1,406,000
Highseas fisheries research Project.	FAO	June 1967	4	13,395,600	1,228,600	12,167,000
Planning the comprehensive development of the Vistula River system.	UN	June 1968	2	3,429,500	968,500	2,461,000
Determination of pesticide residues in agricultural production.	FAO	January 1971	2	2,338,900	630,900	1,708,000
Environmental Pollution Abatement Center, Katowice.	WHO	January 1972	5	5,680,000	1,455,000	4,225,000

See footnotes at end of table.

LARGE-SCALE UNDP PROJECTS IN COMMUNIST COUNTRIES—Continued

Project	Agency	Approved by governing council	Project duration (years)	Project costs (U.S. dollar equivalent)		
				Total	Governing council earmarkings [1]	Government counterpart contribution [1]
Romania:						
Establishment and operation of pilot irrigation stations in the Danube Plain.	FAO	January 1965	5¼	11,139,500	[2] 1,588,500	[2] 9,551,000
Management Development Center, Bucharest.	ILO	January 1967	9	6,918,600	[3] 2,202,600	[3] 4,716,000
Plant breeding and seed production, Fundulea.	FAO	January 1968	4	7,177,200	1,377,200	5,800,000
Polytechnic Institute, Bucharest.	UNESCO	June 1968	4	3,679,000	962,000	2,717,000
Assistance in water pollution control at the Institute of Hydro-Technical Research.	WHO	January 1970	1	1,116,800	283,800	833,000
Development of tourism	ILO	June 1971	4	5,288,800	1,243,800	4,045,000
Assistance in water and air pollution control (phase II).	WHO	do	3	5,811,100	981,100	4,830,000
Yugoslavia:						
Instructor Training Centers	ILO	May 1959 (October 1963)*	4	7,453,487	[2] 985,987	6,467,500
Pilot land reclamation project on the Lower Neretva	FAO	December 1960	7½	3,932,100	1,037,100	2,895,000
Nuclear research and training in agriculture	IAEA	May 1962 (December 1966)*	3	1,752,400	[2] 546,400	1,206,000
Skopje urban plan	UN	June 1964 (June 1966)*	1	4,847,400	[2] 1,475,400	3,372,000
Training Center for Building Construction Personnel, Skopje	ILO	June 1964 (October 1967)*	3	1,146,600	[2] 485,600	661,000
Studies on the regulation and control of the Vardar River	UN	June 1965 (July 1969)*	2½	6,102,300	1,479,300	4,623,000
Regulation and management of the Sava River	UN	June 1966 (December 1970)*	2	1,571,800	1,061,800	510,000
Physical development plan for the south Adriatic region	UN	January 1967 (November 1970)*	3½	2,979,400	1,114,400	1,865,000
Land reclamation and development in the Save River Basin	FAO	June 1968	3½	1,655,000	600,000	1,055,000
Development of forestry and forest industries	FAO	January 1969	3	2,314,200	983,200	1,331,000
Center for Industrial Organization and Development	UNIDO	January 1970	3	2,357,100	932,100	1,425,000
Physical development plan for the northern Adriatic region	UN	June 1970	2	2,961,300	394,300	2,567,000
Development of an agricultural food complex in the Bosanska-Krajina region	FAO	June 1971	2	1,874,800	729,800	1,145,000

*Date of completion of fieldwork.

[1] The value of the Governments counterpart contribution is an estimate. The Governments cash payments toward local operating costs are included under "Governing Council Earmarkings" and not under "Government counterpart contribution".

[2] For Bulgaria—Includes supplementary earmarkings of $399,600 and additional Government counterpart contributions of $203,000 approved by the Governing Council at its June 1968 session.
For Poland—Represents final earmarking.
For Romania—Includes supplementary earmarkings of $435,200 and additional Government counterpart contribution of $2,261,000 approved by the Governing Council at its January 1970 session.
For Yugoslavia—Represents final earmarking.

[3] Includes supplementary earmarkings of $320,100 and additional Government counterpart contributions of $1,598,000 approved by the Governing Council at its June 1970 session.

Mr. SHRIVER. How soon will we get the information?

Mr. DEPALMA. We can have it within a day or so.

Mr. SHRIVER. Put in representative projects for all of them.

Mr. DEPALMA. Fine.

Mr. SHRIVER. While we are talking about that, we are faced with an erosion of our control, congressional control, on how money is spent by these international organizations, such as the one you are testifying in behalf of today.

You are asking for almost $187 million for these programs. You have presented us with 17 pages of narrative description of what you might do with the money. If you were sitting on this side of the table,

would you consider those 17 pages in the justifications book adequate information for spending $187 million of taxpayers' money?

Mr. DePALMA. No, sir. I would hope that the record, when you get through, will provide the information you want and need.

OTHER DONORS TO UNDP

Mr. SHRIVER. You point out on page 2 of your statement that the contributions of other governments to the UNDP have increased at a rate of more than twice that of the U.S. contributions. That would indicate that the rates of contributions of other governments are not tied to whatever this committee and the Congress might appropriate this year, or what we have appropriated in the past, would it not?

Mr. DePALMA. They have certainly not been tied in recent years.

Mr. SHRIVER. Are others not going to stop if we have to cut back on our contributions because of domestic needs?

Mr. DePALMA. They have not. No.

Mr. SHRIVER. You mention the Jackson study of the UNDP, and there is a discussion of actions taken on the study recommendations on page L-4 of the justifications. Would you tell us briefly, and insert a more extensive report for the record, the status of the actions taken in response to the Jackson study and something about the study?

Mr. DePALMA. Yes, sir. I just agreed at the chairman's request to do that. We have a list and he wanted a slight elaboration of that.

Mr. SHRIVER. Thank you.

UNDP DELINQUENT MEMBERS

Have you put in the record the delinquent members?

Mr. DePALMA. Not yet. We will be glad to do that.

As of December 31, 1971, contributions were outstanding from 21 countries in the total amount of $6,558,598. We shall be happy to provide a list for the record.

(The information follows:)

Balance due Dec. 31, 1971

Country:	
Bolivia	$120,000
Brazil	1,150,000
Bulgaria	27,490
Chad	2,000
Dahomey	119,324
Ecuador	222,598
Honduras	3,500
Iraq	440,000
Italy	3,500,000
Liberia	53,850
Mali	174,369
Mauritania	3,561
Mongolia	12,000
Nicaragua	56,000
Peru	79,840
Senegal	174,065
Sierra Leone	50,000
Sudan	330,000
Uganda	3,501
Uruguay	34,500
Yemen	2,000

UNRWA ASSISTANCE TO ARAB REFUGEES

Mr. SHRIVER. What is the status of the United Nations refugee camps? Is that under your jurisdiction?

Mr. DEPALMA. No, sir.

Mr. SHRIVER. To whom would I inquire about that, including the Arab refugee camps?

Mr. DEPALMA. UNRWA. That is part of our program; yes..

Mr. SHRIVER. How many refugees are in those Arab camps over and near Jerusalem and Bethlehem?

Mr DEPALMA. As of now, the total coming under UNRWA's purview is 1,468,000, of which 834,000 receive direct assistance from UNRWA.

Mr. SHRIVER. Are they in any need of additional funds?

Mr. DEPALMA. Yes, sir. UNRWA is estimating it is going to be $2 or $3 million short this year.

Mr. SHRIVER. Why is that?

Mr. DEPALMA. Because costs are going up the number of children to be educated is going up. Contributions——

Mr. SHRIVER. What do we contribute to that? What is requested for this program?

Mr. DEPALMA. $14.3 million plus $8.9 million, Public Law 480 commodities.

Mr. SHRIVER. What percentage of the total would that be?

Mr DEPALMA. About 51½ percent.

Mr. SHRIVER. Other countries are not contributing. You said a little while ago we contribute 31 percent to UNDP?

Mr. DEPALMA. That is correct.

Mr. SHRIVER. Are they not contributing as well to the refugee program?

Mr. DEPALMA. They are not. We have been complaining for years and have been trying to get others to contribute more.

Mr. SHRIVER. What would happen if the Congress didn't make up the deficit that I mentioned?

Mr. DEPALMA. I think what would happen would be that there would be greater unrest in the area. We are apt to have more guerrilla incidents and problems of the kind that we are trying to keep down so that we can keep after the political settlement without these complications.

Mr. SHRIVER. Will there be a request for greater contribution on our part? We are putting large sums over into Asia.

Mr. DEPALMA. I think we have——

Mr. SHRIVER. To Pakistan.

Mr. DEPALMA. I think we have made it quite clear to UNRWA and all other countries that we are doing our share and its is up to them to do more.

REFUGEES FROM SOUTH AFRICA

Mr. SHRIVER. You are not requesting any funds for programs involving people in South Africa and refugees from South Africa?

Mr. DEPALMA. No, sir.

Mr. SHRIVER. Do you know if there is an AID bilateral education program for such people?

Mr. FURMAN. There may have been some money this year. I don't believe any funds are requested for 1973.

Mr. SHRIVER. Verify that for the record.

Mr. FURMAN. Yes, sir.

(The information follows:)

In fiscal year 1972, $300,000 has been programed out of supporting assistance funds for the education of southern African refugees. This amount is expected to be sufficient to cover costs through fiscal year 1973. The Office of Refugee and Migration Affairs of the Department of State will request funds for the administration of this program in fiscal year 1974. Under this program approximately 125 African refugees from South Africa, the Portuguese territories, Rhodesia, and South-West Africa are supported at the secondary level in Zambia and at higher levels elsewhere in Africa.

U.N. FUND FOR DRUG ABUSE CONTROL

Mr. SHRIVER. Would you tell us what the accomplishments are so far as a result of the United Nations funds for drug abuse control?

Mr. DEPALMA. The fund itself is very new and the major accomplishment so far is a program which has just been agreed to by the Government of Thailand. It involves a $2 million contribution from the U.N. drug fund and $5 million put in by the Government of Thailand. This is primarily to work out a balanced program for ending the cultivation of opium poppies there and substitute other crops. Other programs provide training for customs and other officials to detect illicit traffic and rehabilitation of addicts. That is the major project. There are a number of smaller ones.

Mr. SHRIVER. Thailand itself?

Mr. DEPALMA. Thailand itself.

Mr. SHRIVER. Not in that triangle? Laos and golden triangle?

Mr. DEPALMA. It is the Thai component of that triangle, obviously. There is work underway now.

Mr. SHRIVER. This is the only——

Mr. DEPALMA. This is the major one. There are smaller training projects. It is just now beginning to formulate projects. This is the first substantial one.

DEVELOPMENT PLANNING BY UNDP

Mr. SHRIVER. We mentioned a while ago the Jackson study, and in regard to that study you say each recipient country is now given an indicative planning figure which indicates to them the level of assistance they can expect from the UNDP for a 5-year period. We appropriate here on an annual basis, so would you tell us how we can make 5-year predictions on the basis of our 1-year appropriation?

Mr. DEPALMA. This is a problem, obviously, that the UNDP faces. It is very difficult to carry out a development program on a year-by-year basis. Plans have to be made years in advance. Governments have to have development plans. This is merely a way to indicate, to suggest to them what might be available over a 5-year period. It is not a commitment; it is a projection of what the UNDP hopes to have available for programs in that country during that period.

Mr. SHRIVER. What did you say the reserve is now?

Mr. DEPALMA. At this point it is down to——

Mr. SHRIVER. End of the year, December.

Mr. DEPALMA. $284 milion. It will be susbtantially depleted as of early 1974, except for reserve funds of $150 million which they feel they have to keep.

Mr. SHRIVER. When it is all gone, will you need increased contributions from the United States and other contributors at this program level?

Mr. DEPALMA. Yes, sir. The UNDP is assuming there will be an increased level of contributions to maintain that program level. I think they are projecting an increase of some 9.6 percent per year.

Mr. SHRIVER. You say under the reform of the UNDP some countries have for the first time been forced to focus on overall development priorities. Which countries are you referring to?

Mr. DEPALMA. For example, in January of this year, 19 countries were ready with development plans which are the center for the UNDP program. There are UNDP country programs for those 19 countries. We are no longer funding individual projects but projects which fit into a development plan. By June of this year they will have 18 more country plans. Eventually there will be a country plan for each recipient country.

Mr. SHRIVER. What are those 19 countries?

Mr. DEPALMA. I have them here. I will be glad to submit them for the record.

(The information follows:)

COUNTRY PROGRAMS APPROVED BY THE UNDP GOVERNING COUNCIL, JANUARY 1972

Algeria, Bulgaria, Chad, Colombia, Cyprus, Fiji, Ghana, Hungary, Kenya, Laos, Lesotho, Malaysia, Mauritius, Panama, Philippines, Tanzania, Togo, Venezuela, and Zaire.

(Detailed list follows:)

UNITED NATIONS DEVELOPMENT PROGRAM

COUNTRY PROGRAMS IN BRIEF

UNDP has earmarked more than $69 million for development activities in the first 19 countries to be programed under a new integrated planning system. Large-scale projects with estimated UNDP contributions of $200,000 upward are listed below. Those marked with an asterisk are scheduled to begin in 1972. The program period and overall amount of UNDP assistance (indicative planning figures) are given in parentheses after the name of each country.

27 March 1972

UNDP COUNTRY PROGRAMMES IN BRIEF

ALGERIA (1972-1973 -- $20 million)

Agriculture: Fisheries development ($616,000)* ; development of cereal crops ($600,000)*.
Industry: Assistence to the industrial sector ($1.1 million)*.
Infrastructure: Telecommunications Institute ($631,000)*; shipping ($425,000)*.
Human Resources: Institute of Health Technology ($878,000)*.

BULGARIA (1972-1976 -- $7.5 million)

Agriculture: Biological testing of mixed fodder ($1 million); National Centre for Plant Introduction ($350,000); Institute of Soil Science ($200,000).
Industry: Research Institute for Shipbuilding ($1.3 million)*; Research for Instrument Design ($605,000)*; Research Institute of Packaging ($469,000)*; development of international tourism ($450,000)*.
Infrastructure: Centre for Technological Information ($1 million).

CHAD (1972-1976 -- $7 million)

Agriculture: Rural water supply ($878,500)*.
Industry: Feasibilty study of mining resources ($472,800); specialized studies on industrial activities ($250,000)*.

COLOMBIA (1972-1976 -- $20 million)

Agriculture: Fisheries development $547,600); river basin development ($328,000); zonal development, Choco ($280,000)*.
Industry: Export assistance ($610,000); quality control ($558,000)*; Metallurgical Development Centre ($410,000); wood processing ($365,000); iron and steel processing ($250,000)*.
Infrastructure: Strengthening public administration ($639,000)*; generaland financial administration ($563,900)*; transport survey ($390,000)*.
Human Resources: Training and upgrading of supervisory personnel ($710,000)*; business advisory services ($658,000); basic education for rural development ($574,800)*; educational administration ar planning ($339,500)*; vocational and technical education $339,400); socio-educational research ($280,000)*; science and technology ($273,200).
Natural Resources: Mineral surveys ($3.12 million)*.
Health: Administrative development ($429,500)*; restructuring of public health services ($221,000)*.

CYPRUS (1972-1976 -- $5 million)

Agriculture: Strengthening of veterinary services ($371,000)*.
Industry: Industrial research and development ($700,000)*.
Human Resources: Hotel and Catering Institute ($209,000)*.

FIJI (1972-1975 -- $5 million)

Agriculture: Forestry development ($225,000).
Infrastructure: Training and upgrading of building industry operatives ($295,600)*; marine development ($277,000)*; Central Planning Office:Manpower Resources Council ($228,000)*.

GHANA (1972-1976 -- $15 million)

Agriculture: Development and utilization of forestry resources ($737,000)*; agricultural development planning ($597,000)*; livestock development ($539,000)*; fruit and vegetable cultivation ($480,000); fisheries development ($363,000)*.
Industry: Assistance to the Ghana Industrial Holding Corporation ($1.4 million)*.
Infrastructure: Rural water supply ($800,000)*; maritime organization and training ($204,000)*.
Human Resources: Vocational training ($988,000)*; Management Development and Productivity Centre ($556,000)*.

HUNGARY (1972-1976 -- $7.5 million)

Agriculture: Fisheries development ($470,000).
Industry: Radiation for sterilization ($574,000)*.
Infrastructure: Regional development planning ($263,500)*.
Human Resources: International Computer Centre ($1.96 million); audio-visual media and methodology ($925,000)*.
Natural Resources: Water quality management ($890,000)*.
Research Development: Biological Research Centre ($1.25 million)*.

KENYA (1972-1974 -- $15 million)

Agriculture: Wildlife management ($1.35 million)*; beef industry development ($1.2 million)*; horticultural crop development ($475,000)*.
Human Resources: Engineering Design Development Centre ($1.2 million)*; development of small-sclae entrepreneurship and basic management training ($806,000)*; vocational training ($784,000)*.
Natural Resources: Geothermal exploration ($1.16 million)*.

LAOS (1972-1974 -- $3 million)

Infrastructure: Telecommunications Training Centre ($460,000)*; training of government administrative personnel ($225,000)*.
Human Resources: Secondary school teacher training ($600,000)*; vocational training ($400,000).

LESOTHO (1972-1976 -- $7.5 million)

Agriculture: Agricultural extension ($545,000)*; agricultural planning and marketing ($215,000)*.
Human Resources: Assistance to National Teacher Training College ($721,000).

MALAYSIA (1972-1976 -- $15 million)

Agriculture: Forestry training ($770,000)*; forest industry feasibility studies ($700,000); crop protection ($466,000); livestock development ($270,000).
Industry: Establishment of a foundry, tool, die and mould-making centre ($1.1 million); small-scale industry expansion ($543,000)*; industrial development studies ($400,000).
Human Resources: National Electricity Board Training Institute ($905,000); executive development training ($400,000)*; maritime and nautical training ($318,100); science curriculum development ($305,200)*; educational media training ($278,600); National Curriculum Centre ($255,900); polytechnical education ($248,900)*.
Infrastructure: Statistics ($744,600)*; coordination of regional planning studies ($497,000)*; sewerage planning($325,300)*; housing and urban development ($229,200)6.

MAURITIUS (1972-1975 -- $5 million)

Industry: Project formulation and evaluation ($240,000)*; Industrial Standards Bureau ($200,000)*.
Health: Environmental and occupational health ($285,000); nutrition education ($257,500).
Education: Establishment of Institute of Education ($400.000)*.

PANAMA (1972-1976 -- $7.5 million)

Infrastructure: Civil aviation ($442,000)*; agriculture marketing ($340,000)*; transport planning ($300,000)*.
Human Resources: Vocational training ($770,000)*; science teaching ($480,000); strengthening Institute of Educational Administration and Supervision ($207,000)*.
Natural Resources: Fisheries development ($613,000)*; forestry development ($360,000); land and soil surveys ($300,000); pasture and forage development ($240,000).

PHILIPPINES (1972-1976 -- $20 million)

Agriculture: Forest research and management ($890,500)*; fisheries training ($699,000)*; agrarian reform ($691,000)*; water resources development ($503,500).
Industry: Assistance to the Board of Investments ($250,000)*.
Infrastructure: Road and highway network feasibility studies ($1.5 million)*; metropolitan strategic planning ($625,500); port development ($480,000)*; water quality and management studies ($425,000)*; extended assistance to Institute of Planning ($299,600)*; regional development study ($297,500); water supply [illegible] ($200,000)*.

PHILIPPINES (cont'd)

Natural Resources: Vocational and pre-vocational training ($946,500)*; engineering training ($550,000); workers' education and industrial relations ($275,000).

TANZANIA (1972-1976 -- $15 million)

Industry: Industrial Studies and Development Centre ($650,260)*; assistance to the National Development Corporation ($207,000)*.
Infrastructure: Assistance to the Rural Development Bank ($595,000)*; pre-investment studies on regional and tinfield development uses of radio in education ($500,000)*; industrial strategy ($334,700)*.
Human Resources: National Institute for Productivity ($688,400)*; geology training ($210,000)*.
Natural Resources: Fisheries development ($602,000)*; game cropping ($365,000)*.

TOGO (1972-1976 -- $10 million)

Agriculture: Development of northern Togo ($1.75 million)*; assistance in formulating and implementing rural development programmes and projects ($934,000)*; development of forest resources ($560,000)*.
Infrastructure: Building Construction Centre ($622,000)*; economic and social planning ($350,000).
Human Resources: Teacher training ($1.2 million)*; basic health services ($422,000)*.
Natural Resources: Mineral surveys ($293,000)*.

VENEZUELA (1972-1976 -- $8.55 million)

Agriculture: Forestry development ($340,000)*.
Industry: Industrial engineering education ($410,000)*; marketing ($240,000)*.
Infrastructure: Administrative reform ($600,000)*; postal and telegraphic administration ($505,000)*; state enterprises ($480,000)*.
Health: National Institute of Hygiene ($565,000)*; health care facilities ($477,000)*; environmental research ($280,000)*.

ZAIRE (1972-1976 -- $20 million)

Agriculture: Agricultural planning and project evaluation ($1.56 million)*; agricultural education and extension ($416,000)*; poultry development ($405,000)*; livestock development ($380,000)*; rural development ($350,000).
Industry: Assistance to Industrial Research Centre ($750,000)*.
Human Resources: Labour administration ($840,000)*; manpower study ($745,000)*.
Education: Teacher training ($1.74 million)*; training for primary school administration ($400,000)*.

Mr. DePALMA. This indicates the general nature of the projects, too.

Mr. SHRIVER. Submit that for the record. Some of them are Communist countries?

Mr. DePALMA. Out of this list, two I believe are.

Mr. SHRIVER. Have you put in the record the table showing the U.S. contribution to each of these activities for the last 3 years, and the percentage of the total contribution represented by the U.S. funds?

Mr. DePALMA. We agreed to.

FRENCH CONTRIBUTIONS TO U.N. FUND FOR DRUG ABUSE CONTROL

Mr. SHRIVER. How much is France contributing to the U.N. Fund for Drug Abuse Control?

Mr. DePALMA. It is a very modest sum; $100,000 so far.

Mr. SHRIVER. You don't know how much they are making off the illicit traffic?

Mr. DePALMA. Some Frenchmen are obviously making a lot.

INTERNATIONAL ATOMIC ENERGY AGENCY

Mr. SHRIVER. You discussed the International Atomic Energy Agency in your statement. A special panel issued a report on this agency to the Secretary of State on February 4, 1972. Among the report's recommendations was one to give more attention to the qualifications of the prospective personnel rather than to national quotas. The report goes on to say there should be more Americans on board.

These two recommendations appear to conflict, but would you comment on them?

Mr. DePALMA. Well, they do conflict. It is a problem we have in every agency. The agencies are forced to observe a requirement to hire with due regard to geographic distribution as well as competence. As a result, I think we all agree the quality of personnel sometimes suffers. Quite apart from that, we have an interest in getting more Americans into these organizations and this is a constant preoccupation. We are working at it all the time.

We have a relatively low percentage in most of these agencies, certainly as compared to our contribution. The reasons for that are also very complicated. The main reason is it is very difficult to persuade Americans to go and work abroad in these agencies at the prevailing salaries. We have a constant recruitment program but we are always lagging behind the percentage we think we ought to have.

Mr. LONG. Your personnel have more sense than the agencies. If the agencies would have sense to stay home, we would cut down on the whole program.

Mr. SHRIVER. You are familiar with that report?

Mr. DePALMA. Yes, sir.

Mr. SHRIVER. You might place in the record any other responses that you have on the recommendations of that report.

Mr. DePALMA. Yes, sir.

(The information follows:)

REPORT OF THE IAEA REVIEW PANEL

The Secretary of State, transmitting to Senator Fulbright and a number of members of Congress the report of the International Atomic Energy Agency (IAEA) Review Panel, wrote that "we believe it is a conscientious and hard-headed appraisal of U.S. interests in the Agency and how they should be pursued, which I fully endorse." We would like to repeat now our endorsement of this report.

At this time, I would like in particular to direct your attention to the basic conclusion of the Panel:

"The activities of the International Atomic Energy Agency are of vital importance to the security and well-being of all the nations of the world. The Agency's responsibilities include simultaneously (a) the implementation of a successful non-proliferation safeguards program to deter the diversion of nuclear material from peaceful uses to the development of atomic weapons, and (b) the dissemination of the peaceful benefits of atomic energy to all nations. These two aspects of the Agency's programs are complementary and mutually reinforcing and must be kept in reasonable balance."

Putting this conclusion in a different perspective, the Panel also wrote:

"The services provided by the Agency have been of significant benefit to substantially all of the member nations, the highly developed countries as well as the developing countries. It is important that this diversification and balance of services, centered around the development and exploitation of the peaceful benefits of atomic energy, be maintained."

It is the maintenance of a balance in the Agency's program responsibilities, the assurance of a diversification of services, with which we are in large part concerned in this appropriation. The voluntary contributions which we are discussing here finance the programs—technical assistance and fellowships, primarily—of greatest interest to the developing countries. These programs provide much of the balance to those areas of more interest to the United States and other countries with highly developed nuclear programs—safeguards over nuclear materials, exchange of information, scientific meetings, and health and safety. Safeguarding of nuclear material is the Agency's activity of most importance to us. If we are to seek to assure that this important experiment in international policing is successful, we must be certain that the IAEA does not become primarily a "policing" Agency, but that it maintains a healthy and effective total program by dividing its eneriges equally between policing and programs whch, in the words of the Agency's statute, "seek to accelerate and enlarge the contribution of atomic energy to peace, health, and prosperity."

The panel made several other specific conclusions which are receiving our fullest attention and which may be of interest to the committee. With regard to information exchange, we supported a decision in the Agency's Board of Governors in February to go to full subject scope immediately in the IAEA's International Nuclear Information System, and the Agency is now implementing this decision.

We have encouraged the Agency to expand its health and safety program, which is important both to the developed and developing countries, and the Agency's program for 1973 provides for increased activity in this area. Of particular interest to us and other nations is the issue of international disposal of nuclear waste, to which we are directing the Agency's urgent attention.

In the research area, which work the IAEA Panel also endorsed, we are strongly supporting a survey just begun by the Agency of the market in the developing countries for small and medium power reactors. If the survey demonstrates that such a market exists, new and attractive export possibilities will be open for those manufacturers of nuclear equipment, including American, who wish to take advantage of them.

Mr. SHRIVER. You justified the $200,000 increase for the Atomic Energy Agency by saying the money will be used for projects and programs of particular value or interest to the United States. That is not very clear. What types of projects and programs would these be?

Mr. DEPALMA. These are for part of our contribution for the voluntary program. About half of it is for fellowships, training seminars,

activities of that kind, conducted by the International Atomic Energy Commission. These are selected by us in countries where we have an interest and we think that they not only serve the general principles of the agency, which is to help develop peaceful uses of atomic energy, but also serve our own immediate interests by acquainting scientists, laboratories and other countries with our own equipment and techniques. I think we have a tremendous stake in this because this is a very large business.

We are already in the billions of dollars in terms of sales of nuclear materials and atomic installations, and business which is obviously going to grow astronomically. I think it is very much in our interest to be training people, exposing them to our own techniques so that when they are ordering equipment and processes they will be familiar with ours rather than that of some other country.

PROJECTS RELATING TO CANCER RESEARCH

Mr. SHRIVER. Would you give us some examples of specific research projects carried on with projects on cancer? We are emphasizing that in this country in connection with increased appropriations for research; this is the reason for my question.

Mr. DEPALMA. Yes, sir. I would like to get a detailed list for you for the record because I know that there is a very substantial one and it is meaningful. I myself can recall only some of them. These are handled by the National Cancer Institute. There is great interest in one project now to study the incidence of liver cancer in Africa. Liver cancer is a growing thing in the United States. It happens to be rather endemic in Africa. This gives us a chance to study it in a setting where it is a great problem so we can benefit from research on the scene. It is that kind of activity. I will be glad to get further details.

Mr. SHRIVER. Do that.

(The information follows:)

INTERNATIONAL AGENCY FOR RESEARCH ON CANCER (IARC)—RESEARCH PROJECTS CARRIED OUT ON CANCER

The National Cancer Institute (NCI) works closely with the IARC in carrying out collaborative studies on cancer. Its projects are intimately coordinated by NCI with the overall national cancer effort. The NCI rigorously insists that recipients of U.S. funds must have high motivation for relevance, need and priority of any project toward cancer control in human beings.

The NCI has evidence that more than 85 percent of human cancers are caused by environmental factors. This evidence derives from studies of cancer on a worldwide rather than a national basis, and strongly suggests an approach where by the environment should be partially modified by the removal of carcinogens, or the potential victims should be rendered less sensitive to the effects of harmful environmental factors.

The IARC has been especially effective in recording and exploring the comparative effects of such things as viruses, chemicals, and sociologic pattern of life in different geographic areas of the world. Aside from the scientific advantages of having an international body, such as the IARC, work in this field, from a political viewpoint such international activity helps eliminate charges of colonialism or paternalism against the efforts of particular national governments working bilaterally in this field.

Specific examples of cancers on which IRAC carries out research as follows:

Burkitt's lymphoma.—The occurence is predominantly in children of equatorial Africa but is also seen in the United States and other Western countries. The responsible virus concerned is also the major cause of infections mononucleosis in th United States and is associated with Hodgkins disease and chronic myeloid leukemia. Therefore studies of high-risk African populations by IARC are highly warranted.

Nasopharyngeal carcinoma.—This major cancer is strongly suspected to be caused by the same virus as Burkitt's lymphoma. It occurs in the United States, but over 30 times the U.S. incidence among the Chinese and Southeast Asia, being one of the highest incident-rate cancers among that population. The IARC studies in Hong Kong, Singapore, and other areas are concentrated on this population.

Liver cancer.—Liver cancer is increasing in frequency and importance in the United States. In parts of Mozambique, the frequency is 500 times that of the United States. The cause may be related to fungi which contaminate certain cereal and other crops which are common to Africa, Southeast Asia and the United States. A virus related to serum hepatitis is also known to be related to a high percentage of persons with liver cancer. IARC studies hopefully will lead to better means for food preservation, and other means for prevention of human exposure to liver cancer.

Esophageal cancer.—This cancer, which is increasing in frequency in the United States and Western Europe, is very prevalent in Iran where its incidence varies by a factor of 80 over a distance of only 200 kilometers. The IARC is working closely with the Public Health Institute of Iran to investigate the etiological factors related to the incidence of this cancer.

Other cancers.—Cancers of the colon, rectum, prostrate, breast, and uterus are much higher in the United States than in certain parts of Africa and Asia, but recently the incidences of these cancers are increasing in those areas. Consequently there are excellent opportunities to identify and evaluate the efforts of changing sociologic patterns and environmental factors in the development of various cancers in people of different ethnic and geopraphic backgrounds. This is much more difficult to do in the United States where more homogeneous factors are present. The IARC is investigating the possibility of conducting comparative cultural and nutritional studies in the developing nations to determine the possible role of food additives, pesticides, and other factors in the induction of these cancers. Changing conditions in these developing areas is important in relation to cancer incidence. For example, the incidence of cancer of the colon has increased threefold in Singapore during the last decade. Demographic studies with this population should provide major clues as to why colon cancer is also increasing in the United States.

Mr. SHRIVER. I assume these are coordinated with the special foreign currency program of the National Institutes of Health and with the program of the National Cancer Institute?

Mr. DEPALMA. Yes, sir. As a matter of fact, the Cancer Institute makes grants for research conducted by this organization. There is a close tie.

U.N. VOLUNTEER PROGRAMS

Mr. SHRIVER. Why was it deemed necessary to set up a new U.N. volunteer program in addition to the efforts of the International Secretariat for Volunteer Service? There seem to be many bilateral and private projects?

Mr. DEPALMA. The International Secretariat for Volunteer Service had been operated, by and large, in terms of assisting countries to develop their own volunteer services, both domestic and for service abroad. It was felt that there was a need for a U.N. volunteer program. To enable volunteers to work in U.N. programs, a modest U.N. volunteer program has been started now, and the International Secretariat for Volunteer Service has been designated as the agent to administer it—to find the people, help train them for the various projects. They have something like 54 in the field, I am told. They come from various countries.

U.N. WORKING CAPITAL FUNDS

Mr. SHRIVER. Last October 27, Secretary Rogers was quoted in the local paper as stating, in his opinion, that the U.N. has been living beyond its means. The Secretary stated that it spent too much money in the past. Would you comment on that in view of your request for an increase in some of these programs?

Mr. DEPALMA. The Secretary was referring to the assessed budget of the United Nations, not the programs we are discussing today. He was referring to the administrative budget, and his comment had reference particularly to the fact that some countries, the Soviet Union, France, and some others, have refused to pay a certain part of their assessments. For years the U.N. has not been collecting the full amounts of its assessments. Yet the practice had been, until this year, to try to run this program as voted, so they ate into their working capital funds and used up all of their resources. That was the point the Secretary was making in saying they were living beyond their means.

We have been pressing over the years to correct this situation. Finally this year, with the new Secretary General I think we are on the way to at least a partial solution. He has directed that the U.N. expenditures this year be reduced by about $6 million. That is his estimate of what he may not collect on the basis of these withholdings, so they will be living within their means this year. He is not hiring new people and making various other economies.

SOVIET CONRTIBUTIONS TO U.N.

Mr. SHRIVER. You mentioned that the Soviet Union picks and chooses the programs, in which they participate. I believe that is not your language but that is what I got from it. Do they do that with projects specifically?

Mr. DEPALMA. No, sir. What they have done is to withhold contributions, primarily those for paying the debts accumulated in the U.N. operation in the Congo and the U.N. Peace Force in the Middle East. They argued that those forces were illegally set up. We don't agree and neither did the International Court of Justice. However, they have said they will not contribute toward paying off those debts.

In addition, they have been paying part of their assessment to the regular budget in rubles. The part of their assessment that goes toward certain technical assistance activities carried within the U.N. budget itself has been paid for in nonconvertible rubles. The U.N. can only use a certain proportion of these rubles and the remainder is carried in the books as an arrearage for the Soviet Union. That also adds to the deficit. In other words, they don't get credit for rubles the UNDP can't use.

Mr. SHRIVER. The TA payments made in rubles are projects that are in the UNDP program?

Mr. DEPALMA. No, sir. These are projects finnaced out of the U.N. budget itself.

Mr. SHRIVER. They put in money for the UNDP?

Mr. DEPALMA. Yes, sir.

Mr. SHRIVER. How much?

Mr. DEPALMA. Their contribution to the UNDP was $3.5 million last year.

Mr. SPRINGER. That is for the three Soviet countries.

Mr. DEPALMA. $3.5 million for the Soviet Union, Ukraine, and Byelorussia.

Mr. SHRIVER. Those three countries?

Mr. DEPALMA. Yes, sir.

Mr. SHRIVER. They contribute $3.5 million?

Mr. DEPALMA. Yes, sir.

Mr. SHRIVER. As compared with the $86 million we put in?

Mr. DEPALMA. Correct.

UNDP PROJECTS IN COMMUNIST COUNTRIES

Mr. SHRIVER. It will be revealed, no doubt, how much the UNDP is putting into projects in Communist countries from the information we get?

Mr. DEPALMA. We have that information.

Mr. SHRIVER. Put that comparison in the record here.

Mr. DEPALMA. Yes, sir. They put in roughly over $60-some million and they have taken out some $40 million for that group of countries.

(The information follows:)

UNDP—CONTRIBUTIONS FROM AND EXPENDITURES IN COMMUNIST COUNTRIES [1] 1950–71

	Voluntary contributions	UNPD projects expenditures
Albania	54,000	404,778
Bulgaria	599,522	4,167,167
Byelorussian SSR	2,100,000	.....
Cuba	1,303,000	8,105,980
Czechoslovakia	4,236,790	1,590,562
Hungary	1,094,258	3,444,954
Mongolia	89,000	5,473,166
Poland	4,640,625	9,094,680
Romania	1,335,004	7,943,016
Ukrainian SSR	5,250,000	.....
USSR	43,000,000	.....
Total	63,731,199	40,224,303

[1] Excluding Yugoslavia, which has contributed $6,900,000 and where the UNDP has expended $23,700,000.

Mr. SHRIVER. Doesn't sound very fair, does it?

Mr. DEPALMA. They are certainly not putting in enough. Fortunately they are putting in more than they take out. That is about all we can say for it.

Mr. SHRIVER. We are putting in $90 million and take out nothing. Much of it is going into these Communist countries?

Mr. DEPALMA. Some of it is.

Mr. SHRIVER. Right here let me say that a Foreign Service officer not long ago, who serves in one of these Communist countries was disturbed greatly by the fact that we are contributing to a fund beneficial to the economic development in countries where we have no influence. I don't know what his job consists of, but he was very much concerned about the situation and I can understand why. Can't you?

Mr. DEPALMA. Yes.

HOUSING FOR UNICEF AND UNDP

Mr. SHRIVER. There is not enough room in the U.N. headquarters for UNICEF; is that correct?

Mr. DEPALMA. UNICEF and UNDP are both housed outside of the headquarters in rented space.

Mr. SHRIVER. What kind of rent is being paid for those two activities?

Mr. DEPALMA. UNICEF is paying $400-some-thousand, I believe. UNDP, $700,000.

Mr. SHRIVER. A year?

Mr. DEPALMA. Yes, sir. We can give you the precise figures for the record.

(The information follows:)

For calendar year 1972, the UNDP will pay $719,000 for rental of premises in New York. The UNICEF costs for rental are $418,000 for a total of $1.1 million for the year.

U.N. WORLD FOOD PROGRAM

Mr. SHRIVER. You say the food programs are aimed at vulnerable groups of the population. How do you define vulnerable groups?

Mr. DEPALMA. I think it refers to the part of the world food program that goes toward supplementary feeding for projects that are undertaken, work projects, roadbuilding, dam building, and things of that kind. These are people in the countryside who are at subsistence level and they are paid in part through food rather than money.

U.N. INSTITUTE FOR TRAINING AND RESEARCH

Mr. SHRIVER. You say the U.N. Institute for Training and Research is studying the use of media news about the United Nations. What does that mean?

Mr. DEPALMA. It is a study, as I recall, of the kind of information about the United Nations which is published around the world, the extent to which U.N. actiivties are covered, and how this flow of information might be improved.

Mr. SHRIVER. Maybe it will help to bring out some of these inequities?

The Institute also has just set up the Commission on the Future. What is that Comission? What are its goals? What is the cost?

Mr. DEPALMA. This is so far is just a project. It has not been implemented yet. Preliminary work has largely been financed by foundation grants and further activity depends on the availability of special grants outside the regular budget. It is to bring together a group of scientists, economists, sociologists, and other experts, to look at long-range implications of major scientific and economic trends. For example, the social implications of certain scientific and technological breakthroughs to which governments have not yet addressed themselves—questions of this kind which are just not being looked at but which governments are going to have to face in the future. The idea is that a group of outstanding people of this kind will point to these things and alert governments ahead of time to the need to begin to face these things.

Mr. SHRIVER. The Institute is also providing basic training courses in diplomacy?

Mr. DE PALMA. Yes, sir.

Mr. SHRIVER. Who takes these courses? What is the cost of the courses, and are the recipient countries paying any of the costs?

Mr. DE PALMA. I will have to get those details for you. Most of these are small programs, conducted for the new, less developed countries and U.N. staff people. They have trained people for foreign ministries in these new countries and also provide training for U.N. staff personnel.

(The information follows:)

U.N. INSTITUTE FOR TRAINING AND RESEARCH—COURSES IN BASIC DIPLOMACY

UNITAR conducted a 3-month course (March–May 1971) in basic diplomacy for young foreign service officials from 17 developing countries in Africa and Asia. The major part of the course was held in Dakar, Senegal. The subjects covered included the making of foreign policy, international law, peaceful settlement of disputes, consular and diplomatic practice, and the role of regional organizations. The participants were also given a period of inservice training in the foreign ministries of Austria, Canada, Denmark, France, and the United States.

The 26 participants were nominated by the following countries: Ceylon, three; Gabon, one; Ghana, one; Kenya, three; Lesotho, one; Liberia, one; Malaysia, one; Mali, one; Mauritius, one; Nepal, one; Nigeria, two; Senegal, two; Somalia, one; Swaziland, one; Togo, one; United Arab Republic, three; Zambia, two.

The cost of the course to the United Nations was about $140,000. The governments of the participating officers were not required to pay fees or otherwise to share the costs of the courses.

U.N. RELIEF AND WORKS AGENCY

Mr. SHRIVER. One more question, and that goes back to the Palestine refugee program.

You say in the justifications that the Palestine refugee program takes all measures possible to prevent assistance intended for refugees from being used by terrorists?

Mr. DE PALMA. That is correct.

Mr. SHRIVER. Would you elaborate on that? What preventive measures are taken and why?

Mr. DE PALMA. I would like to give you a quick answer to that but I would like also, if I may, to submit for the record, a memo we have from the Director General of UNRWA. Each year we ask him specifically for assurance on this point. He has sent us a letter which I will submit for the record, in which he states that it is his conviction that the UNRWA programs are being used for the purposes intended; they are not being diverted for guerrilla troops of any kind.

(The information follows:)

CONTROL OF ASSISTANCE PROVIDED BY UNRWA

I. Letter from Commissioner General to Ambassador Bush

DECEMBER 9, 1971.

His Excellency, Mr. GEORGE H. BUSH,
Ambassador Extraordinary and Plenipotentiary Permanent Representative of the United States to the United Nations, New York, N.Y.

DEAR MR. AMBASSADOR,

When I saw Ambassador Phillips on 3 December and informed him of the effect of the Pledging Conference on UNRWA's financial outlook for 1972, I

mentioned again the serious cash shortage and the vital importance of payment of a substantial part of the cash element of the U.S. contribution as early as possible in January.

Ambassador Phillips advised me to pursue the matter of an early payment with the Department of State and I am doing so. A necessary prerequisite to payment will be the declaration on the subject of the control of assistance provided by UNWRA that is usually required under the Foreign Aid Act, and in order to expedite the formalities I now enclose such a declaration. It follows the lines of the declaration made by Mr. Michelmore last year and I hope it will be found satisfactory.

I remain, dear Mr. Ambassador,
Yours sincerely,

J. S. RENNIE,
Commission-General.

II. Statement on control of assistance

"1. The measures taken by UNRWA to ensure that contributions of governments and other donors are used by the Agency exclusively for assistance to persons whose eligibility has been established, and who are present in the area where they are registered and in need of that assistance, are described in a series of memoranda of which copies were sent to the U.S. Ambassador in Beirut on 31 January and 9 March 1970: these memoranda are a paper on "UNRWA's Administrative and Budgetary Practices" dated 1 December 1969, a paper on the "Control of Distribution of Agency Assistance to Palestine Refugees" dated 30 January 1970 and a note on "Control of Assistance Provided by UNRWA" dated 9 March 1970.

2. The measures for control described in these memoranda remain in force and the Commissioner-General believes they are effective.

3. As regards the situation in Palestine refugee camps the origin of the camps and the responsibilities of UNRWA are described in paragraphs 2 and 55 to 57 of the Commissioner-General's Annual Report for the year ended 30 June 1971. In east Jordan Government authority is now fully re-established over the camps and no armed irregulars are present in them. In Lebanon Government authority has not yet been re-established in the camps but the position has improved in that armed irregulars are more rarely seen and there is no military training in them. There has been no diversion of UNRWA supplies or interference with UNRWA's work apart from the continued occupation of a number of small structures, as reported in paragraph 12 of the Commissioner-General's annual report for the year ended 30 June 1971.

4. The Commissioner-General believes that the Agency is taking all measures possible in the circumstances which exist in the area of its operations to ensure that all of the funds contributed for assistance to the Palestine refugees are used for that purpose, in accordance with its mandate from the United Nations General Assembly and that these funds are not used to subsidize military or paramilitary activity or for any other purposes foreign to its mandate."

Mr. SHRIVER. Thank you, Mr. Chairman.

COUNTRY PROGRAM CONCEPT

Mr. LONG. I believe you already asked the question about the implementation of the Jackson study. Are you going to give us a progress report?

Mr. DEPALMA. Yes, sir.

Mr. LONG. You also state under the newly developed country program concept that, "Some projects previously requested from the UNDP have been withdrawn and many ongoing projects will be modified or terminated."

Will you give us some examples of that?

Mr. DEPALMA. I don't know if I have the examples with me.

Mr. SPRINGER. At the Governing Council session in January it was announced that two Algerian project requests had been withdrawn. I don't have the names. There have been some others.

Mr. DePALMA. We will get those facts for you. This is the result of going to country programing. Instead of approaching country projects, they have had to justify the projects as a part of an ongoing program. Some projects didn't fit, so they will be dropped.

(The information follows:)

UNITED NATIONS DEVELOPMENT PROGRAM PROJECT REQUESTS WITHDRAWN BY GOVERNMENTS AS A RESULT OF COUNTRY PROGRAMING

Algeria, development of pasture lands and fodder crops.
Algeria, rural development in eastern Algeria.
Ceylon, Ceylon College of Technology (phase II).
Guinea, Technical Teacher Training Institute, Conakry.

PROGRAMS UNDER U.N. FUND FOR DRUG ABUSE CONTROL

Mr. LONG. You have been asked by Congressman Shriver about the U.N. fund for drug abuse control.

Mr. DePALMA. Yes, sir.

Mr. LONG. What evidence do you have that such programs will work? Was that the sense of your question?

Mr. SHRIVER. I wanted to know what had been accomplished.

Mr. LONG. What evidence do you have that such programs will work?

Mr. DePALMA. Congressman Long, I don't know that I can cite evidence that they will work. All I can say is that they had better work. These are the only things people can think of doing. They are aimed at trying in the first instance to substitute crops so people will not even grow poppies. Secondly, to get at the——

Mr. LONG. I am quite skeptical about this because drugs have an almost totally, in the language of economics, inelastic demand. As the price goes up, the demand stays high. Heroin now sells in the retail market for $120,000 a pound. That is about 250 times as much as gold. What happens is that you reduce the quantity of heroin available on the market. Doesn't the price just go up so that the crop substitutions won't work?

In other words, the black marketer comes along and says, "We will make opium such a valuable product for you that you have every incentive to continue the black market."

Mr. DePALMA. These programs are just the international compoment of this total effort. I certainly agree with you and the implication of your comment. The main job has to be done in this country.

Mr. LONG. Keep the drugs from coming into the United States?

Mr. DePALMA. Yes, sir.

Mr. LONG. Won't they find some way to grow it?

Mr. DePALMA. They undoubtedly will try.

Mr. LONG. Won't we get into an agricultural price support program for all the nations in the world?

Mr. DePALMA. The effort——

Mr. LONG. The reason why the opium poppy has been grown in a relatively small number of countries is because nobody had much inducement to grow it elsewhere. When you cut down the supply, can't you grow these things practically everywhere?

Mr. DePALMA. In too large a part of the world, unfortunately. The effort will also be directed at training police and customs officials and improving all kinds of surveillance methods. It is a total effort. I cannot tell you it is going to work. I don't know what else we can do.

Mr. LONG. One thing we have not tried is a real beefing up of our own police system.

Mr. SHRIVER. Would you yield?

Has there been any cooperation with France in shutting off the refining?

Mr. DePALMA. I am not the expert on this. Having talked with Mr. Nelson Gross, I think for the first time we are getting French cooperation. We are getting very meaningful French cooperation and the results are beginning to show in the seizures in the past year. The French have made some large seizures but it has taken a long time.

Mr. LONG. As soon as the French cooperate and you shut off the market in Marseilles, won't it shift to some other country?

Mr. DePALMA. That is right. And we don't know what else we can do except to go at it everywhere.

CONSOLIDATION OF DRUG CONTROL AND ENFORCEMENT PROGRAM

Mr. LONG. One thing we could do would be to stop it from coming into the United States, put the whole drug enforcement program under one agency and give it enough money to deal with it. When I went to the Bureau of Narcotics and Dangerous Drugs to try to get some agents to go into the area of my district in Baltimore County, I learned we have 28 agents to deal with five States, Maryland, Virginia, West Virginia, North Carolina, and the District of Columbia, and they had no warm bodies they could send in there.

It is unrealistic for us to be operating all over the world in trying to police the drug traffic when we are not doing it here in our own country. I understand that you have five Federal agencies, not one of which knows what the other is doing—FBI, Bureau of Narcotics, and a number of others.

Once again, I am appalled at our propensity for shipping our money all over the world to operate tremendous numbers of programs when we have not thought them out, and followed through on the possibilities of doing the thing right here at home.

Do you have a comment?

Mr. DE PALMA. I was just reminded that we have revised the 1961 Convention on Narcotics, Drugs. That will also give us a leg up. That contains some enforcement machinery for working with the international group which we have not had before.

Mr. LONG. Conventions and additional bureaucrats and coordinating people in the White House—these agreements and Government activities are just an excuse for not doing what you have to do, namely, set up vast, highly coordinated, highly integrated drug abuse enforcement machinery in the United States with plenty of troops and muscle.

INTERNATIONAL AGENCY FOR RESEARCH ON CANCER

I would like to know for the record something more about the work of the International Agency for Research on Cancer.

Mr. DE PALMA. I have agreed to supply something for the record on that, actual projects. I don't have that with me. I mentioned one.

Mr. LONG. Was that a question of Mr. Shriver?

Mr. DE PALMA. Yes, sir.

Mr. LONG. You are going to give us information on the status of research on causes of liver cancer and other cancer?

Mr. DE PALMA. Yes, sir.

Mr. LONG. Mr. Hathaway?

UNITED NATIONS FUND FOR POPULATION ACTIVITIES

Mr. HATHAWAY. Thank you. What have been the beneficial results so far from the action projects in the population field you mention on page 11 of your statement? Have these programs curbed the population growth?

Of the projects financed, and listed on pages 12 and 13, which has been of the greatest benefit?

Mr. DE PALMA. The UNFPA was established in its present form in 1969 and since then its main activities have, of necessity, been the search for recognition and financial support from UN member states—the UNFPA is dependent upon voluntary contributions—and the programing of financial resources received where they can be most effectively spent.

These efforts have succeeded to date. In 1969, 7 donor nations contributed $3 million to the UNFPA; in 1971, 45 donors pledged $29 million.

The UNFPA funds a wide variety of projects undertaken by UN specialized agencies such as the WHO and by private international and national population groups, such as the IPPF. After investigation of those areas of the world most in need of its services, the UNFPA established a series of national programs in India, Pakistan, the Philippines and the U.A.R. These programs are coordinated efforts to assist in those aspects of the national population program where international assistance is required and not already being provided on a bilateral basis. Additional such programs are presently being considered for such countries as Thailand and Turkey.

It is not yet possible to show a direct relationship between these various programs and reduced fertility rates. There are two reasons for this. The first is that the programs are only very recently established and widely supported. The second is the problem of statistical measurement. It is for this reason that some UNFPA funding goes to projects such as the African census survey, the first such census in African history. It will be on the basis of such statistical survey that future progress in this field will largely depend.

Furthermore, this is, of course, a field whose implementation is hindered by religious scruples, tradition and a plain human desire for privacy. The successful conclusion of the program will, then, require decades rather than months or years.

Mr. HATHAWAY. Also, what is the acceptance of abortion in the various countries we are assisting through the UN population program?

Mr. DE PALMA. Although abortion, in extremely carefully defined circumstances, has been technically legal in most nations in the past, the limitations on its use have usually been so great that it has been only rarely available. Many nations are presently reexamining these impediments, and it seems likely that the use of abortion may gradually spread.

Three countries in the developing world—India, Singapore, and Tunisia—have recently amended their traditional antiabortion laws to make it available on a relatively liberal basis. For example, the new Indian law permits abortion for reasons of physical and mental health, and the latter includes failure of a contraceptive method. All three countries have received UNFPA assistance.

DRUG ABUSE CONTROL RESULTS

Mr. HATHAWAY. In regard to drug abuse control, what have we got to show for our investment?

Mr. DE PALMA. When one considers our bilateral efforts, our investment is large and the rewards are already being reaped. In terms of our efforts through the U.N. and the U.N. fund in particular, one must remember that the U.N. fund is still new; its budget still small. We launched the operation in 1971 with an initial pledge of $2 million. Contributions and pledges from other sources including France, the United Kingdom, West Germany, Sweden, and Canada amount to another $1.2 million. This money will assist U.N. members in programs designed to cut the supply, reduce the demand, and repress the trafficking in illicit drugs. The first important country program under the fund's auspices has recently been initiated: A 5-year project in Thailand, with the U.N. contributing about $2 million and Thailand the equivalent of about $5 million.

Our investment in the Fund serves to bring the United Nations, with its considerable organizational resources and experience, into the effort. Such U.N. involvement dramatizes the reality that drug abuse is not merely a problem for the United States, but indeed an international threat. It should be noted also that the Fund's emphasis on crop substitution, rehabilitation, and drug abuse education, supplements our bilateral efforts.

Mr. HATHAWAY. Where are we making our biggest efforts—in the area of hard drugs or marihuana?

Mr. DE PALMA. The United States has continued to place primary emphasis on the control of heroin. United Nations efforts have followed the same lines. The U.N. Fund's pilot project in Thailand is placing highest priority on the progressive elimination of opium poppy cultivation and crop substitution. We would expect future projects to follow this pattern.

Mr. HATHAWAY. Would coercive measures toward nations growing dope be of any benefit?

Mr. DE PALMA. The U.S. Congress, under section 481 of the Foreign Assistance Act, has already legislated a prohibition of foreign aid to states not cooperating with our efforts to eliminate the drug abuse problem.

The United Nations, although more limited in the coercive measures at its disposal, has recently expanded measures that can be taken against states which refuse to cooperate with the International Narcotics Control Board. This was one of the accomplishments of the recent Geneva Conference, which was incorporated into the protocol amending the Single Convention on Narcotic Drugs. Under the provisions of article 14, the INCB may refer problem cases on to the Economic and Social Council and then higher to the General Assembly. This marks the first time that parties to an international drug treaty have regarded the drug situation to be so serious and universal

a problem as to warrant consideration by the U.N.'s most representative political organ.

DRUG ABUSE EDUCATION

Mr. HATHAWAY. Is any of the money being spent for drug abuse education?

Mr. DE PALMA. The U.N. Fund will finance the U.N. Plan for Concerted Action Against Drug Abuse. One target of this U.N. plan is to develop education material and programs against drug abuse in high-risk populations.

Mr. HATHAWAY. What are the education programs?

Mr. DE PALMA. The U.N. Fund's pilot project in Thailand, for example, envisages the supply of equipment and services to promote a wider use of educational resources, including the mass media, for the purpose of conveying to the public, and particularly young people, authoritative information on the drugs of abuse and their effect on health.

U.N.–FAO WORLD FOOD PROGRAM

Mr. HATHAWAY. In regard to the world food program, isn't there a considerable overlap with AID and Department of Agriculture programs?

Mr. DE PALMA. No, sir; I am happy to say that there is not either with regard to AID or the USDA. In referring to USDA programs, I assume you are referring to concessional sales under title I of Public Law 480 and commodity donations under title II of Public Law 480, which are distributed through AID and international organizations as well as the WFP.

Mr. HATHAWAY. What coordination of programs is taking place?

Mr. DE PALMA. WFP programs are carefully reviewed by U.S. authorities, from their beginnings to program completion. When a country makes a request for WFP assistance, the WFP field representative contacts the U.S. Mission or Embassy to insure coordination with ongoing bilateral programs. The mission's recommendation and comments are incorporated in the project request which is sent to Rome. Rome then sends the project to each of the 24 member nations of the Intergovernmental Committee (IGC) of the WFP—of which the United States is a permanent member—for review. A copy also goes back to the U.S. Mission or Embassy for a second review.

In Washington, the project is studied by all interested agencies through the mechanism of the Intergovernmental Staff Committee (ISC) to determine whether it is in the interest of the United States. The recommendation and comments of the mission's second review are sent to Washington and incorporated in Washington's decision whether to approve the project and whether to contribute title II commodities if requested. Washington's response is then sent to the WFP in Rome. Furthermore, each project is reviewed in Washington in the FAO Consultative Subcommittee on Surplus Disposal (CSD) with a view to the avoidance of commercial market displacement or conflict with U.S. concessional sales under title I of Public Law 480.

I believe that this process at the levels of the recipient country, the donor country, and the international organization does insure sufficient coordination. But, if for some reason, a project of which the United States does not approve is, nonetheless, approved by the IGC, the United States still has the option, as a donor country, to refuse to

have U.S. contributions allocated to that project. This way the United States can insure that its own contributions are used only for purposes of which it approves and that the project does not compete with or duplicate other U.S. programs.

CONTRIBUTORS TO THE CYPRUS AND INDUS BASIN PROGRAMS

Mr. HATHAWAY. What are the contributions of other nations with respect to the Cyprus and Indus Basin programs?

Mr. DE PALMA. The current annual cash contributions of the major donors for the Indus Basin are as follows:

INDUS BASIN DEVELOPMENT FUND, DEC. 31, 1971

[U.S. dollar equivalent]

	Total commitment	Called to date	Balance payable
Australia	$26,061,600	$21,165,973	$4,895,627
Canada	36,423,827	31,551,347	4,872,480
Germany	53,062,905	40,481,713	12,581,192
IBRD Loan and IDA Credit	138,540,000	120,000,000	18,540,000
India	168,803,200	168,803,000	
New Zealand	3,901,921	3,901,921	
Pakistan:			
In pounds sterling	1,188,000	1,188,000	
In rupees	404,045,107	404,045,107	
United Kingdom	91,288,270	79,199,878	12,088,392
United States:			
Dollar grant	295,590,000	240,554,108	55,035,892
Dollar loan	121,200,000	102,635,161	18,584,839
Rupees	235,000,000	235,000,000	
Total	1,575,124,830	1,448,526,408	126,598,422
Local currency	639,045,107	639,045,107	
Foreign exchange	936,079,723	809,481,301	

The United States is financing 41 percent of the total. The dollar component is $416,800,000; rupees $235,000,000 or a total of $651,800,000.

The current annual cash contributions of the major donors for the Cyprus program are as follows:

United States	$4,800,000
Federal Republic of Germany	1,000,000
Australia	100,000
Belgium	160,000
Denmark	240,000
Sweden	360,000
United Kingdom	2,840,000
Greece	800,000
Italy	360,000
Norway	240,000
Switzerland	200,000
Total	11,200,000

Contributions in kind from UNFICYP's inception (Mar. 27, 1964) through December 15, 1971, are as follows in millions of dollars:

Australia	2.2
Canada	18.3
Denmark	2.5
New Zealand	.2
Sweden	2.9
United Kingdom	11.8
U.S. airlift assistance	1.3
Total	39.2

These contributions in-kind represent the total expenses that the troop contributing countries absorb voluntarily. These countries therefore do not claim reimbursement for these costs from the U.N., as they are entitled to do. The types of support and services represented by these contributions in-kind vary considerably from contingent to contingent. For example, certain countries provide supplies, support airlift, medical services, and repatriation costs for their contingent without claiming reimbursement from the U.N. for these expenses.

Mr. LONG. That is all I have.

Thank you, gentlemen.

Mr. DE PALMA. Thank you, Mr. Chairman.

Mr. LONG. The committee is adjourned.

WEDNESDAY, MAY 3, 1972.

OFFICE OF PUBLIC SAFETY, AGENCY FOR INTERNATIONAL DEVELOPMENT

WITNESSES

BYRON ENGLE, DIRECTOR, OFFICE OF PUBLIC SAFETY, AGENCY FOR INTERNATIONAL DEVELOPMENT
LAUREN J. GOIN, CHIEF, OPERATIONS DIVISION, OFFICE OF PUBLIC SAFETY, AGENCY FOR INTERNATIONAL DEVELOPMENT
JOHN F. MANOPOLI, CHIEF, VIETNAM DIVISION, OFFICE OF PUBLIC SAFETY, AGENCY FOR INTERNATIONAL DEVELOPMENT
ALLAN R. FURMAN, DEPUTY DIRECTOR, OFFICE OF LEGISLATIVE AFFAIRS, AGENCY FOR INTERNATIONAL DEVELOPMENT
LINDA LOWENSTEIN, LEGISLATIVE COORDINATION SPECIALIST, OFFICE OF LEGISLATIVE AFFAIRS, AGENCY FOR INTERNATIONAL DEVELOPMENT

Mr. PASSMAN. The committee will come to order.

We shall continue our examination on the budget requests for the foreign aid program for fiscal year 1973. This afternoon we will take up the budget request of the Office of Public Safety, Agency for International Development.

We have as the main witness Mr. Byron Engle, Director of the Office of Public Safety.

I would assume, Mr. Engle, that you have a statement you would like to make to the committee?

Mr. ENGLE. Yes, sir; Mr. Chairman, gentlemen, I appreciate the opportunity to appear before you to discuss the U.S. police assistance activities which are undertaken as a part of our foreign aid program managed by the Agency for International Development (AID). The Office of Public Safety (OPS), which has been given the responsibility for the conduct of worldwide public safety programs, is a centralized office of AID. In my brief statement I would like to discuss in a general way public safety programs for which funding is requested for fiscal year 1973 for 20 countries throughout the world and then respond to any questions you may have.

For these 20 programs, of which three are supporting assistance funded and 17 are development assistance funded, a total of $15.5 million is being requested for fiscal year 1973. This amount is included in the total figures mentioned to you by other witnesses wherein requests

for both funding categories have been made. These funds will be used for the adviser's salaries and allowances, training of selected police officers in the United States, limited commodities, and in-country project support costs. The total of $15.5 million would be expended as follows:

Personnel costs, $9.9 million (64 percent).
Participant training, 1.2 million (8 percent).
Commodities, 4 million (25.6 percent).
Other costs, 38 million (2.4 percent).

Of the total being requested, supporting assistance costs are expected to amount to $11.45 million for three countries and Development Assistance costs $4 million for 17 other countries.

WHY PUBLIC SAFETY ASSISTANCE

In 1954, President Eisenhower recognized that many developing and newly emerging nations were being buffeted by internal disorder and violence. He saw these as being serious obstacles and frustrations to the development process and as internal problems which should not be dealt with by military forces. His administration formulated a policy at that time that the U.S. interests, served by economic assistance to developing free nations of the world, should be supported by assisting those nations' civil security (police) forces charged with the task of maintaining internal order. The administrations of the three succeeding U.S. Presidents have underscored the importance of U.S. public safety assistance in satisfying at least in part, U.S. interests in this regard.

In considering the manner in which public safety assistance serves U.S. interests in a general or specific manner, the Administrator of AID has authorized me to state that:

Present policy concerning public safety assistance continues to emphasize it as a means of meeting U.S. interests in that it helps developing nations maintain an adequate measure of internal stability, as a prerequisite to economic, social, and political progress. This measure of internal tranquillity is also needed for orderly change which can meet popular aspirations for a better life, with freedom, and in peace. To this end, public safety programs also contribute to the success of other U.S. aid in the economic area. This policy also recognizes that this kind of assistance influences police and government leaders in the use of modern, humane concepts of enforcement and can, through protection of the right to dissent within the law, do a great deal to guarantee popular participation in the political process.

In its relationships with friendly developing nations of the free world, the U.S. sees it to be in its own direct interest that these nations can grow in an orderly manner economically, socially, and politically. Where public safety assistance contributes to the achievement of this goal, it is considered to be in the interests of the U.S. to provide such aid.

THE PURPOSE OF PUBLIC SAFETY ASSISTANCE

The purpose of those public safety programs funded with development assistance funds is to develop the civil police institution that can:

(*a*) Be responsive to the needs of all people of the country for protection of life and property and, by embracing the public service concept, earn their respect and cooperation;

(*b*) Employ modern practices in administration and management and use of resources in the humane enforcement of the nation's laws;

(*c*) Provide an adequate measure of internal stability needed to facilitate economic, social, and political progress;

(*d*) Prevent the development of threats to internal order and cope with them effectively, precluding the necessity for the use of military force later to deal with civil problems, and

(*e*) Have sufficient institutional structural strength to self-generate internal reforms so that it can keep pace with a changing society as national growth and social and political progress occurs.

Additionally, assistance being provided to three countries in Southeast Asia (SA funded) helps the civil police develop capabilities to cope with high levels of violence brought about by externally supported subversion, guerrilla activities in rural areas, and warfare.

HOW DOES PUBLIC SAFETY FUNCTION

On a country-by-country basis, program objectives are designed to meet specific deficiencies in the civil security forces. Public safety assistance also is directly responsive to improvement in functional areas, such as telecommunications, training, transportation, police records, et cetera, which the requesting country sees as important. We do not apply "made in America" solutions, priorities, or systems to foreign nation needs. We apply our professional knowledge in the provision of advice in light of the customs, government systems, and laws in each country.

Changing priorities, a dynamic internal security situation, and the achievement of specific program objectives lead, at times, to a changing character of public safety assistance. Experience has shown each nation can profitably use just so much U.S. police assistance. We do not exceed this level. In attaining agreed objectives, a program progresses step by step until self-sufficiency is reached.

The Office of Public Safety has worldwide responsibility for the conduct of public programs; but it does not have responsibility for the allocation of funds used by these programs, nor does it have control of the positions against which public safety advisers are assigned in the field.

OPS provides technical direction to the field for the conduct of public safety programs and supports them in Washington. OPS concerns itself with the planning of each program and its implementation to be sure that each is directly responsive to agreed program objectives. It recommends those resources essential to reach these goals. OPS conducts field evaluations of on-going public safety projects from time to time, which provide ambassadors, U.S. AID directors, and appropriate officers of State and AID with a professional perspective of the progress and need for the public safety programs.

Public safety assistance is provided through (1) the assignment of advisers in-country, (2) the training of police officers in the best country, in third countries, and in the United States, and (3) the provision of selected items of police equipment.

ADVISERS

At the present time, there are 309 public safety advisers assigned overseas in 24 country programs. (Programs in Korea, Guyana, Brazil, and Tunisia have, or will have, ended by the end of fiscal year 1972.) Most public safety advisers are drawn from Federal, State, county, and municipal police agencies of the United States. The average adviser has had 7.5 years of experience as an adviser in more than one country and had 13 years of police experience at the time of employment with OPS. More often than not, the adviser will have a working knowledge of at least one foreign language.

This professional cadre represents a unique advisory asset to the United States in the field of foreign police administration. It is one which encompasses some 22 functional areas, a unique capability for the application of professional knowledge in various cultures and societies through the world.

PARTICIPANT TRAINING

Most public safety programs emphasize the development of the police training system within the overall police organizations. We attempt to train trainers to train others. In fiscal year 1971, for example, approximately 81,500 police were trained in police schools in their own country in various courses. Each year about 330 police officers are trained in third countries, for example, Laotians in Thailand.

The most effective training for the police officers is provided in the United States at the International Police Academy (IPA) established in 1963, and operated by AID's Office of Public Safety.

The IPA is the first institution of its kind wherein one nation has established facilities exclusively for training police officers of other nations. Since 1963, 3,932 students from 73 countries of the free world have graduated. Courses primarily concerned with police management are provided to senior police administrators, having ranks from police lieutenant colonel to police general. Middle-level officers up to lieutenant colonel are trained in English, Spanish, and French languages at the academy.

The academy provides a professional forum to foreign police officers—not to learn U.S. solutions to U.S. problems—but to learn the problem-solving process and to apply it to their own countries. Modern concepts and philosophy discussed earlier here are the basic tenets of this solution process.

This training has had an especially effective impact. Thirteen director generals of foreign police forces are IPA graduates andn early a thousand additional graduates are now in key operations or executive level police positions throughout the world.

EQUIPMENT

Generally, equipment provided will include transportation items, communications equipment, and otherwise standard police items such as fingerprint kits, and the like.

PROGRAM STATUS

Public safety assistance has been diminishing rapidly in terms of numbers of countries aided and resources used. In fiscal year 1968, AID-funded police assistance was being provided to 34 countries at a

cost of $55 million. The AID amount requested now for fiscal year 1973 is $15.5 million for funding 20 country programs. Thus in just 6 years, programs have been reduced by 41 percent and funds by 71.5 percent. Numbers of advisers have been reduced as well. Six years ago, 460 advisers were required for 34 programs. Field missions now estimate that only 232 will be needed by the end of fiscal year 1973—a reduction of 50 percent.

The recent reduction of public safety programs and resources can be attributed to one or a combination of such factors as (a) an overall reduction of U.S. presence overseas, (b) a reduction in overall AID spending, (c) the completion of project goals in some instances, (d) U.S. political decisions relative to interests served through continued public safety aid, (e) host country political situation, and (f) the continued competition for limited funds with other types of economic development programs within AID.

Nevertheless, the Administrator of AID has stated to this committee in past years that the Agency sees public safety assistance as "an extremely significant part of AID's total assistance effort." He has consistently shown that a responsible and effective police force in an LDC operating with complete integrity can help to provide a healthy environment for meaningful economic progress by all the people. Thus, public safety assistance is seen as an important element of the development process in that the civil police capabilities for providing an adequate measure of internal order are an essential precondition to the success of other AID efforts in the economic area in most societies. He has provided guidance to the field along these lines.

Since 1963, public safety assistance has been provided to 27 countries in which the assistance was terminated.

A total of $11.45 million in fiscal year 1973 SA funds needed for Vietnam, Thailand, and Laos represents 74 percent of the worldwide cost projected for all 20 programs. Only $4 million (26 percent) is being requested for programs in 17 other countries and to provide for the continuation of the Africa region training project.

Funds expended by AID to assist police forces represent only a small fraction of the funds appropriated by the host governments to support their police.

Progress in those continuing country programs for which we are requesting funds is set forth in the AID presentation book and I won't take your time to repeat this information. I would, though, like to mention some highlights:

In Vietnam.—The major achievement of the public safety program has been an extension of law and order services to the people in large areas of the country previously lacking such services. The strength of the national police has grown from 19,000 in 1962 to 116,000 today. With our help, improvements have been realized as illustrated by (*a*) the expanded development of the national police to over 2,000 of the 2,162 villages throughout the country, (*b*) the further expansion of police services through the establishment of police patrols rather than fixed posts, (*c*) the development of the field police to permit furnishing police services in less secure areas, (*d*) development of the marine police to provide services on the waterways, (*e*) the expansion of narcotics units from a single small unit at national level to a service of 483 men having units at national, regional, and provincial levels, (*f*) 95 percent completion of a national identification card program,

(*g*) the establishment of a telecommunications system linking the civil administrations of all hamlets, villages, districts, and provinces to the central government, and (h) the improvement of prison conditions by reduction of overcrowding, improved sanitary conditions, and expanded medical services to the extent that monthly inmate mortality was reduced from 1.56 per 1,000 in 1967 to 0.30 per 1,000 in 1971.

Elsewhere in Southeast Asia.—Major institutional growth has been realized in the 77,000-man Thailand national police department in the areas of training, telecommunications, transportation, records, and logistical support. Police services at the village level are now provided through 1,087 rural police stations. Improvements have been made in the police ability to deal with rural Communist terrorist activities throuph police paramilitary units. In Laos, the 5,500-man Laos national police has been rebuilt since the 1965 coup and some institutional development has been realized, particularly in administration, training, and police communications. Major gains have been made recently in the Laos ability to enforce the nation's new narcotics law. The training system development effort of the program in the Philippines has been successful with nine regional training centers now functioning, built and paid for by the Philippine Government. Other gains have been made in the areas of telecommunications, municipal policing, criminal investigation, and police records.

In Latin America.—A total of 2,466 officers have been trained at IPA from 23 Latin American countries. Many of these are assigned to top level policymaking positions and to those where operational decisions are being made. Wth U.S. public safety assistance, civilian police organizations were created in Honduras, Bolivia, and the Dominican Republic.

In most countries aided, training systems, communications networks, transportation capabilities, humane civil disturbance control methods, and modern administrative practices have been developed. Moderate success has been realized in Honduras, Panama, Venezuela, and Nicaragua in the development of civil police services for both urban and rural population. In Venezuela, police capabilities to deal with urban terror have been developed and efforts in this direction are underway in Uruguay and Colombia.

While visible evidence of improvements such as training schools, improved communications, and use of equipment are important indicators of progress, it is, in the final analysis, the intangible nonquantifiable products of U.S. police assistance that are most significant. Programs have made significant progress in the inculcation of the public service concept in all countries in varying degrees. Police leaders in Venezuela, Colombia, and Uruguay, in particular, embrace the humane enforcement concept.

In Africa.—In Zaire, formerly the Congo, a 21,000-man national police force, bringing together 22 disparate police agencies, has been developed. Major gains in building the institution have been made, such as in training, communications, and administration and more are being sought. A new civilian lake patrol agency has just been inaugurated for Lake Tanganyika. In Ghana, progress has been made in the vehicle and police communications areas. In Liberia, the institution-building efforts have borne fruit in criminal investigation, records, training, administration, and the provision of services to the urban and rural population.

The regional training program has been especially successful. This allows police officers from any African country not having in-country public safety advisers to send police officers to the United States, principally IPA, for training. To date, 89 officers from 17 countries in Africa have been trained.

The Saudi Arabia Program.—Seven public safety advisers are assisting the Saudi Government in the development of professional civil police capabilities. The Saudi Government pays all costs for these services and for training conducted in the United States and, of course, for such equipment that is needed. Progress has been made, 74 Saudi police officers have been trained in the United States, gains have been made in records, scientific investigation, communications, training, and administration.

While much has been done in the institution building of the police in various countries which are being aided, much more needs to be done. Gains made must be solidified and institutions strengthened so that a self-modifying capability can be realized to allow them to keep pace with a changing society. Planning and research, internal inspection, property accountability, and budget preparation are receiving attention in some countries at this time. In others, emphasis continues to be given to developing police abilities to prevent and deal with high-crime rates and urban terror.

In all, we are continuing to aid the civil police to prevent threats to society from developing and to deal with them humanely and with minimum force.

PUBLIC SAFETY HELPS IN NARCOTICS ENFORCEMENT EFFORTS

Public Safety staff assistance is now being provided to improve civil police abilities to enforce narcotics laws in Vietnam, Thailand, Laos, and Jamaica and, at the present time, some U.S. Ambassadors have selected Chief public safety officers as narcotics coordinators for the entire U.S. mission, and in some others public safety advisers participate in narcotics action groups established by the Ambassadors. Additional staff assistance is under consideration in response to requests from our missions in other countries. In all our programs, public safety advisers are encouraging police leaders to focus the energies of the police institution on the narcotic abuse problem and effective enforcement wherever the problem exists. To date, 151 police officers have been given narcotics specialization training at IPA and about 50 are scheduled to attend upcoming courses.

Additional public safety efforts are being planned in concert with BNDD and the Bureau of Customs with whom we work closely. These may involve additional public safty advisers, training in the United States and selected commodities.

Our antinaroctics role overseas is distinguished from that of BNDD and customs which concentrate on specialized units related to their functions, in that we seek to develop capabilities throughout the entire force to support a total force involvement opposed to narcotics abuse and trafficking.

The interest and support of the committee for the public safety program in the past as shown in its December 8, 1969, report to the House of Representatives is appreciated, especially its view that the pro-

gram is very important to the stability of the Governments where it is operating and deserving of a high priority. I urge your continued support for this modest, but vital effort. Thank you for the opportunity to comment on the public safety program and I will try to answer any questions you may have.

Mr. PASSMAN. Thank you very much, Mr. Engle, for your statement.

Before getting into the questions I would like to say for the record, from all reports I get you are running a very wonderful organization, with few exceptions, and those exceptions would be from people who are not familiar with the program. I hear nothing but very, very high praise for your operation. It has been so completely supported with statistics, this committee has not at any time failed to go along with your request. Sincere congratulations.

BIOGRAPHY OF MR. BYRON ENGLE

We will at this point insert in the record your biography.

(The information follows:)

Byron Engle, began his career in law enforcement in 1930. He has served as a patrolman, investigator, detective police lieutenant, police captain, and as a police administrator. He was director of personnel and training of the Kansas City Police Department for several years.

At the end of the war, Mr. Engle served as a police administrator for the Supreme Commander, Allied Powers, Tokyo, Japan, for 5 years. He was chief of the Police Advisory Group in Ankara, Turkey. He also served in the United Nations Command in Tokyo as chief police administrator for 2 years.

From 1955 to 1958, Mr. Engle served as the first chief of the Public Safety Division of the International Cooperation Administration, Washington, D.C. From 1958 to 1962, he served as a consultant on foreign police administration. Then in November 1962, he was appointed Director of the Office of Public Safety, Agency for International Development, which has responsibility on a Development, which has responsibility on a worldwide basis for police assistance programs.

Mr. Engle has conducted many studies and surveys of police and internal security forces in Asia, the Middle East, Africa and South America. He has had more than 25 years of experience in working with police forces of other countries and over ten years of that time has been overseas.

Since 1955, he has served as a member of the American delegation to the annual conferences of the International Criminal Police (Interpol), and since 1966 has served as the chairman of the International Relations Committee of the International Association of Chiefs of Police.

Mr. PASSMAN. It is excellent, and I know the other Members would like to have it for the record.

FISCAL YEAR 1973 REQUEST FOR PUBLIC SAFETY PROGRAMS

Mr. Director, what is the total amount contained in the 1973 budget request for public safety?

Mr. ENGLE. $15,489,000.

Mr. PASSMAN. Would you place in the record at this point your annual allocation for the past 4 years so we have a 5-year spread, including this year?

Mr. ENGLE. Yes, sir.

(The information follows:)

Funds obligated for "Worldwide public safety (supporting assistance and technical assistance)" were $34.90 million for fiscal year 1969; $25.27 million for fiscal year 1970; and $21.39 million for fiscal year 1971. The fiscal year 1972 request for "Worldwide public safety" was $26.02 million but it is estimated that the public safety activities will be allocated $19.46 million for this fiscal year. The total of $15.49 million is requested for fiscal year 1973.

Mr. PASSMAN. Would you provide for the record a table showing the countries that will receive public safety funding in fiscal year 1973 and the amount that each country will receive for the grand total?

Mr. ENGLE. Yes, sir.

(The information follows:)

Amount requested

[In thousands of dollars]

Country	
Southeast Asia	$11,455
Vietnam	6,762
Thailand	4,231
Laos	462
Asia	530
Philippines	530
Latin America	2,321
Bolivia	184
Colombia	360
Costa Rica	127
Dominican Republic	102
Ecuador	200
El Salvador	52
Guatemala	375
Honduras	116
Jamaica	85
Nicaragua	91
Panama	169
Uruguay	21
Venezuela	250
Africa	1,183
Africa region	200
Ghana	108
Liberia	187
Zaire	688
Total	15,489

Mr. PASSMAN. That is not classified?

Mr. ENGLE. No, sir, that is not classified.

PURPOSE OF THE PUBLIC SAFETY PROGRAM

Mr. PASSMAN. Would you explain the purpose of the public safety program for the record?

Mr. ENGLE. The purpose of the public safety program is to provide assistance to civil security forces of the free world as a means of assisting them to help themselves in protecting their citizens, their people against criminality, against subversion and violence, and to provide a means of stability whereby they can go about their economic pursuits, pursuits of daily living, in a relative amount of freedom. I will insert additional material.

(The information follows:)

The purpose of public safety assistance is essentially to help others help themselves in the complex and complicated process of the orderly national growth in a highly technological world. In carrying out its functions, endeavors to assist the police become able to facilitate orderly change, protect the right to dissent, and assure an adequate measure of stability so that economic, social and political progress can be realized. Since it is in the interest of the United States that friendly nations can grow in an orderly manner with full respect for the rights of the people, public safety assistance already serves these interests.

Public safety assistance has been provided upon their request to countries of the free world within the resources available and when it is in the U.S. interest to do so, in order that they may develop civil police institutions capable of maintaining internal stability essential for economic, social and political progress. At a minimal cost, these programs serve to prepare civil police forces to prevent the development of disruptions of internal order and to deal with them humanely in their earliest phases so that costly (in social and political, as well as real terms) military solutions to civil disorder problems will not have to be chosen later.

The protection of life and property and the maintenance of law, order, justice and stability are fundamental responsibilities of government. The successful discharge of these responsibilities is imperative if a nation is to survive and progress economically, socially and politically, and if it is to have a government that is responsive to its people—free, stable, independent and self-reliant. Clearly, this goal will not be attainable if law and order are replaced by disorder and violence. The destabilizing factors of subversive violence and terror and other efforts to force change through violence are antiethical to orderly national growth. In a few countries, public safety assistance is now helping to build capabilities of the civil police who are burdened with threats to society represented by externally supported subversion, rural violence and urban terror, and warfare.

The objectives of public safety assistance are (1) to strengthen the capability of the civil police and paramilitary police forces to enforce the law and maintain public order with a minimum use of force, (2) to encourage the development of responsible and humane police administration, and (3) to enable the police to become more closely integrated into the community. In practice, the public safety programs provide various kinds of skills and resources to develop the civil police ability to meet short-term internal order problems and also to develop the police institutions which, over the longer term, should have the ability to prevent the development of threats to internal order and to cope with them effectively should they occur.

Involved in the development of the police institution is the overall professionalization of the police force, and implicitly, the provision of responsive humane and timely police services to all of the people. (The term "professionalism" is used to denote two general factors influencing police behavior. The first deals with attitude, wherein modern concepts and philosophy of police administration are embraced and the role of the police in society as a servant of the people clearly accepted. The second is the use of appropriate and required skills in the conduct of the police task, influenced in each instance by the "professional" attitude and understanding mentioned earlier). Emphasis is given to the establishment of the various elements of the institution such as that for training, telecommunications, transportation, records and identification, criminal investigation, and the administration and management of police resources. The goal of these efforts is to provide for timely, effective police services to the people in order that their lives and their property can be protected.

In addition to the professionalization of the police force, and as suggested above, one of the vital aspects of the provision of U.S. technical assistance is the daily effort made to encourage police officers and leaders to embrace the concept of public service in law enforcement as an accurate reflection of the proper role of the civil police in society.

NARCOTICS PROBLEM

Mr. PASSMAN. It is my understanding that the public safety program in some countries has been focusing on the narcotics problem; is that true?

Mr. ENGLE. For a good many years the public safety program in connection with its regular civil police assistance has provided assist-

ance to civil security forces in combating the narcotics problem because, as you recognize, Mr. Chairman, narcotics is a part of the police problem in many parts of the world.

If you will pardon a personal reference, as a matter of fact, I think I took one of the first advisers overseas in 1951 in the field of narcotics to assist foreign governments in combating this evil. Again, I will supply additional information.

(The information follows:)

PUBLIC SAFETY ACTIVITIES IN NARCOTICS ENFORCEMENT EFFORTS

It will be recognized that U.S. overseas efforts in narcotics control are dependent to a great extent on foreign nations willingness to deal with their own problems and to participate with other nations in coping with the international trafficking problem which affects us all. These nations must be willing to commit themselves and their resources in the enforcement of their own narcotics laws. The United States cannot do it for them, but we can help in ways which will better enable them to do it.

In the past years where a foreign nation has requested U.S. help in the area of narcotics enforcement, the public safety program has responded. Some years ago in Iran, one objective of our program was to strengthen the capabilities of the national police to enforce Iran's narcotic laws. Similarly, we have responded in some other countries to requests for this kind of help.

Since 1966, a portion of our assistance effort in Vietnam has contributed to the development of investigative capabilities of the South Vietnam police regarding narcotics laws. This effort has greatly expanded in more recent years. At the present time, 11 man-years of advisory assistance and approximately $500,000 in commodities and training have been devoted to this effort. A total of 1,023 South Vietnamese police have been trained in narcotics enforcement countrywide of which 486 are now working in the Vietnam Narcotics Bureau and have been assigned in teams to appropriate provinces. Sixty-seven of these police officers are working with U.S. military officers in joint narcotics investigation teams, focusing on drug abuse problems within our own military forces. We are moving rapidly in the institutionalization of this police activity. In Thailand, we are working closely with the Bureau of Narcotics and Dangerous Drugs and the Bureau of Customs officers assigned there in an effort to strengthen the Thai police capabilities for the enforcement of the Thai law to interdict the flow of opium and its derivatives to the United States.

In Laos, two public safety advisers are actively engaged in working with the Bureau of Narcotics and Dangerous Drugs and U.S. Customs officers assigned there, in the development of the Laos National Police capability to enforce the new narcotics law. Special training programs on narcotics enforcement have been established within the Laos National Police Academy. Also, a special in-country training program has been given by the Office of Public Safety officers for narcotics control in Honduras and a regional program for crime laboratory technicians in the Central American area was given in Panama.

In October of last year, the Office of Public Safety conducted a seminar on narcotics in Washington which involved resources of various Government agencies. Attending were the 25 chief public safety advisers from public safety programs around the world. As mentioned in the opening statement, these chief advisers are now making every effort at sensitizing and motivating police leaders in dealing with narcotics problems in their respective countries and encouraging the application of all police resources in dealing with the international trafficking problem. The Office of Public Safety has a key role to play in assisting the civil security forces of foreign nations in the narcotics area. This role is described as follows as taken from a message sent to field missions on January 21, 1972, by Administrator Hannah:

THE OFFICE OF PUBLIC SAFETY'S ROLE IN NARCOTICS CONTROL

In his June 17 message to Congress, the President outlined a coordinated Federal response to an urgent demand that our society be protected from illicit narcotic traffic and drug abuse. AID has been active in the past in attempting to deal with this problem at the source and will continue or expand these efforts, within its resources, in accordance with needs and opportunities. Through its Ambas-

sadors, the State Department carries the primary responsibility for carrying forward the President's program in foreign lands. In the enforcement area the Ambassador will, of course, wish to draw on the resources of BNDD, the Bureau of Customs, and the Office of Public Safety for this purpose.

The enforcement of narcotics laws is only one aspect of the broad spectrum of responsibilities given to a Nation's civil police forces by law. To be most effective, narcotic enforcement elements of the institution should be able to draw on and benefit from the resources of the entire force. For example, such elements of the force as records, identification facilities, crime laboratories, communications, transportation, and training should be able to support effectively the preventive and investigative efforts of the force, including those efforts applied to narcotics control. The patrolman on the beat and all other police personnel should be sensitized to the narcotics problem in order to obtain the maximum information from the people they serve. In short, effective narcotic enforcement results from a total effect. Over reliance, in many cases, on separate or highly specialized narcotics units for the total narcotics control effort prevents the use of all resources available in dealing with the problem.

It is recognized that the foreign nation's government must have a will to solve the narcotics problem which it faces and that the nation's police must enforce the narcotics laws—we can't do it for them. We can help, however, in motivating them toward solving the problem and can provide them with assistance to develop their capabilities to do so.

In this regard, the Office of Public Safety can play a key role, not in the assumption of operational intelligence gathering or other operational responsibilities, but as builders of the institution in which narcotics enforcement works more effectively. Its role then is to assist in the development of the civil police institution as a whole, in establishing the narcotic enforcement mechanism of the institution, and in improving the professional capabilities of all individuals responsible for the enforcement of narcotics laws. The Office of Public Safety can, through its technical assistance efforts (i.e., training, technical advice, and, where necessary, commodity support), develop and improve the capabilities of the civil police institutions within the affected countries. During this process, particularly through advisory assistance, police leaders and other personnel can be motivated toward dealing with the narcotics problem. Specialized training at AID's International Police Academy in narcotics enforcement is a resource that continues to be available.

The Office of Public Safety supports, but is not to be confused with, the overseas efforts of other U.S. agency representatives, which are operational in character. Public safety advisers work in closest harmony with them. For example, at the present time some missions have selected public safety officers as narcotics coordinators for the U.S. Mission, and in some others public safety advisers participate in narcotics action groups established by the Ambassadors. The technical assistance and institution building role defined above the Office of Public Safety in relation to police forces does not exclude specialist training activities conducted by BNDD in the field, and in many cases will be supportive of these training efforts.

Mr. ENGLE. Our role as we see it, Mr. Chairman, is not a role of operations. We are working now with police forces with something less than 1 million police. We believe that our role, as it is set forth in Dr. Hannah's message to the Ambassadors and the mission directors to the field recently, is to sensitize the total force against narcotics. We work very closely with BNDD. We work very closely with the Bureau of Customs. However, theirs is more of an operational role. We have trained some 1,000 officers in Vietnam police, narcotic officers, of which 436 are working in teams assigned throughout the country. We have trained at the International Police Academy here in Washington some 150 police in narcotics control. We expect to train another 50 in this year.

Mr. PASSMAN. I would assume, then, that you have a close working arrangement with the recently established narcotics control program?

Mr. ENGLE. We do have.

Mr. PASSMAN. That is encouraging.

Mr. ENGLE. There is an interagency committee known as the Law Enforcement Subcommittee which Mr. Goin participates in and represents the AID Office of Public Safety. At the present time we are represented on four study teams that are in different parts of the world. There are two teams in Latin America. There is one in the Middle East and one just returned from Europe. They are composed of representatives from BNDD, Customs, and the Office of Public Safety.

We are looking at the problem in the various countries at the request of the host countries and our missions in those particular countries.

NARCOTICS ENFORCEMENT FIELD STUDIES

Mr. GOIN. The law enforcement subcommittee is one of seven subcommittees of the working group for the Cabinet Committee on International Narcotics Control. It functions to provide a professional assessment of need and definition for United States action in the narcotic law enforcement area throughout the world. It supports the working group, of course, and indirectly the efforts of State Department interagency narcotics control committees who are in constant contact with our Embassies overseas. The subcommittee is composed of members of the Bureau of Customs, Bureau of Narcotics and Dangerous Drugs, Department of Defense, and the Office of Public Safety which represents AID and the Department of State.

The United States has been focusing attention on the narcotics problem in some 50 countries throughout the world. It has been endeavoring to determine ways in which the United States might assist some of these countries to cope with narcotics problems, particularly as they relate to international trafficking in hard drugs. The law enforcement subcommittee has been playing an active role in this effort. The study teams, mentioned by Mr. Engle, are byproduct of the subcommittee's work. They were sent to approximately 20 countries for the purpose of determining ways in which we might work together in the narcotics law enforcement areas.

RECRUITMENT OF PERSONNEL

Mr. PASSMAN. It is my understanding that in recruiting personnel you screen them with very great care?

Mr. ENGLE. Yes, sir.

Mr. PASSMAN. There is only possibly one out of each five applicants that you are able to process and bring into your organization; am I interpreting those statistics correctly?

Mr. ENGLE. It is less than that, Mr. Chairman. We have hired over the years about five out of 100.

Mr. PASSMAN. You screen them that closely?

Mr. ENGLE. About one out of 20; yes, sir.

Mr. PASSMAN. That is even more favorable than the statistics that I had heard indicated. This was several years ago, but now are you able to recruit as many men as you actually need?

Mr. ENGLE. At the present time our force is being reduced. We don't have a recruiting problem.

Mr. PASSMAN. Why?

Mr. ENGLE. As I mentioned in my statement, there are several reasons. One, reduction in funds. There are priorities that are established within AID for agriculture, education, and other elements.

Mr. PASSMAN. Is it the lack of funds or not being able to secure proper personnel?

Mr. ENGLE. It is not a matter of securing proper personnel, Mr. Chairman.

Mr. PASSMAN. What is it? What is the trouble? You have the money.

Mr. ENGLE. In Vietnam, where we are cutting back the total number of American staff, and in other countries where the American presence is being cut, we have been reduced also.

Mr. PASSMAN. Are you actually recruiting all the personnel that you need?

Mr. ENGLE. Under the present limitations; yes, sir.

Mr. PASSMAN. The present limitation? That opens up an entirely new line of questions. They could cut you back to three men and I guess you would comply with the present limitation. I am not quarreling, but what do you mean by present limitations? Elaborate on that.

Mr. ENGLE. The priorities within AID are on other economic programs, such as education.

Mr. PASSMAN. Education of what?

Mr. ENGLE. Education, health, agriculture, assistance in those areas, we have to compete for the funds.

Mr. PASSMAN. What do you mean compete?

Mr. ENGLE. Internally within the AID.

Mr. PASSMAN. Nevertheless, you said out of your allocation you are asking for $15 million. I thought that AID in previous years had been very considerate in funding your program?

Mr. ENGLE. We don't have allocation of our own funds.

Mr. PASSMAN. I know that perfectly. You are given an allocation, but what control do you have over that?

You say you are competing with others who are getting pieces of this AID appropriation. If you are in this area that is so sensitive and so helpful, especially in narcotics, I would think you would have a priority on personnel.

Mr. ENGLE. I think we have no problem in the narcotics area.

Mr. PASSMAN. That is the most important one, isn't it?

Mr. ENGLE. Yes, sir.

Mr. PASSMAN. From what appropriation is this item funded?

Mr. ENGLE. It is funded from the bilateral economic aid.

PUBLIC SAFETY TRAINING PROGRAMS

Mr. PASSMAN. How many individuals do you plan to train in fiscal year 1973?

Mr. ENGLE. In the United States we will train——

Mr. PASSMAN. Make it all-inclusive.

Mr. ENGLE. Overseas it will run into the thousands. This last year, for example, where we were involved—this does not mean we trained these people individually, but in programs in which we were involved it would run about 81,000.

Mr. PASSMAN. Don't get the entire population involved in your program.

How many do you train individually in your own workshop?

Mr. ENGLE. Of our own advisers?

Mr. PASSMAN. Here in Washington, your own advisers.

Mr. ENGLE. Our own advisers, it runs about 120, 150. This is retraining of our own advisers.

Mr. PASSMAN. What is the total number associated with your workshop?

Mr. ENGLE. We have 309 overseas and 112 employees in Washington.

Mr. PASSMAN. How does that compare with last year?

Mr. ENGLE. It is down. I would have to ask Mr. Goin that.

Mr. PASSMAN. You mean the amount that you are requesting this year is less than last year and you are training less this year than fiscal year 1972?

Mr. GOIN. Yes, sir. There is a relationship between the amount of funds we requested last year and the number involved in the funds requested for this year.

Mr. PASSMAN. I yield to Mr. Hathaway.

HUMANE CONCEPTS OF ENFORCEMENT

Mr. HATHAWAY. On page 4 of your statement you indicate that present policy recognizes that public safety assistance influences police and government leaders and so forth in the use of modern humane concepts of enforcement. Have all countries' police forces been using these humane concepts, so-called?

Mr. ENGLE. As I said in my statement, this is a part of the advisory activities that we engage in. It has always been part and parcel of our concept of protection of life and property and what we call all humane concepts of law enforcement.

Mr. HATHAWAY. This is not infringing upon the right to dissent?

Mr. ENGLE. Of course not. Quite the opposite. We believe in the protection of the right to dissent.

CRITERIA FOR PHASING OUT A COUNTRY PROGRAM

Mr. HATHAWAY. How do you determine when the nation has had enough training to go ahead on its own without U.S. assistance?

Mr. ENGLE. In the past 10 years or so we phased out of about 27 countries. For the most part, a country never gets as much training of its police forces as it would like to have, nor do we have in our country as much training as we would like for our police forces. What we try to do is to go into a country, which is always at the request of the country, and do those things that are absolutely essential to help that country help itself with its civil security forces.

We have a great deal of demand for our people. We try to get out as soon as possible. Perhaps I might explain that. In a country let's say there are seven or eight police functions that need support, that need help. When we receive a request from a country and it is decided that it is to the advantage of the United States to interest itself in that request, then we would send a study team to the country to determine the dimensions of the problem. For example, the survey team in con-

sultation with the country decides that there are four or five areas, like training, records, identification, communications, transportation, that, among other things, need help.

Then we would work out perhaps say to the country, "We, the United States, can help you with certain things to help improve your police if you will do certain things to improve the force."

Then the next step would be to select advisers who had capabilities in these particular functional fields, communications being one. Then, as we got that particular function to a point where they could handle it, we phase out of that project and other advisers would pick up a general supervision over the progress. Eventually, as these five functions are completed and our project is completed, we would be finished in the country.

LEGAL PROCESSES IN HOST COUNTRIES

Mr. HATHAWAY. Do you have any input into their changing of their laws? I suppose some nations may be able to conduct what we would consider illegal searches and seizures.

Mr. ENGLE. Generally we do not get into the legal processes. We have suggested in some countries improvement in such things as the narcotics control laws, for example, in traffic codes, in the control of traffic, but we don't get into the process of suggesting legislation.

Mr. HATHAWAY. Do we attempt to change their tactics with respect to something like illegal search and seizure?

Mr. ENGLE. Tactics are a matter of training. In our assistance to the training program we would get into improvement of tactical approaches to situations; for example, control of civil disturbance using tear gas rather than bullets—that kind of thing.

Mr. HATHAWAY. You wouldn't go so far as to say that if the law permitted searches without a warrant you would encourage disuse of that tactic by their police force even though the law said they could do it?

Mr. ENGLE. We would, in all probability. This would depend on our relations with the police force. We would say that this is, in our view, not the proper way of doing things. However, as I say, we do not get involved in the suggestion of legislation.

ASSESSMENT OF PROGRAM RESULTS

Mr. HATHAWAY. Do you recheck on countries after you have left to see how well they are doing?

Do you wait for them to get in touch with you again?

Mr. ENGLE. Yes. We have been in a number of countries where we have worked and in some cases we have gone back in for a short period of time to assist them in a particular area. For example, I think one thing that we are talking about here is concepts really, concepts of police administration.

I worked on a Japanese police reorganization for four and a half years, and I think a lot of the things that we are talking about in the general humane police administration area are ideas that you implant through training, that the police represent the people, not the government in power, as such. It is a fine distinction, but nevertheless there is a great distinction.

LOCATION OF PUBLIC SAFETY ADVISERS

Mr. HATHAWAY. You mentioned 309 Public Safety advisers assigned overseas in 24 country programs. Could you provide us with a list, by country, of who is where?

Mr. ENGLE. Yes, sir.

(The information follows:)

Number of advisors as of May 3, 1972

Country:	
Vietnam	196
Thailand	39
Laos	9
Total	234
Philippines	8
Pakistan	1
Saudi Arabia	7
Total	16
Bolivia	2
Brazil	1
Colombia	5
Costa Rica	4
Dominican Republic	3
Ecuador	3
El Salvador	1
Guatemala	7
Honduras	3
Jamaica	1
Nicaragua	2
Panama	3
Uruguay	4
Venezuela	4
Total	43
Ghana	2
Liberia	3
Tunisia	1
Zaire	10
Total	16
Grand total	309

Mr. HATHAWAY. You mentioned something about experience. Are a lot of the Public Safety advisers retired police chiefs?

Mr. ENGLE. Some.

Mr. HATHAWAY. Any upper age limit?

Mr. ENGLE. I think the average age is in the forties. They have at the time they were hired, about 13 years of police experience. The average Public Safety adviser with us has had about 7½ years of advisory experience and has worked in several countries.

Mr. HATHAWAY. He has now, but when he first went he didn't?

Mr. ENGLE. No. He had 13 years of police experience in the country.

Mr. HATHAWAY. What kind of police experience, traffic cops or what? Is there any particular experience you look for?

Mr. ENGLE. Generally, we try to get officers at management level, command and management level who have had experience in running

a police force. We have a number of heads of State police forces. We have a number of individuals who have been senior officers in municipal police forces, Federal police forces. We have a few former military officers.

Mr. HATHAWAY. Are they all reserve-level police, lieutenant and up?

Mr. ENGLE. Not all, but must have had management responsibilities. Some of the younger ones have not. They may have been sergeants. They have had command. Then we have a minimum of 5 years of experience at the administrative level, what we term police administrative level.

Mr. HATHAWAY. Do they sign up for a certain number of years or forever?

Mr. ENGLE. They are direct hire. They are appointed Foreign Service Limited. After about 3 years of satisfactory service they may be made Foreign Service Reserve Officers.

Mr. HATHAWAY. They leave the Chicago Police Force and wouldn't get a leave of absence?

Mr. ENGLE. Not necessarily. But by and large——

Mr. HATHAWAY. What is their pay range?

Mr. ENGLE. They range from a minimum of about FSR grade 6 to FSR 1. We have a few at the top level, four or five of them. But most of our advisers are FSR 4 level.

Mr. HATHAWAY. How much money is that?

Mr. BUTTERFIELD. Start at $18,000.

Mr. HATHAWAY. No tax on that?

Mr. ENGLE. They pay the same taxes as any other Federal employee overseas——

Mr. HATHAWAY. Do they get a bonus for overseas?

Mr. ENGLE. It depends on the country. In hazardous areas like Vietnam they do. I can insert that in the record.

(The information follows:)

EMPLOYEE ALLOWANCES FOR OVERSEAS ASSIGNMENT

As a matter of policy, OPS does not hire above the FSR–4 level. Starting salaries are open depending on education, professional experience, current employment salary, foregn language ability, and normally range from $12,573 to $18,737 annually. Increases in grade raises and promotion opportunities are related to job performance.

Along with other foreign service employees in AID, State Department, and USIA, they receive a post salary differential for duty in countries adjudged to be hazardous for security, hardship or health reasons, or post allowances in certain countries to compensate for excessive cost-of-living expenses. For example in fiscal year 1972, of 24 countries with public safety advisory presence, 16 have a post differential, which ranges from 10 percent in Uruguay to 25 percent in Vietnam. Seven of these 24 countries have a post allowance, which ranges from $685 in the Dominican Republic to $2,740 in Zaire.

The hazards to which public safety advisers are exposed in the performance of their duties are testified to by the fact that since 1960 seven have been killed in the line of duty, nine wounded, and 11 received awards for valor or heroism from the U.S. Government.

REDUCTION OF NUMBER OF PUBLIC SAFETY PROGRAMS

Mr. HATHAWAY. You mentioned on page 13 public safety assistance has been diminished rapidly in terms of number of countries aided and resources used.

Why is this? They don't need it or are not asking for it?

Mr. ENGLE. As I mentioned in my statement, I would like Mr. Goin to give his views on this, since he is in charge of operations.

Mr. GOIN. The reasons why the programs are being reduced in terms of numbers and also in resources will be dependent upon varying factors in any one country. As Mr. Engle mentioned in his statement, there are varying kinds of factors, any one or combination of which may be applicable in any of these countries. Public safety has, since it was established, been in a competitive posture for economic funds of the Agency. It does not have the management responsibility for its own funds.

With a continued thrust of the Agency in the education, agriculture, public health sectors as being the highest priorities, public safety has been a relatively marginal competitor for funds. The problem starts in the field where the AID mission director starts the basic planning.

Mr. HATHAWAY. Are you saying you could use more but you were cut back or don't need it? I notice it has gone from $50 million down to $15.5 million in a short period of time.

Mr. GOIN. That is correct.

Mr. HATHAWAY. Is the $15.5 million sufficient for those 20 countries?

Mr. GOIN. Yes, sir. The amount of money we are requesting is adequate for the kinds of plans that have been made for these 20 countries. Another way of answering your question——

Mr. HATHAWAY. You mean that they have reduced planning?

Mr. GOIN. That is correct.

Mr. HATHAWAY. You think that is going to be just as efficient as it was when you had $50 million and 34 countries?

Mr. GOIN. Someplace in the middle, I would say. We need to do more than what we are doing in the countries in which we are working. But within the overall level of what AID is requesting of Congress, the percentage that we have has reduced the average. The average of the AID grant allocation from Congress-allowed for public safety has been 3.3 percent. In fiscal year 1973 terms it is 1.4 percent.

Mr. HATHAWAY. You still think that you can do a good job in 20 countries with $15.5 million?

Mr. GOIN. Yes, sir.

Mr. HATHAWAY. Thank you, Mr. Chairman.

Mr. PASSMAN. Mr. Robinson.

Mr. ROBINSON. No questions.

Mr. PASSMAN. Mr. Roybal?

INTERNAL SITUATION IN HOST COUNTRIES

Mr. ROYBAL. Thank you.

There has been a great deal of discussion with regard to the agency's role, particularly in Latin America where the agency has been charged in some instances with interfering with the governments with which they are working.

Can you tell the committee—for the record—just how your agency works with a country and how it purposely does not interfere with its internal affairs?

Mr. ENGLE. First of all, we only get involved in assisting a country at the request of that country. We do so in particular areas of functional law enforcement activities. We in no way at any time interfere,

to use your word, or get involved in any way, either in partisan or personal politics involving the police force with which we are working or with individuals.

We stay completely out of domestic politics. We stay completely out of the internal affairs of the country involved.

Mr. ROYBAL. Your main function is to set up or help them set up telecommunication systems, training courses, a correct system of police records, and to train the individual in overall police administration; is that correct?

Mr. ENGLE. Yes, sir. And increasing their professional competence.

Mr. ROYBAL. Is it the intention of the group or the policy of your agency to provide all of this service and then withdraw from the country in question?

Mr. ENGLE. That is correct, sir.

Mr. ROYBAL. That is the policy of your agency?

Mr. ENGLE. That is correct.

Mr. ROYBAL. This matter will again be brought up on the Senate side, and we will listen to a lot of criticism of the program. I have already received, as of this morning, several letters on the subject.

I want to get on the record, Mr. Chairman, that it is not the intention of this agency to interfere with the internal affairs of the government with which they are serving. I also want to get in the record the fact that it is the policy of this agency to serve the host country. Once that country's police force is on its feet, so to speak, you then withdraw from that country and go to some other country?

Mr. ENGLE. That is correct.

Mr. ROYAL. Am I stating it correctly?

Mr. ENGLE. Very correctly.

Mr. ROYBAL. Perhaps not as well as you have stated it, but I want it on the record so we know what the situation is. I believe we are going to have quite a conference debate on this subject and I would like to refer to your statement at that particular time. That is the only reason I ask the question.

Thank you, Mr. Chairman.

PHASEOUT OF PUBLIC SAFETY PROGRAMS

Mr. PASSMAN. I am a bit confused as to how you reach the decision to where you could say we have helped these people enough and now they can carry on without any further assistance.

I make that observation because it has been my privilege to chair this committee for 18 years and I know of no foreign aid program, regardless of its nature, type, or title, where they will ever admit they don't need more aid tomorrow than they received yesterday.

Instead of concluding the programs, they get bigger and broader, like the UNDP program. I was somewhat flabbergasted to learn yesterday, without any control whatsoever they have over 4,000 projects and programs and they are enlarging upon them all the time. The same thing is true in the bilateral program. You are in one of the most important areas of this program, which is to train these people to fight the narcotics problem, and you are able to determine that these people now have reached the point where they are self-sufficient in this area of law enforcement and you can move out?

How do you reach such a high degree of perfection?

I would like to ask the same question of all other agencies. Give us a little explanation.

Mr. ENGLE. As you know, Mr. Chairman, we are dealing in intangibles.

Mr. PASSMAN. All the others are too, to some extent.

Mr. ENGLE. We are dealing with the assessment of a police force. We begin with the assessment of a police force and its deficiencies. As the record will show, we have phased out of 27 programs.

Mr. PASSMAN. I am glad that you have.

Mr. ENGLE. We are out of more than we are in. We are going to be out of four more this year.

Mr. PASSMAN. That is wonderful and I am glad. Why couldn't the other programs complete their business and withdraw? You know how it is; why not do the same thing in other areas? Why do we have to keep these programs going for 25 years?

I am interested in this. This is a terrific record if you can support it with facts. Get these people to the point where they possess the knowledge and wisdom to carry on without your aid. I think Mr. Roybal made a very, very good point. If that is true in this important area, I wouldn't know why it won't be true in literally hundreds of other projects, whether digging wells, raising pigs, or getting better stock, better chickens, or bigger eggs. They never concluded a program. Not one.

I don't know of any program in any country where you ever had a program that it has not continued to grow. I hope this spills over into a lot of other areas in AID.

Mr. ROYBAL. Off the record for a moment.

(Discussion off the record.)

Mr. PASSMAN. Do you go in by invitation?

Mr. ENGLE. Always.

Mr. PASSMAN. Without exception?

Mr. ENGLE. Without exception.

Mr. PASSMAN. You leave with the mutual understanding that they have reached the point where they can carry on without you?

Mr. ENGLE. In most cases. There are some cases where the country has requested that we stay longer and we have not.

Mr. PASSMAN. You have never been invited out of a country?

Mr. ENGLE. Not specifically. I think I would have to qualify that to say, several years ago when the total AID program left Cambodia and Indonesia we were caught in that departure.

Mr. PASSMAN. How many countries are you in?

Mr. ENGLE. We are in 24 at the present time.

Mr. PASSMAN. Repeating, if I may, you always go in, without exception, by invitation?

Mr. ENGLE. I might add, Mr. Chairman, we do not stimulate any invitations.

Mr. PASSMAN. I understand that. I am glad to get that in the record. You are invited to go in and when you have reached the point where the purpose has been served by mutual agreement between the donor and recipient you withdraw?

Mr. ENGLE. That is correct.

Mr. PASSMAN. With these exceptions where there may have been some peculiarities attached to them, you have not been invited to leave a country?

Mr. ENGLE. That is correct.

Mr. PASSMAN. Have you left behind good will?

Mr. ENGLE. I think without exception.

Mr. PASSMAN. Have you been invited back into countries after you had departed?

Mr. ENGLE. Yes, sir; we have.

PARTICIPANTS IN THE TRAINING PROGRAM

Mr. PASSMAN. How many participants are trained in the United States and how many are trained in third countries?

Mr. ENGLE. During our full year of 1971, 687 police officers were trained in the United States and it is expected that we will train about 730 in fiscal year 1972. A total of 329 police officers were trained in third countries in fiscal year 1971.

AID'S INTERNATIONAL POLICE ACADEMY

Mr. PASSMAN. You indicate on page K–18 that police officers from a number of countries will be trained in the United States principally at AID's International Police Academy. Where is this police academy located?

Mr. ENGLE. The International Police Academy is located at the District end of Key Bridge in Georgetown at 3600 M Street NW.

Mr. PASSMAN. Do other U.S. Government agencies use this academy to train foreign nationals?

Mr. ENGLE. Yes, sir. Police training has been provided through the International Police Academy for an average of about 11 police officers over the past 5 years brought to the United States under sponsorship of the U.S. Department of Army. The academy also assists the State Department's Bureau of Cultural Affairs in programing visits to American police organizations of foreign officials in the law enforcement field.

Mr. PASSMAN. If so, do they reimburse AID for the use of this facility?

Mr. ENGLE. We do not charge the State Department for the assistance we provide them since the training is through observation visits to U.S. police departments. However, Department of Army pays the same costs (travel and per diem) as are chargeable to our overseas AID Missions for AID-funded participants.

OTHER TRAINING SITES

Mr. PASSMAN. What other places are used to train these foreign nationals in police matters in the United States?

Mr. ENGLE. Some 17 specialist or special training courses are regularly offered by the International Police Academy. Also, we have used other resources on a few occasions to meet field needs, but which do not represent regularly offered courses. These courses are provided for relatively few students. Most are trained at IPA in the general and senior officer courses that I mentioned earlier in my statement. I would be glad to submit a list of these for the record.

(The list follows:)

INTERNATIONAL POLICE ACADEMY SPECIAL TRAINING PROGRAMS

Regularly Offered Courses:

Type of training and duration	*Facility*
Narcotics control (2 weeks)	Bureau of Narcotics and Dangerous Drugs Department of Justice.
Forensic chemists (1 week)	Do.
Border and customs control (3 weeks)	U.S. Border Patrol Academy (conducted jointly by Border Patrol, U.S. Immigration and Naturalization Service and Bureau of Customs, Department of Treasury).
Police records management (8 weeks)	International Police Services, Inc. Washington, D.C.
Henry fingerprint system (12 weeks)	Do.
National academy (12 weeks)	Federal Bureau of Investigations, Washington, D.C.
Questioned document examination (52 weeks)	Forensic Sciences Center Institute of Criminal Law and Procedure; Georetown University, Washington, D.C.
Traffic police administration (36 weeks)	Northwestern University, The Traffic Institute, Evanston, Ill.
Police traffic management (12 weeks)	Traffic Management Institute, Central Missouri State College, Warrensburg, Mo.
Police telecommunications maangement (26 weeks)	GTE Sylvania Technical Systems, Inc., Waltham, Mass.
Police advanced telecommunications technician (26 weeks)	Do.
Maritime law enforcement (16 weeks)	U.S. Coast Guard Training Center, Yorktown, Va.
Port security (4 weeks)	U.S.C.G., Governors Island,
Search and rescue (4 weeks)	New York, N.Y.
Firearms identification (52 weeks)	U.S. Army Crime Laboratory, Fort Gordon, Ga.
Penology and corrections (18 weeks)	Center for Crime, Correction, and Delinquency, Southern Illinois University, Carbondale, Ill.
Jail administration (7 weeks)	Institute of Correctional Administration, American University, Washington, D.C.
Mechanical maintenance (supervisory) (15 weeks)	U.S. Army School, Aberdeen, Md.
Automotive repair (mechanic) (19 weeks)	Do.

For nonregular training the following resources have been used occasionally:
University of Missouri, Colombia, Mo., police community relations and development.
Stamford Police Department, Stamford, Conn., records and identification.
College for Police Science Administration, Michigan State University, East Lansing, Mich., criminalistics (crime laboratory examinations).
John Jay College of Criminal Justice, New York, N.Y., forensic chemistry.
New York Institute of Photography, New York, N.Y., black and white and color photography.
California State Bureau of Identification, Sacramento, Calif., fingerprint training.
Delinquency Control Institute, University of Southern California, Los Angeles, Calif., delinquency control.
Louisiana State University, Baton Rouge, La., firefighting.
U.S. Army Logistics Management Center, Fort Lee, Petersburg, Va., supply management.
U.S. Army School of Americas, Fort Gulick, Canal Zone, Spanish language courses in automotive maintenance.

Mr. ENGLE. In addition, the Office of Public Safety arranges on an as-needed basis brief observational study tours for senior foreign police

officials of 3 to 4 weeks duration. These involve visits to selected municipal, State, and county police and law enforcement departments throughout the United States for 1 to 3 days in each department. Among those used most frequently are: Municipal Police of Los Angeles, Calif.; Los Angeles County, Calif.; Chicago, Ill.; New York, N.Y.; Denver, Colo.; Philadelphia, Pa.; Kansas City, Mo.; Phoenix, Ariz.; Detroit, Mich.; Cleveland, Ohio; San Francisco, Calif.; Nassau County, Long Island, N.Y.; Columbus, Ohio; St. Louis, Mo.; Miami, Fla.; Dade County (Miami), Fla.; and New York, Virginia, Indiana, Illinois, Michigan, Pennsylvania, New Mexico State Police forces.

LATIN AMERICA

Mr. PASSMAN. Why is so much of the public safety effort located in Latin America when you exclude Vietnam, Thailand, and Laos?

Mr. ENGLE. As I mentioned in my statement, police assistance programs emphasize institution building, excluding those programs in Southeast Asia countries you mentioned. We have concluded programs in countries in other parts of the world and AID policy has restricted the applicability of public safety aid in some cases. For example, in areas other than Latin America, the AID policy for Africa has been, in recent years, concentrated on regional assistance, which is generally not acceptable to requesting countries asking for aid in the security field. Countries in the Near East-south Asian areas such as Turkey, Greece, and Iran were assisted and the program has been concluded. In the Far East, the only other country being aided at the present time is the Philippines. In that part of the world other assistance programs have been concluded in Korea, Cambodia. Indonesia, and Burma. So in answer to your question, we are continuing to assist Latin nations which have requested our aid because our job has not been completed, although greatly reduced, and continuing U.S. police assistance is in the U.S. interest.

SAUDI ARABIA

Mr. PASSMAN. Is the total cost of the public safety program in Saudi Arabia paid for by that country?

Mr. ENGLE. Yes, sir; it is.

SOUTH EAST ASIA

Mr. PASSMAN. The majority of the public safety program funding is to be allocated to Vietnam, Thailand, and Laos. I assume this is because the conflict has disrupted the activities in that part of the world; is that correct?

Mr. ENGLE. Yes, sir; that is correct.

ALLOCATION TO COMMODITIES

Mr. PASSMAN. You indicate that $743,000 will be allocated in fiscal year 1973 for commodities. Would you tell the committee what these commodities will be?

Mr. ENGLE. Yes, sir. The amount you mentioned is that which is requested for commodity procurement in programs which are development assistance funded. Of this total, a sum of $321,000—43.2 percent—

will be used for police telecommunications equipment, $184,000—24.8 percent—will be spent for police vehicles and spare parts, $213,000—28.6 percent—will buy standard police equipment such as training aids, police records items, crime laboratory equipment and the like; and $25,000—3.4 percent—will be used for police weapons and related items.

ECUADOR

Mr. PASSMAN. There appears to be a large increase in the public safety funding in fiscal year 1973 for Ecuador. Would you please explain the need for this increase?

Mr. ENGLE. The increase of public safety funding for fiscal year 1973, as compared to the level shown in the fiscal year 1972 congressional presentation, amounts to $65,000. A major portion of this amount, or $43,000, is for commodities related to the telecommunications project.

A recent study conducted by public safety revealed that the Ecuadorean telecommunications system was not capable of meeting its needs and hence required updating. Much of the equipment was inoperative or, at best, provided marginal service, due to the lack of adequately trained personnel and proper maintenance. It was mutually agreed between the Governments of the United States and Ecuador that the entire network should be overhauled, that a joint United States/Ecuador project should be undertaken to install the equipment, with the Government of Ecuador providing land, installations, labor, and construction costs, and to train the local technicians in their use and maintenance.

Another reason for the increase in funding level is the need to increase U.S. participant training. An additional $15,000 is being proposed to train seven more Ecuadorean police officers necessary to build up the cadre of supervisors and instructors. These U.S.-trained officials will be better able to handle the new recruits being put into service at an accelerated rate.

The remainder of the increase is found in the technician cost. An additional $6,000 is being proposed to cover normal increases of direct-hire cost, as well as to fund six man-months of temporary public safety advisory assistance being proposed.

PROGRAM ACCOMPLISHMENTS

Mr. PASSMAN. Do you feel the public safety program has been effective in accomplishing its purpose and, if so, please give specific examples of this effectiveness?

Mr. ENGLE. Yes sir; I do. As I mentioned earlier in my statement, we have provided assistance to 27 countries and this assistance has been concluded. In a number of these cases the objectives set forth in the program were reached and our advisers came home.

Also, the effectiveness of our program is seen in terms of intangible results which are derived from the close rapport that our public safety advisers have with police leaders throughout the world. This is the means and, I think, the most effective means possible to transmit professionalism in terms of attitudes and concepts. Otherwise, the effectiveness of the public safety program can best be expressed in terms of accomplishments. I highlighted some of these in my statement, and in a short space cannot go into all of the things we have done in detail.

In all countries training programs have been initiated. The total number of police trained in various courses in their own country would total many thousands. Participants have been trained in the United States from all of the countries now being aided and are included in the total mentioned in my statement.

I will be pleased to capsulize some illustrative achievements for the record regarding each of the countries in which we are now working.

(Information follows:)

PUBLIC SAFETY ACCOMPLISHMENTS

Vietnam

The major achievement of the public safety program in Vietnam has been an extension of law and order services to the people in large areas of the country previously lacking such services. In late 1960, the 55,000-man civil guard, which was the only sizable rural civil security force, was transferred from the Ministry of Interior to the Ministry of Defense, and became part of the territorial security force now known as the regional force. This removed a civil police presence from the rural areas of the country and left only the provincial police forces of 19,000 men to police the entire country. In 1962, the national police was formed. With additional burdens brought on by the conflict in that country, the strength of the national police has been increased from 19,000 in 1962 to 116,000 today. This large growth has required outside assistance in the creation of the present police institution and training establishment. With our help, improvements have been realized as illustrated by the expanded deployment of the national police to over 2,000 of the 2,162 villages throughout the country. This expansion of police services was further amplified through the establishment of police patrols rather than fixed posts.

The development of the field police has extended police services to the less secure areas at District level and the development of the marine police now provides services on the extensive waterways of the country. Narcotic units have been expanded from a single small unit at national level to a service of 483 men having units at national, regional, and provincial levels. The national identification card program is 95 percent completed. When completed, 11 million citizens will be provided with identification cards.

A nationwide police radio system incorporating 14,000 radios has been provided. In addition, the civil administration of all hamlets, villages, districts, and provinces are linked to the central government by a telecommunications system established with our help which uses 40,000 radio units. Both of these telecommunications systems and a major part of the radio equipment were designed by technicians from the Office of Public Safety at a substantial saving over other commercially available units.

Prison conditions have been improved by reduced overcrowding, improved sanitary conditions, better diet, and expanded medical services to the extent that monthly inmate mortality was reduced from 1.56 per 1,000 in 1967 to .30 per 1,000 in 1971. Three hundred and fifty-seven police have been trained in the United States at the International Police Academy.

Thailand

Public safety advisory input in the fields of management, administration, training, and commodity assistance has aided the Thai National Police to increase the force from 50,000 in 1965 to a present strength of 77,000. This force increase has allowed the Thai Police to extend additional police presence and protection to citizens in rural villages, harassed in many instances by Communist insurgents, to which I referred earlier in my statement, where upward of 9,000 police are stationed now in about 1,000 tambol (village) police stations. Fifty-four 50-man provincial police units, specially trained and equipped to augment police presence at village and district posts, have also been created. The border police patrol element, which has the prime counterinsurgency role, has been increased from about 7,000 men in 1965 to a present strength of 10,500. The mobility of police elements has been improved with our help by the creation of the police air wing.

Our assistance has been instrumental in the improvement of the police education bureau which maintains nine separate training facilities to provide recruit, noncommissioned, cadet, senior officer and specialist training, totaling over 12,000 annually in various classes and courses. Counterinsurgency training not only

for the border patrol police, but for all other police units in the field as well, has been accentuated by the establishment of an additional national and four regional training centers for this purpose and the training of permanent Thai instructor personnel for these schools.

To date, over 500 officers of the Thai Police have been trained in the United States in various police disciplines. The majority of this number attended the International Police Academy.

Technical advice, training, and commodity assistance has resulted in the establishment of a nationwide telecommunications net from national through regional, state, city, and town police facilities. Additionally, a police telecommunications net was established for the Bangkok Metropolitan Police connecting all 40 precincts and their radio cars with the central command.

The development of police management and administrative capability through advisory emphasis is apparent and continues in specialized areas. The criminal records office of the Thai Police was upgraded and enlarged; 52 provincial crimina records offices were created, equipped, and staffed by trained personnel.

The efficiency and capability of the police quartermaster division was substantially increased with the establishment of nine regional supply depots, 21 third-echelon field automotive repair shops and 16 mobile vehicle maintenance teams and the concurrent training of staffs for these facilities.

The Philippines

The Philippine Police Commission, appointed by the President, was established in 1966 at the urging of the Public Safety Division of USAID/Philippines to standardize recruitment and training standards for all police forces in the country. Nine of 10 programed regional police commission training centers are now operational. A police improvement program has been implemented in Rizal Province and cities contiguous to each of the training centers. A nationwide police records and identification system has been established to assist in rapid criminal identification and information retrieval. Nineteen provincial communications networks have been established and are operational. Participants trained in the United States total 177.

The chief public safety officer has been appointed the American Ambassador's drug control coordinator and has initiated narcotics training in the training centers, as well as coordinating efforts of the United States Mission, United States military establishments, and the police and Government of the Philippines.

Laos

An improved national communications network has been established, as well as an interprovince network. To service this network, a maintenance capability has been established. A records and identification bureau has been credited and is operational. A national police training center with a capacity for 600 students each year and funded partially with AID funds has been constructed and is operational utilizing public safety advisory assistance. To maintain vehicles furnished by AID, a motor vehicle maintenance facility has been established. Armament repair and ammunition reloading capabilities have been developed with mobile repair teams traveling to various provinces to insure that weapons are kept in good condition. Three public safety narcotics advisers assist the national police in narcotics training and the establishment and development of an enforcement capability to interdict and suppress narcotics trafficking.

Bolivia

A national police academy has been established. Patrol tactics, investigations (crimes in general and narcotics in particular), and the proper use of firearms have been generally improved. Increased radio patrol coverage in La Paz has resulted in a significant improvement in preventive patrol abilities. Specialized narcotics investigation units have been established to combat the illicit production of cocaine. The Bolivian Narcotics Bureau was inaugurated in January 1972, and a 2-week training course was provided the members of this special unit.

Brazil

An initial goal of the program was the establishment of a federal police organization which has been accomplished. It has assisted the Brazilian Government in establishing the institute of identification, the institute of criminalistics, the police academy and the technical telecommunications center as a

78-827 O - 72 - pt. 2 - 52

part of the federal police to serve the Brazilian police forces at all levels. Substantial progress was made in upgrading police administration and management. The program will conclude at the end of fiscal year 1972.

Colombia

Telecommunications networks have been initiated to provide nationwide police coverage. Trained special civil disturbance task forces have been established in major cities. A centralized criminalistics laboratory now exists in Bogota. Weapons have been standardized and updated. Major gains have been made in administration and management. Advisory assistance is now being provided in the planned reorganization of the national police. A public safety survey was conducted of the border and customs capabilities of the Colombian National Police, with emphasis on international trafficking in narcotics.

Costa Rica

Approximately 50 percent of the civil police forces for the first time have been placed in a career service—the rural assistance guard. With our assistance, the Presidential Public Forces Commission has completed its study of the Nation's civil security forces and submitted it to the President with recommendations for reorganization of these forces. Construction of a police academy will soon begin. An international telecommunications network is operating connecting Costa Rican police headquarters with other Central American and Panamanian police forces; a countrywide police network has been initiated.

Dominican Republic

A national police planning and training office has been created. A police training school has been established at Borinquen and 3,878 police officers have been trained there to date. A new cadet training program has just started. A rural police patrol capability has been developed. Urban policing in the capital city has improved greatly. Transportation and communications facilities have made significant progress. Technical and professional competence have been increased and a professional cadre of senior police officers now exists.

Ecuador

With the passage of the police organic law in 1964 and the career police personnel law in 1965, the national police acquired a more meaningful institutional base. A police recruit school has been established. Police units now use humane methods in controlling civil disturbances. A telecommunications network has been set up in Quito and another is planned in Guayaquil.

El Salvador

In this program, scheduled to terminate in fiscal year 1973, most of the objectives of the program have been met and El Salvador accordingly is often used as a model for other programs in the area. Major accomplishments include: expansion of patrol coverage in principal cities and organization of special crowd control units. Telecommunications networks have been established for the national police, the national guard, and connected to the Central America/Panama security network. Training systems for the national police and national guard have been developed. A crime laboratory has been equipped and is in operation. This laboratory especially is utilized for training police officers from other Latin countries. The resident public safety officer was named adviser to the local committee for drug use and abuse and has contributed technical assistance in the in-country narcotic control program.

Guatemala

Urban patrol in the capital has increased greatly. Telecommunications networks have tied all department headquarters with the capital and have been established with the Central America/Panama security network. A new police academy has just been inaugurated. Maintenance of vehicles and telecommunications equipment, and criminalistics and photographic capabilities have been improved significantly. The Henry system of fingerprint classification was implemented.

Guyana

The curriculum at the police training center was improved: a library and a training aids section were established. A modern records/identification system was established. A nationwide telecommunications network was completed and a crime laboratory established. A highway patrol and police mobility for interior cities have been achieved. Police river patrols have been developed to reach

previously inaccessible areas. The mutually agreed goals of this project were fully achieved in mid fiscal year 1972.

Honduras

Following the military coup in 1964, manpower from the army, untrained in civil police work, was used to form a new police force. Significant gains toward a professional civilian police approach to police services have been realized. The police, instead of the army, now are providing law enforcement services to the rural population. Police management has been significantly improved. Nationwide telecommunications networks have been established and connected with the Central America/Panama security network. A police training school was established. A crowd control unit was equipped and is now operational. The immigration service was reorganized. A 2-week police narcotics training course has been conducted recently by public safety personnel.

Jamaica

A countrywide telecommunications network was installed. Sixty-five patrol vehicles were purchased by the Jamaican Government, and a modern patrol system was established. A 500-man civil disturbance unit has been organized and equipped. The records and identifications system has been improved. The Jamaican Government has increased its budget to the police, including funds for the purchase of automotive, communications, and other types of equipment. The resident public safety officer was named the U.S. mission narcotics coordinator and has contributed significantly in improving the Jamaican Government's capability to interdict illicit narcotic traffic.

Nicaragua

Major steps have been taken in the development of a civilian police element of the national guard which is both the civil and military force for the nation. The Managua Police Department was reorganized as a civil police unit. The central identification bureau has been established. Managua now has patrol coverage with radio-equipped vehicles in eight precincts for 24 hours daily.

Panama

Major urban areas and the Inter-American Highway are now covered by police mobile patrol. The intracountry telecommunications system has been improved. A police training school has been set up. A crime laboratory has been established and equipped. Border patrol operations have been strengthened. A central police operations center has been established. Civil disturbance control units have improved. Public safety personnel along with representatives of BNDD and U.S. Customs, initiated a 2-week training course for selected members of the Panamanian Customs Service and the national guard's narcotics unit. A public safety workshop in drug identification was conducted for laboratory technicians from the Central American countries, Panama and Colombia.

Uruguay

Police civil disturbance units have been organized in the capital and all interior departments. A significant improvement has been seen in the police ability to identify and apprehend urban terrorists. Administrative and management skills of police leaders have been improved. A police telecommunications network and an interagency emergency network have been established. Purchases of vehicles, communications equipment, and other police equipment by the Uruguayan police have led to increased patrol efficiency and coverage.

Venezuela

During the mid-1960's, police abilities to deal with urban terrorists were developed and for the first time, in 143 years, a Venezuelan president was constitutionally succeeded in spite of terrorist threats to prevent it. Civil disturbance control units were established and trained throughout the country. A unified police communications/joint operations center was established. Criminalistics and records/identifications facilities have been expanded and modernized. Police agencies in the Caracas area were unified to form a more effective metropolitan police and training program initiated for most interior city police forces.

Ghana

Project activities are moving in the direction of achieving limited goals set forth. For example, police motor vehicle garages have been reorganized, communications repair shops are being modernized, and radio and teletype net-

works are being developed or modernized for the national system and the various metropolitan and regional systems.

Liberia

The national police headquarters staff, administration and national files of the Bureau of Immigration and Naturalization have been reorganized along modern lines and personnel trained. The oragnization, administration, laboratories, records, and training system of the National Bureau of Investigation have been upgraded. National police communications systems have been installed, headquarters organization and administration improved, municipal patrol for Monrovia organized, rural and border police posts established, manpower utilization improved, national police academy established and training of the force is being accomplished.

Tunisia

A 1,200-man police auxiliary and civil disturbance control unit has been organized and trained. Advisory assistance has been provided in the development of two police training centers, the staffs and faculties, and courses of training. A study of the national civil police communications system has been completed and assistance given in the organization of a communications repair center and the training of maintenance personnel. The national police garage has been reorganized and training classes for maintenance personnel are being conducted.

Zaire

Twenty-two uncoordinated provincial police agencies were reorganized into a unified national police force. Toward making the new force effective, the program has aided in the establishment of a modern national police garage, an expanded national communications network, the Kinshasa police radio network, a motorized patrol for Kinshasa, eight national mobile police training teams, the police training center at Kinshasa, trained motor vehicle and communications repair and maintenance personnel.

Improved police services have been initiated at Lubumbashi.

Through modest technical aid, a new lake patrol force has been developed for Lake Tanganyika. The patrol utilizes six vessels bought by the Government of Zaire in the United States at a cost of $3.5 million.

Pakistan

The emergency response capability of the national police of former West Pakistan has been improved through training and commodities provided in the form of motor vehicle transportation equipment and communications equipment. The police radio network has been modernized and extended to all major communities. Two communications repair facilities have been established and personnel trained. Nine regional motor vehicle repair garages have been established, new repair equipment furnished and personnel trained. Two police training centers have been provided technical assistance and training aids, upgrading both systems and the training capability of the schools.

Considerable improvements in training, telecommunications, transportation and administration in the former East Pakistan Police and East Pakistan rifles. As a result of the recent war, these forces have now been disbanded and the reconstruction of a civil police force, headed by a graduate of the IPA, is underway in the new Bangladesh nation.

Africa regional training

This project provides training at the International Police Academy in Washington to midcareer and senior police officers from those African nations not having bilateral AID relationships with the U.S. Government. The training is given in French or English and provides specialized orientation and indoctrination of present and potential police leaders in the democratic concepts of police management and administration. The project was initiated in fiscal year 1971 and 89 participants from 17 countries have so far completed training.

CRITICISM OF PROGRAM

Mr. PASSMAN. As we are all aware, the public safety program has been criticized by many people. Some individuals claim that the training provided to these countries' police organizations leads to the creation of or encourages a police state. This criticism is specifi-

cally directed to certain Latin American countries. Would you please comment on this situation?

Mr. ENGLE. Certainly, sir. In a general sense, the purpose of public safety assistance to increase the professionalism of the civil police and the concepts carried to foreign nations by our advisors which contribute to the goal are antithetical to police repression in the formation of a "police state."

With respect to certain Latin American countries, many of these are threatened today by subversive violence which is used as a means for destroying established order and to force change in society in the direction desired by violent special interests groups. This violence is oftentimes targeted on police officers which are the first line of defense against such acts, members of the government and foreign diplomats. In the process, basic human rights of members of society are trampled and the people are frustrated in their desire to go about their daily pursuit in freedom and safety. We certainly abhor and do not condone nonprofessional police behavior and do not defend "police vigilantism."

I think it is important to understand the atmosphere of some Latin societies in which the police must function. In Guatemala, for example, in the first half of last year 29 police were killed in the line of duty, at one of the highest casualty rates in the world. I think that all of us will agree that entirely too many police officers lose their lives in our country in the line of duty and that the casualty rate is going up rapidly. In 1970, 100 police officers lost their lives in the line of duty in the United States, which is deplorable. But, if we in the United States had the same death rate as suffered by the Guatemalan police during the first half of last year, over 3,600 U.S. police officers would have been killed in the line of duty.

The public safety program with its unique assets represents the best chance that the United States has to bring about police professionalism in friendly foreign nations. This effort works in a positive direction contrary to that a government takes in establishing a "police state."

Last December, the study team in consultation with members of the Embassy and in discussions with members of the Guatemalan Government and of the opposition, found that U.S. aid to the police was accepted and applauded for that matter. It definitely was not identified in any quarter with alleged acts of police terrorism.

In the Dominican Republic, the staff study allegation that the value of the public safety program was marginal is refuted by the fact that following the violence in 1965, the Dominican Government requested U.S. help in rebuilding the national police so that it could assume its proper role in the national reconstruction effort. Public safety assistance provided thereafter accomplished this task in great measure. A new police academy was established where 3,580 members of the national police have received training in eight separate courses; early in the rebuilding effort basic training was given to 2,507 police officers stationed in rural areas; for the first time a police telecommunication network was developed; an urban and rural patrol capability was established; and major gains in administration and organization have been realized.

In my statement made earlier, the importance of the International Police Academy was mentioned in serving the overall purposes of pub-

lic safety assistance. The public-service concept in police administration is basic to the thrust of IPA training courses. The overall program for the Dominican Republic has fostered this concept as well. The success of IPA's efforts in this regard was voiced in comments made by Lt. Felipe Pena of the Dominican Republic's National Police, a graduation speaker at a recent IPA graduation, who said in part:

My appearance at this rostrum today is not only an honor for me, but a great distinction for my country and the Dominican National Police, which I represent. I thank my fellow participants for having selected me to be their spokesman, and the International Police Academy for the opportunity to speak on this solemn occasion.

Four months have elapsed since we came to this hospitable country—months of deep reflection on the mission and destiny of our law enforcement organizations which are so misunderstood by the citizenry whose security, life, and property we strive to protect.

We became impressed here with the urgent necessity to establish a frank and effective dialogue with the public in order to express factually, but in a dignified way, our delicate task of controlling unlawful behavior within the framework of human rights and individual freedom.

We have gained a new perspective in our profession. Indeed, those of us who came here discouraged and overwhelmed by the immense challenge of our time, have been comforted by the realization of the importance of our mission, and encouraged to develop, over and above techniques, resources, and budget, a professional mystique and a positive attitude.

It was for us a source of great pride to realize that the activities of our organizations are so essential that society cannot dispense with them without endangering its very existence.

Finally, we came to the conclusion that the police, this organization which certain people still conceive as a mere coercive force, is actually a complex organism which requires a constant planning, and the development of new concepts to cope with the changing society.

For this great experience, we are grateful to the International Police Academy whose founders had the foresight to create this crucible wherein the police knowledge of more than 70 countries is amalgamated.

SUPPORT OF PROGRAM

Mr. PASSMAN. Do the U.S. police organizations support the public safety program?

Mr. ENGLE. Yes, sir; they do. Not only do they support the efforts of the International Police Academy by providing guest lecturers, but many departments host our students during the field trip portion of the IPA program. Additionally, the International Association of Chiefs of Police and the National Sheriffs' Association support the purposes of the Office of Public Safety.

Mr. PASSMAN. Do you feel the public safety program is beneficial to U.S. interests and, if so, would you indicate how the United States is benefiting?

Mr. ENGLE. Yes, sir; I do. As I mentioned in my statement earlier, we have helped and are now aiding civil security forces to become able to maintain that measure of internal stability which fosters economic, social, and political progress. Since we believe that the United States desires that free nations of the world experience orderly growth and since we also believe we contribute with our assistance to the police to this end, it follows that the public safety program is beneficial to the interests of our country.

USE OF THE POLICE FORCES

Mr. PASSMAN. Do you feel some countries use their police forces to repress freedom of the people of the country involved?

Mr. ENGLE. There are nations, the governments of which use their police force as an instrument for political control and to repress the freedom of the people. I have in mind Communist bloc countries. Countries of the free world, however, must use their police forces to protect the lives, property, and rights of the pepole. The philosophy and concept incorporated in our assistance endeavors to assist the police to assume this role effectively.

GUATEMALA AND DOMINICAN REPUBLIC

Mr. PASSMAN. A staff study indicated that the public safety programs in Guatemala and the Dominican Republic were of dubious value. In Guatemala, the study said the teaching has not been absorbed and the United States is politically identified with police terrorism. In the Dominican Republic, it was stated that the value of the program was marginal. Would you please comment on these two situations?

Mr. ENGLE. Yes sir, I would glad to. With respect to Guatemala, we concluded an examination of our project there just at the end of last year and the allegation that our assistance has not been absorbed in the staff study to which you referred was found to be without basis in fact. As a matter of fact, the national police have improved their capabilities significantly in the provision of protective urban patrols and in providing a key measure for prevention of urban terror in the capital city. Perhaps one of the most significant indicators of the fact that U.S. assistance has been effective is that we can foresee a continuously increasing assumption on the part of the Guatemalan Government for the financial support of its police institution. We have developed a plan, with which we believe the Guatemalans will agree, and which in the next several years should move the national police to a point of self-sufficiency. A key feature in this plan is a phased program for capital expenditures for the police. These expenditures will involve replacement vehicles, telecommunications equipment, weapons and ammunition, and miscellaneous police items and training aids. The plan calls for the United States and the Guatemalan Government to share 50–50 in the costs for necessary equipment items in calendar year 1973, for the Guatemalan Government to bear 67 percent of the costs in calendar year 1974 and all costs in calendar year 1975.

A major step forward has just been taken in the opening of the police academy which is designed to be a principal instrument for the professionalism for all the civil security forces.

Last December, the study team in consultation with members of the Embassy and in discussions with members of the Guatemalan Government and of the opposition, found that U.S. aid to the police was accepted and applauded for that matter. It definitely was not identified in any quarter with alleged acts of police terrorism.

In the Dominican Republic, the staff study allegation that the value of the Public Safety program was "marginal" is refuted by the fact that following the violence in 1965, the Dominican Government requested U.S. help in rebuilding the National Police so that it could

assume its proper role in the national reconstruction effort. Public Safety assistance provided thereafter accomplished this task in great measure. A new police academy was established where 3,580 members of the National Police have received training in eight separate courses; early in the rebuilding effort basic training was given to 2,507 police officers stationed in rural areas; for the first time a police telecommunication network was developed; an urban and rural patrol capability was established; and major gains in administration and organization have been realized.

Mr. PASSMAN. Mr. Shriver?

PUBLIC SAFETY PROGRAM IN THAILAND

Mr. SHRIVER. Thank you, Mr. Chairman.

I recall a number of years ago, Mr. Engle, when the chairman and I were in Thailand, I spent a day with your Public Safety people there in Bangkok and I was quite impressed with what had been done in connection with public safety in that country.

Would you tell us the situation there? How much longer do you think we would have this kind of program in that country?

Mr. ENGLE. It is pretty hard to project Thailand with the situation as it is. It is a high-level violence area. There is externally supported subversion operating in the country. There are estimated to be some 6,000 insurgents operating within the country. We have reduced our program from some $19 million down to a request this year of $4 million. Many of the things, as someone has described, such as getting a communications system in and operating an identification and records program, and transportation have been greatly improved. An air wing has been installed. How much longer we will need to be in that country I would hesitate to say. We are planning at the present time through 1974. That is our best plan. We keep these programs under constant review.

ACCOMPLISHMENTS OF PUBLIC SAFETY PROGRAMS

Mr. SHRIVER. What would you say have been some of the principal accomplishments of the Public Safety program in that country?

Mr. ENGLE. May I insert that in the record?

Mr. SHRIVER. Yes.

(The information follows:)

PRINCIPAL ACCOMPLISHMENTS IN THAILAND IN THE PUBLIC SAFETY FIELD

Public Safety advisory input in the fields of management, administration, traning, and commodity assistance has aided the Thai National Police to increase the force from 50,000 in 1965 to a present strength of 77,000. This force increase has allowed the Thai police to extend additional police presence and protection to citizens in rural villages, harassed in many instance by Communist insurgents, to which I referred earlier in my statement, where upwards of 9,000 police are stationed now in about 1,100 tambol (village) police stations. Fifty-four 50-man provincial police units, specially trained and equipped to augment police presence at village and district posts, have also been created. The border police patrol element, which has the prime counterinsurgency role, has been increased from about 7,000 men in 1965 to a present strength of 10,500. The mobility of police elements has been improved with our help by the creation of the police air wing.

Our assistance has been instrumental in the improvement of the police education bureau which maintains nine separate training facilities to provide recruit, noncommissioned, cadet, senior officer and specialist training, totaling over 12,000 annually in various classes and courses. Counterinsurgency training not only for the border patrol police, but for all other police units in the field as well, has been accentuated by the establishment of an additional national and four regional training centers for this purpose and the training of pemanent Thai instructor personnel for these schools.

To date, over 500 officers of the Thai police have been trained in the United States in various police disciplines. The majority of this number attended the International Police Academy.

Technical advice, training, and commodity assistance have resulted in the establishment of a nationwide telecommunications net from national through regional, state, city, and town police facilities. Additionally, a police telecommunications net was established for the Bangkok Metropolitan Police connecting all 40 precincts and their radio cars with the central command.

The development of police management and administrative capability through advisory emphasis is apparent and continues in specialized areas. The criminal records office of the Thai police was upgraded and enlarged; 52 provincial criminal records offices were created, equipped and staffed by trained personnel.

The efficiency and capability of the police quartermaster division was substantially increased with the establishment of nine regional supply depots, 21 third-echelon field automotive repair shops and 16 mobile vehicle maintenance teams and the concurrent training of staffs for these facilities.

Mr. SHRIVER. I ask that question because at the conclusion of your statement you mentioned this committee's support for this program in the past. This is true.

To help us to justify continuing funding, I think we need as much in the record about the accomplishments in some of these countries as possible so we can argue that point with those who would be prone to disagree with us.

Mr. ENGLE. If I may, Mr. Chairman, I would like to put something in the record on that.

(See p. 814.)

PROMOTION OF ECONOMIC GROWTH

Mr. SHRIVER. You mentioned this program can help other development assistance programs to be more effective through the promotion of more orderly situations for economic growth.

Would you comment on that?

Mr. ENGLE. It is inherent that in order to survive, a nation has to protect its citizens. They have to be able to go about their pursuits. They have to be able to get back and forth to work in reasonable safety. If you can build that police structure so that the police force protects them so that they can conduct their business without interference and intimidation, then it stands to reason that our other AID efforts can——

Mr. SHRIVER. Other AID efforts could go down the drain because of social and political disorder and instability?

Mr. ENGLE. Exactly.

As you know, two areas that are probably the most susceptible to violence are tourism and foreign capital investment. They go down immediately when violence goes up.

PROMOTION OF HUMANE ENFORCEMENT

Mr. SHRIVER. What do you mean when you say this program promotes the humane enforcement of the laws of these recipient nations? How do you accomplish that?

Mr. ENGLE. In everything we do in training, organization, advising in the management area, we emphasize the concept of police as a public service and that the individual is to be protected in his rights. He is protected in his right of dissent. He is treated humanely when he is a prisoner, and as a consequence we get those ideas across in building the police institution, not as a repressive institution but as a protective institution.

ALLOCATION OF FUNDS

Mr. SHRIVER. You say:

The Office of Public Safety has worldwide responsibilities for the conduct of public safety programs. It does not have responsibility for the allocation of funds used by these programs, nor does it have control of positions against which public safety advisers are assigned in the field.

Would you explain that to us.

Mr. ENGLE. Another way of saying that is, we do not have a line item appropriation or allocation. The money is allocated to the AID regional bureaus. We are dependent upon the regional bureaus and we are dependent upon the field missions within the regions for the funds that we have at our disposal. This is likewise insofar as personnel positions are concerned.

HOST GOVERNMENT FUNDING FOR POLICE SUPPORT

Mr. SHRIVER. You point out that these funds represent only a small fraction of the funds appropriated by the host governments to support their police.

Would you provide for the record some figures to prove that?

Mr. ENGLE. Yes, sir.

(The information follows:)

In fiscal year 1971, public safety assistance was provided to 27 countries and the cumulative budget for the civil police in these countries amounted to more than $1.084 billion. U.S. costs for this period were $21.393 million or 2 percent.

Mr. PASSMAN. Would the gentleman yield?

I want to get my disclaimer in. They are the recipients and they should put up most of it.

Thank you.

Mr. ENGLE. I certainly agree with that.

PERFORMANCE OF VIETNAMESE NATIONAL POLICE

Mr. SHRIVER. Do you have any indications as to how the national police in Vietnam are performing during this present crisis?

Mr. ENGLE. May I go off the record?

Mr. PASSMAN. Certainly.

(Discussion off the record.)

PENAL REFORM IN VIETNAM

Mr. SHRIVER. You mentioned this program has helped improve prison conditions in Vietnam. What has this program done in connection with the prisons of Vietnam?

Mr. ENGLE. One of the things that it has done has been to increase the capacity so as to reduce the overcrowding. I would like to ask Mr.

Manopoli to respond to that particular question if he may, Congressman, because Mr. Manopoli was in charge of our program in Vietnam for several years and is now in charge of our Vietnam division in Washington.

Mr. MANOPOLI. Mr. Congressman, we started an assistance program to the penal institutions in late 1967, again at the request of the Vietnamese Government. At that moment they had sufficient space for 20,000 prisoners but there were 35,000 prisoners crowding into about 40 facilities at that time. The facilities did not have proper sanitary conditions, health conditions, water, nor dispensaries. The thrust of our program was to provide sufficient space for the number of prisoners they had. At this moment they have 35,000 spaces approximately, and the prison population has been reduced to slightly below 29,000.

In addition, in rehabilitating some of the older prisons we built in dispensaries, dug wells, aided them in setting up dispensaries with supplies, had them recruit nurses, nurses aids, the assignment of Vietnamese doctors to the national prisons. We were in no way of course involved in the operation of these prisons but it was uniquely assistance to relieve the crowding and to provide better conditions for the prisoners.

Mr. ENGLE. I would like to add that in a number of these places we have established ponds, and are growing fish—carp, for example, which is a fast growing fish—to supplement their diet. We got an old vessel and rigged it out for fishing off Consanh Island. The fishing there is excellent. The prisoners do the fishing with this vessel, and they get tons of fish, and this supplements their regular diet, their work program. There are many things that are being done, and I would be glad to submit this for the record if I may.

(The information follows:)

The public safety advisory efforts with the corrections system of Vietnam consist of two direct-hire advisers; one of whom is a doctor, and three penologists under participating agency service agreement with the Federal Bureau of Prisons. Through the efforts of these advisers, significant permanent improvements have been made, particularly in the fields of sanitation, health, and housing. Crowded prison conditions have been reduced and prison population no longer exceeds prison capacity. Vocational training has been established and every correction center has at least one vocational training program, with most of the centers having several. Segregation of inmates by sex, age, and type of crimes has been made the accepted practice. Inmate diet has been increased and improved primarily through increasing the daily funding allowance per inmate and the establishment of inmate operated vegetable gardens, fish ponds, and animal husbandry. The medical care for the prisoners is judged by the public safety directorate's public health adviser to be above average by the national Vietnamese standards.

Forty-one key officials of the corrections program have received special in-country training during the past year, and 11 others were trained in Taiwan or Japan. As a result of the advice and assistance given by the public safety program, the prisoner is better housed, fed, and medically treated, and rehabilitated than he was several years ago. These improvements are reflected in the fact that the overall monthly inmate mortality rate dropped from 1.56 per thousand in 1967 to 0.30 per thousand in 1971.

Specific progress at Con Son includes major renovation and expansion of installations and development of maintenance programs for the overall facility. There is a well-developed program of fresh water fisheries utilizing about 22 ponds on the island. The fish raised are harvestable about every 3 months. This is additional to the salt water variety provided by a fishing boat mentioned earlier. The animal husbandry program which includes the raising of goats, pigs, and cattle was recently improved by the purchase of a new breeding herd of goats, and at the latest count, the piggery contained 150 healthy hogs.

The poultry program was recently provided 5,000 new ducklings. Two hundred ducks are now used to supply eggs for cooking. Literacy training is provided at the center. Vocational training is provided in carpentry, barbering, and tailoring in the form of on-the-job training.

Mr. PASSMAN. Thank you, Mr. Shriver.

Mr. Riegle, we are on the public safety item. Do you have any questions?

Mr. RIEGLE. Let me defer to my colleague.

Mr. PASSMAN. He has already indicated he has no questions.

Mr. RIEGLE. I have none at this time, Mr. Chairman.

Mr. PASSMAN. Thank you very much, Mr. Director. As we all know, there is a lot of criticism directed at your program. I don't believe it is well founded. I think you have a good program and some of our solid members are behind it. I am certainly interested in the fact that you can concentrate on your duties, finish your work and move out of the program.

Thank you very much, gentlemen. Good luck to you.

Mr. ENGLE. Thank you, Mr. Chairman.

Mr. PASSMAN. That concludes the examination on this item.

WEDNESDAY, MAY 3, 1972.

POPULATION AND HUMANITARIAN ASSISTANCE, AGENCY FOR INTERNATIONAL DEVELOPMENT

WITNESSES

JAROLD KIEFFER, ASSISTANT ADMINISTRATOR FOR POPULATION AND HUMANITARIAN ASSISTANCE, AGENCY FOR INTERNATIONAL DEVELOPMENT

HARRIET S. CROWLEY, DEPUTY ASSISTANT ADMINISTRATOR, BUREAU FOR POPULATION AND HUMANITARIAN ASSISTANCE, AGENCY FOR INTERNATIONAL DEVELOPMENT

SAMUEL H. BUTTERFIELD, ASSOCIATE ASSISTANT ADMINISTRATOR, BUREAU FOR TECHNICAL ASSISTANCE, AGENCY FOR INTERNATIONAL DEVELOPMENT

REIMERT T. RAVENHOLT, DIRECTOR, OFFICE OF POPULATION, BUREAU FOR TECHNICAL ASSISTANCE, AGENCY FOR INTERNATIONAL DEVELOPMENT

ALLAN R. FURMAN, DEPUTY DIRECTOR, OFFICE OF LEGISLATIVE AFFAIRS, AGENCY FOR INTERNATIONAL DEVELOPMENT

LINDA LOWENSTEIN, LEGISLATIVE COORDINATION SPECIALIST, OFFICE OF LEGISLATIVE AFFAIRS, AGENCY FOR INTERNATIONAL DEVELOPMENT

Mr. PASSMAN. We shall continue our examination on requests for funds for the foreign aid and assistance program for fiscal year 1973.

The next item we will consider will be that of the population and humanitarian assistance program. We have as the witness the Honorable Jarrold Kieffer, Assistant Administrator for Population and Humanitarian Assistance, with other supporting witnesses whose names will be placed in the record at this point. Mr. Kieffer, I assume you have a statement you would like to make?

Mr. KIEFFER. Yes, sir.

GENERAL STATEMENT OF THE ASSISTANT ADMINISTRATOR FOR POPULATION AND HUMANITARIAN ASSISTANCE, AGENCY FOR INTERNATIONAL DEVELOPMENT

Mr. Chairman and members of the subcommittee, I am the newly-appointed Assistant Administrator in charge of the new Bureau for Population and Humanitarian Assistance in the Agency for International Development. I appreciate this opportunity to appear before you to discuss the population and humanitarian assistance programs of the Agency.

The Administrator created the new Bureau in February 1972. His purpose was to provide a stronger emphasis on U.S. programs that deal with humanitarian concerns. Toward this objective, the new Bureau:

(1) Brings together under coordinated supervision the Agency's efforts to encourage fuller and better involvement of and cooperation with private and voluntary organizations whose energy and other resources can be of great value in carrying forward development and disaster relief and rehabilitation programs in the developing countries;

(2) Replaces with a single office four population units formerly in our geographic bureaus, plus a central Office of Population in our Technical Assistance Bureau;

(3) charges this single office with population assistance policy development, research, and operations responsibilities on a global basis in order to provide strengthened and coordinated U.S. assistance to the developing countries in their efforts to cope with the pressures of growing populations on their limited resources; and

(4) upgrades and strengthens the U.S. disaster relief capability within the Agency by sharpening the organizational and program focus of the Office of the Foreign Disaster Relief Coordinator directly under the head of the Bureau.

I. POPULATION PROGRAMS

Previously AID emphasized the development of population programs through the regional bureaus. Each of the regional bureaus maintained an office to deal with population matters. Now after several years of experience in the population field. AID believes that it can get more efficient use from its appropriated funds as well as better program direction and coordination if the several units are consolidated and an AID-wide population program perspective encouraged. The basic planning in connection with this consolidation is now substantially completed, and we hope to make the necessary transfers of authority to the new bureau during May.

Beyond the relatively simple act of reorganization, major efforts have been made to develop a new program and project consideration system within the Bureau. This system assures the development of projects that are in line with approved Agency policies and programs and represents a careful coordination of central program objectives with the distinctive special conditions that may affect the extension of population program assistance in particular countries.

The whole system is designed to make possible vigorous program activity which at the same time recognizes the need for flexibility in approach and the great variety of circumstances that could affect the success of the programs in each of the countries.

PURPOSE OF THE POPULATION PROGRAM

The purpose of AID's population program is to provide assistance to developing countries through bilateral, multilateral, and private organizations to help them improve the well-being of their peoples by bringing into more favorable balance their numbers relative to their available and potential resources.

GENERAL STRATEGY

This program has been built mainly on the basic assumption that individual families and societies will take appropriate action to regulate their fertility if appropriate knowledge about and the means for population and family planning are made adequately available within these societies. However, we also know that many social and economic factors affect the number of children people have—factors such as high infant mortality, the need for children to support the aged, and low levels of literacy and education. We seek to broaden our understanding of these relationships, and how development policies can encourage slower population growth.

POPULATON GROWTH

The increasing pace of economic activity in the developing countries and better health conditions have combined to bring about dramatic decreases in death rates. Thus, more people have survived and lived longer at the same time that birth rates have continued at traditionally high levels. As a result, major population increases occurred in many of these countries, and they face even greater population growth in the future.

Assuming current population growth rates, the following population projections are given for the decade 1970–80 in the developing countries:

Less developed countries (95 non-Communist countries) will increase by 547 million people or about 30 percent;

Five countries account for about half of this increase (India, Pakistana, Bangladesh, Brazil, Indonesia);

Ten countries with AID programs account for 65 percent of the increase.

The Congress correctly recognized that population and family planning programs directed toward adequate control of fertility are an essential component of the overall development effort to assist in improving economic and living conditions for the people of the developing countries.

SCOPE OF AID POPULATION PROGRAM

Consistent with the above basic concept, AID, since 1965, has moved strongly to develop a broad-gauge program of assistance for popula-

tion and family planning activities throughout the developing world. AID commitments to population programs have grown from $2 million in fiscal year 1965, and $45 million in fiscal year 1969 to $96 million in fiscal year 1971, $125 million was appropriated for population in fiscal year 1972. We are requesting $125 million for population programs in fiscal year 1973, the full amount which is authorized.

PRINCIPLES GUIDING U.S. ASSISTANCE

The fundamental principles upon which AID population policy is based are:

Help is given to country programs in response to specific requests.

Programs eligible for assistance are those in which individual participation is wholly voluntary and in which each individual is free to choose from among available methods of family planning that are in keeping with his or her beliefs, culture, and personal wishes.

AID does not advocate any specific population policy for another country, nor any particular method of family planning.

POPULATION-FAMILY PLANNING PROGRAM LEVELS

[Dollars in thousands]

	Fiscal year—			
	1970 actual	1971 actual	1972 estimate	1973 proposed
Latin America	10,957	15,246	12,115	14,400
Africa	2,663	7,783	10,674	10,484
Asia [1]	32,661	19,509	15,963	21,079
Office of Population:				
Technical services	14,797	29,076	28,657	33,576
Research	7,258	7,172	6,675	8,300
UN Fund for population activities	4,000	14,000	20,000	9,000
AID/with support/training	2,236	3,082	3,627	3,952
Unprogramed			27,289	24,209
Total	74,572	95,868	125,000	125,000

[1] Includes programs previously reported as Near East/South Asia, East Asia, and Vietnam.

FISCAL YEAR 1973 PROGRAM

AID's fiscal year 1973 program is focused on helping to solve key problems in the six major areas of activity that require global attention if the population problem is to be resolved in the foreseeable future.

1. Adequate demographic data.—The ability to collect and gauge good, up-to-date demographic data is essential to the development of an adequate understanding of the population situation in each country. Only with such data can these countries acquire the capability to: Take the demographic factor fully into account in development planning; understand the implications of population growth as a prelude to adopting a population policy; and assess the accomplishments of population programs.

It is crucially important, therefore, to provide developing countries with help in creating their own demographic capability.

2. Adequate population policies.—The ability of individual countries to address, assess, and resolve their population problems depends

on an adequate knowledge and understanding of the many aspects of population: size, growth dynamics, and distribution. A key part of AID's population assistance effort has been to encourage and assist developing countries to consider in their national planning the impact of population dynamics on their own development and to devise and implement population policies designed to contribute to development goals.

3. Adequate means of fertility control.—A working definition of one improved means of fertility control sought by AID is: "A non-toxic and completely effective substance or method which when self-administered on a single occasion would ensure the non-pregnant state at the completion of a monthly cycle."

Support of research for this "ideal" means of fertility control is currently a most important element in AID's research program. If a once-a-month method could be developed, control of fertility in developing countries could be attained more quickly, with greater reliability, and at a much lower cost than with current methods.

AID's strategy, therefore, is to support research in three basic areas:

New means of fertility control which are better suited to the needs of less developed countries and evaluation of their safety and side effects;

Improvement of current means of fertility control, and evaluation of their safety and side effects; and

Comparative field trials to evaluate performance of new means of fertility control under use conditions in less developed countries.

4. Adequate family planning services.—Family planning delivery systems to date serve only a small percentage of the fertile couples in developing countries—about 30 percent in the best programs, and still only about 10 percent overall. AID is providing assistance to improve family planning delivery systems in the following four major areas:

Budgetary support of developing countries national and voluntary delivery system programs;

Improvement of the quality and cost effectiveness of delivery systems and the developing and testing of alternatives;

Manpower and training; and

Expert technical support.

5. Adequate systems for providing information and education support.—AID provides assistance for information and education activities of country and international family planning programs which are aimed at encouraging broad public concern with the population problem, informing individuals of the benefits and methods of family size limitation, and supplying needed information on local availability of program supplies and services.

6. *Adequate trained manpower and multipurpose institutions.*—AID has provided increasing resources to help insure the supply of trained manpower to carry out population/family planning programs in the developing countries. It has also encouraged universities and other institutions in the United States to help develop an institutional base which can better respond to requests for population/family planning activities.

II. PRIVATE AND VOLUNTARY COOPERATION

Another major activity of the new Bureau is the program administered by the Office of Private and Voluntary Cooperation.

Broad participation of American private groups in the practical work of development is an important means to facilitate the transfer of American experience and know-how to people who want and need our help. Private, nonprofit organizations have in recent years become increasingly active and involved in overseas development work.

It is AID's intention to foster and encourage this trend.

We will explore new techniques for direct collaboration between these organizations and the developing countries.

We will test devices for collaboration among the voluntary nonprofit organizations.

We will prepare a roster of private, nonprofit organizations interested in development work abroad, listing skills and experience and systematically make its content available to our missions abroad, to the developing countries, and to other private and voluntary agencies.

We will seek to enlist the support and participation of organizations not currently joined in the collaborative development effort.

We will experiment with relationships that place greater responsibility for executing development activities in the hands of private groups, or that permit extending and thus broadening their program reach, where relevant to host country needs.

AID supports these efforts in several ways—by grants, contracts, making available title II Public Law 480 commodities, reimbursing voluntary agencies for ocean freight, and providing excess property.

Over the years AID has supported private humanitarian and development programs of registered voluntary agencies by allocating funds to these agencies for transportation of supplies needed to maintain their overseas programs. The AID allocation of freight funds to registered voluntary agencies is made on a worldwide basis, thus providing the voluntary agencies flexibility in their programing. It is estimated that $4.5 million will be required in fiscal year 1973 for overseas freight funds.

During calendar year 1971, 84 registered voluntary agencies were carrying out humanitarian and development programs in 133 countries and areas, valued at $615 million, of which $205 million represented various forms of U.S. Government support, including Public Law 480 food commodities.

Private technical assistance programs.—A major goal of the redirected assistance program is to encourage broader participation by U.S. private, nonprofit groups in the practical work of development.

In fiscal year 1973, we will continue to support a number of ongoing private technical assistance programs in this collaborative arrangement and explore new opportunities to involve other privately managed and supported programs which are responsive to the needs and requests of developing countries.

For example, cooperative and credit union institutions in the United States have become increasingly involved in overseas development and are providing technical skills and resources in agriculture, rural electrification, housing, marketing, production and capital accumulation—all of which are directed at helping those at the lower end of the economic scale to participate in the development process. Other organizations, such as the International Executive Service Corps and Asia Foundation, are described in the congressional presentation.

78-827 O - 72 - pt. 2 - 53

The grant or contract by which AID assists these organizations may range from a few thousand to several million dollars. This type of support is designed to strengthen or expand privately managed and privately supported organizations carrying out overseas programs compatible with AID program objectives. This combination of public and private resources represents an effective use of the taxpayer dollar. AID is requesting $8,610,000 to support these private programs.

Private U.S. organizations supported by AID provide assistance primarily in countries where AID has regular programs. However, to a limited extent, AID also supports the activities of private organizations operating in other developing countries.

III. OFFICE OF THE FOREIGN DISASTER RELIEF COORDINATION

Of all forms of U.S. Government assistance to other countries, our response to disasters and human suffering that follows is the most characteristic of this Nation and its people.

The Agency for International Development is the component of the Federal Government that has the responsibility for planning, coordinating, and overseeing the U.S. Government response to calls for help from countries all around the world which are afflicted by disaster, whether natural or man made.

More than 50 times a year—an average of once a week—the Government, cooperating with American voluntary agencies, provides assistance in the wake of earthquakes, typhoons, floods, volcanos, famine and disease and a variety of manmade calamities which relentlessly plague mankind. Some make international headlines and are counted among the world's greatest catastrophes—others barely make the back pages. Our Government's reaction is immediate and positive—to small and large disasters alike—the only criteria being that people are in need and have asked for our assistance.

During the last 2-year period there were 102 such disasters, and they took a staggering toll. There were 79 million victims—more than 590,000 died. Total U.S. Government contributions during these 2 years exceeded $239 million including Public Law 480 food commodities. In addition, American voluntary agencies and the American public contributed from their own resources, cash, and supplies valued at $28 million.

Costs to the Government for these emergency activities are normally borne by the contingency fund and Public Law 480 budget. The disaster relief coordinator in AID is authorized to call on any and all of the departments and agencies of the Federal Government with resources and services which can, if needed, be brought to bear in cases of emergency. A partial list would include the Armed Forces, the U.S. Public Health Service, the Department of Agriculture, the National Oceanic and Atmospheric Administration, the U.S. Geological Service and others. He also works closely with American voluntary agencies. His is a "quarterbacking" function only; he and his small staff call on other existing resources of the United States to do the job.

In the recent reorganization of AID, one important objective has been to strengthen AID's disaster relief effectiveness by providing higher level policy direction, better coordination of public and private responses to emergency requirements and by achieving increased com-

petence in effectively coordinating U.S. activities through the United Nations and other international agencies. Increased emphasis will be placed on predisaster planning and preparedness, including technical assistance to governments of disaster-prone countries, advance preparedness measures aimed at reducing both cost and reaction time, and systematic study of the possible applications of modern technology to disaster relief.

FISCAL YEAR 1973 REQUEST FOR POPULATION PROGRAMS

Mr. PASSMAN. Thank you for your statement. Mr. Secretary, I would assume all of you have families and children; do you not?

Mr. KIEFFER. I do.

Mr. PASSMAN. What actually would be the affect if you called your children in and said, "You have been getting $2 a week allowance. Here is $50. You have got to go out and spend it, and if you come back here without spending that money you are going to be punished." I would imagine you would have some spoiled children. A lot of money would be wasted, would it not, if you trained them that way, forced them to spend it regardless of what they did, whether they needed it or not?

Mr. KIEFFER. I think they would.

Mr. PASSMAN. Do you agree with that?

Mrs. CROWLEY. I do.

Mr. PASSMAN. I think one of the most ridiculous things I have had to contend with as one member of this committee is recognizing that you have certain Members of Congress who say, "Here is $125 million." I am using this hypothetically. "I don't care whether you need it or not. You have got to spend it on family planning." Are you familiar with that?

Mr. KIEFFER. Yes.

Mr. PASSMAN. I think it is about the most unreasonable approach to any item that this committee has ever handled, Mr. Robinson, for certain individuals to say, "You have got to spend this money whether you need it or not," and have the witness such as Dr. Hannah say, "We don't need it, we can't spend it, and we can't even waste that much money." Yet you have legislation saying you have got to dispose of it.

This is the record and I think it is ridiculous. I guess that has a lot to do with the deplorable situation we are in with our balance of payments, and with our public debt.

So that we may get it formally in the record, you are requesting for fiscal 1973, $125 million.

Mr. KIEFFER. For the population program; yes.

Mr. PASSMAN. That is the one you administer. That is the one we are examining on.

Your 1972 program is $125 million. In the event that the administrators of this program cannot spend, waste or give away the $125 million, and wind up with a substantial amount unobligated, I would think that your request could be reduced by the unobligated amount at the end of this fiscal year, could it not, and still leave you with a program that has sufficient funds to operate properly?

Mr. KIEFFER. I think we probably ought to have a statement of what the condition of that amount is right now.

UNDISBURSED BALANCE FOR POPULATION PROGRAMS

Mr. PASSMAN. We will get to that if you will just be patient with us. What is the undisbursed balance in this population program fund?

Mr. KIEFFER. You are speaking from 1972 figures?

Mr. PASSMAN. I am speaking of all of it. What is the undisbursed amount in the pipeline from all years' appropriations in the population control program?

Mr. BUTTERFIELD. Mr. Congressman, at present the controller's office is rearranging the title 10 accounting system, and the only "actual" figure we have is the unliquidated obligation pipeline figure as of last June 30.

Mr. PASSMAN. That is a long, long time ago.

What did you have?

Mr. KIEFFER. At that time the unliquidated obligation was $121.4 million.

Mr. PASSMAN. You don't have any estimates as of December 31?

Mr. RAVENHOLT. Perhaps I can speak to that, Mr. Chairman. During these last years when the obligations for the program have been increasing rapidly, through fiscal 1971 a total of $261.1 million has been obligated for the population program since 1965, and $139.7 had been expended. It is estimated that this year we would expend about $62.5 million, although I believe the expenditure is running somewhat higher than that.

Mr. PASSMAN. Gentlemen, you miss my question altogether.

(Discussion off the record.)

Mr. BUTTERFIELD. Mr. Chairman, as the congressional presentation indicates, we estimate that the unliquidated obligations as of June 30, 1972, will be approximately $183.9 million.

OBLIGATION OF FUNDS FOR POPULATION PROGRAMS IN FISCAL YEAR 1972

Mr. PASSMAN. What do you estimate the unobligated funds will be for the population program as of June 30, 1972?

Mr. RAVENHOLT. I can speak to that, I think, perhaps best, because we are deeply engaged in programing it. It would appear that we will use virtually the entire $125 million which is appropriated for this year.

Mr. PASSMAN. You are going to use it or you are going to cram it into this pipeline to satisfy some people who don't know any more about the economy of this country than I do surgery. Are you just putting it in the pipeline now or are you wisely obligating it?

Mr. RAVENHOLT. I would say we are wisely obligating it. We will not use it if we can't wisely obligate it.

Mr. PASSMAN. How much have you obligated through April 30?

Mr. RAVENHOLT. I would say roughly in the vicinity of $35 million.

Mr. PASSMAN. Let's get a little bit closer. Roughly could be awful rough. After all, we represent 208 million Americans on this side of the table, and we are dealing with an item where you have certain individuals who say you are going to have to obligate the full amount and you have to get rid of the funds whether you need them or not. You are familiar with that, aren't you?

Mr. RAVENHOLT. Yes.

Mr. PASSMAN. What we want to know is how much you had unobligated out of this appropriation on December 31, and we want an estimate by month through June 30, 1972. We want to know on what day you obligated these funds, for what purpose, and to what country.

Mr. RAVENHOLT. The agency does compile this record. My recollection is that as of December 31 we had obligated about $25 million of the total.

(The information follows:)

POPULATION PROGRAM ASSISTANCE OBLIGATIONS, FISCAL YEAR 1972

[In millions of dollars]

	Obligated	Unobligated		Obligated	Unobligated
Dec. 31, 1971	25.2	[1] 74.8	Apr. 30, 1972	35.0	[2] 90.0
Latin America	3.5		Latin America	7.5	
Asia	7.7		Asia	8.4	
Africa	3.9		Africa	4.5	
SA	1.3		SA	1.9	
Technical assistance	7.4		Technical assistance	9.8	
AID/W other	1.4		AID/W other	2.9	
UNFPA			UNFPA		
Feb. 29, 1972	28.2	[1] 71.8	June 30, 1972 (estimated)	125.0	0
Latin America	5.5		Latin America	12.0	
Asia	8.1		Asia	11.0	
Africa	3.9		Africa	10.8	
SA	1.3		SA	4.2	
Technical assistance	7.7		Technical assistance	54.4	
AID/W other	1.7		AID/W other	3.6	
UNFPA			UNFPA	29.0	

[1] Population program assistance operated under continuing resolution authority at $100,000,000 level.
[2] Sec. 291 of the Appropriation Act signed Mar. 8, 1972 provided $125,000,000 for population program assistance.

Mr. PASSMAN. December 31 you had obligated $25 million.

Mr. RAVENHOLT. That is my recollection.

Mr. PASSMAN. December 31 is one-half of the fiscal year, isn't it?

Mr. RAVENHOLT. Right.

Mr. PASSMAN. If you had continued on that basis you would have had $50 million out of the $125 million obligated, would you not?

Mr. RAVENHOLT. Right; $50 million out of the $100 million continuing resolution authority under which we operated at that time.

Mr. PASSMAN. You are operating all the time on a continuing resolution, which gave you the right to move on an orderly basis, is that correct, sir?

Mr. RAVENHOLT. Right.

Mr. PASSMAN. I think you have answered my question.

Mr. RAVENHOLT. But let me add, Mr. Chairman, that that rate of obligation was in advance of previous years, and that indeed you are quite correct that the obligations are largely made in the last part of the fiscal year.

Mr. PASSMAN. If you are running an orderly show it wouldn't be. You don't eat a bit more food in February than you do in January. This just doesn't follow because we operate 12 months a year and you have a continuing program, do you not? Isn't this under constant study and constant review all the time?

Mr. RAVENHOLT. Right.

Mr. PASSMAN. Isn't that right, Mr. Director?

Mr. KIEFFER. That is correct.

Mr. PASSMAN. Of course the Congress protects you by giving all agencies these continuing resolutions, so if we don't get the regular bill through you can move on a continuing basis in an orderly way; isn't that a statement of fact, Mr. Director?

Mr. KIEFFER. That is correct.

Mr. PASSMAN. I just don't buy this, that you have to put more in the last 6 months than you do the first 6 months because you don't. Just forget about the calendar and put it in as you need it. Then at a later time you would find you put just as much in 1 month as you put in another because you don't just get it piecemeal. You move smoothly on a continuing resolution, if the regular appropriation bill has not been passed. I wish you would consult with Dr. Hannah. I think he is one of the fairest men ever to appear before this committee. He puts it right on the line. He says without exception there is an asking price and a taking price, and I would assume that this $125 million is your asking price; is that right, sir?

Mr. KIEFFER. That is correct.

Mr. PASSMAN. And the taking price will be determined at a later date. Thank you. You agreed to that, too?

Mr. KIEFFER. Right. However, the Foreign Assistance Act requires that $125 million of whatever funds are actually appropriated be earmarked for population programs.

Mr. PASSMAN. We want to be as fair as we can. I am not at all satisfied with you people saying you are now going to prudently spend exactly what the authorization earmarked for population programs. It just doesn't add up. I don't question your integrity, but there is just something that is not right. We know it is not right for you people to be told by certain individuals that you must spend a specific amount.

HUMANITARIAN ASSISTANCE BUDGET FOR FISCAL YEAR 1973

Mr. PASSMAN. What are the total funds involved in the humanitarian effort for fiscal year 1973 and how does this compare to the current fiscal year?

Mr. KIEFFER. For clarity purposes, let me use the term "humanitarian effort" here to relate only to the budget of the Office of Private and Voluntary Cooperation in our Bureau of Population and Humanitarian Assistance. Obviously, the U.S. humanitarian effort includes our disaster relief operations, some of our usage of Public Law 480 resources and some aspects of our family planning and health programs. The financial requirements for these are treated elsewhere in our presentation. The total funds for the humanitarian programs of the Office of Private and Voluntary Coordination for fiscal year 1973 (as described on pages M–3 through M–8) are $13,150,000. In fiscal year 1972, $12,708,000 was provided.

PROGRAMS IN HUMANITARIAN ASSISTANCE

Mr. PASSMAN. What programs make up the humanitarian assistance item?

Mr. KIEFFER. The programs conducted by: the Registered Voluntary Agencies receiving ocean freight support; International Executive

Service Corps (IESC); The Asia Foundation (TAF); Volunteers for International Technical Assistance (VITA); Technoserve; YMCA; Private Agencies Cooperating Together (PACT); International Voluntary Services (IVS); Institute for International Development (IIDI); Cooperative League of the USA (CLUSA); Agricultural Cooperative Development International (ACDI); Credit Union National Association (CUNA); National Rural Electric Cooperative Association (NRECA); Volunteer Development Corps (VDC) and Technical Assistance Information Clearing House (TAICH). (As in the question above, disaster relief, population, and Public Law 480 programs are not taken into account here).

SUPPORT OF PRIVATE ORGANIZATIONS

Mr. PASSMAN. Why do you find it necessary to support the various private organizations?

Mr. KIEFFER. We support the overseas work of private organizations in order to draw upon their evident talents, their resources, their motivation and institutional capability and acceptance in the developing countries. They can bring to this work particular kinds of interest and experience, sometimes widely dispersed in American communities, which AID itself would find difficult to locate, hire, and to manage directly. And because these talents and benefits of experience are often partially contributed by individuals or organizations, they frequently cost the U.S. Government less than the market value of such services.

Mr. PASSMAN. What private organizations do you plan to support in fiscal year 1973 and in what amounts?

Mr. KIEFFER. The budget of the Bureau for Population and Humanitarian Assistance contemplates working with various private organizations. Planning estimates may vary somewhat as requirements are refined and grants and contracts negotiated: IESC, $3,500,000; TAF, $3,750,000; VITA, $100,000; Technoserve, $75,000; YMCA, $52,000; PACT, $128,000; IIDI, $100,000; IVS, as yet undefined; CLUSA, $170,000; ACDI, $190,000; CUNA, $145,000; NRECA, $150,000; VDC, $100,000; TAICH, $150,000; ocean freight for a number of registered voluntary agencies, $4,500,000.

Mr. PASSMAN. Do any other countries provide contributions to these private organizations?

Mr. KIEFFER. Other governments do not provide contributions directly to the U.S. organizations. In some cases government and/or private contributions are provided to the local programs in which these organizations are involved. In the case of IESC and VDC, fees and contributions are provided by local private organizations receiving short-term voluntary assistance. These are used to help defray the cost of providing the assistance. Also, in the case of the registered voluntary agencies, host governments usually defray inland transportation charges, and sometimes other local costs. Governments may also contract with private voluntary agencies to perform specific activities.

INTERNATIONAL VOLUNTARY SERVICES, INC.

Mr. PASSMAN. In a recent article, it was stated that the International Voluntary Services, Inc., was having problems in its internal

management. Has this been straightened out so that the organization will function efficiently?

Mr. KIEFFER. IVS has reorganized its Board under the new chairman, Nicholas deB. Katzenbach, to enhance the managerial role of the Board and to broaden the representation of corporations, church groups, youth organizations, and the international community. The Board is aware of the management problems, and is taking steps to remedy matters. We intend to keep abreast of developments.

YMCA OVERSEAS PROGRAM

Mr. PASSMAN. I see where you are considering a grant to the YMCA. Don't you feel this is carrying foreign aid too far? What does the YMCA do to promote U.S. interests abroad?

Mr. KIEFFER. Over many years the YMCA has acquired wide experience in developing locally planned and managed training courses in a number of less-developed and semideveloped countries, as well as in the United States and other developed countries. The Center for International Management Studies, the branch of the YMCA's International Division that would be the coordinator and implementing agent of the AID grant within the YMCA, has had several years' experience (1) with management exchange programs between the United States and Eastern European countries, and (2) in sponsoring conferences and programs concerning the management education needs in the LDC's.

We recognize the need for nonformal education programs in the LDC's, particularly in the areas of middle-level management and vocational training. Developing such programs is felt to be of major importance to increase the employment and productivity of the vast majority of persons in the LDC's who do not have access to formal education programs, or for whom these programs may not be as relevant as informal programs directly addressing their immediate employment needs. The YMCA has well established, accepted, and locally managed and supported branches in many LDC's around the world. We feel that the YMCA, through these indigenous institutions in the LDC's, could be a good vehicle for developing such nonformal education programs. To the extent that the YMCA succeeds in achieving these objectives, they will be furthering the U.S. interest in this regard.

OTHER PRIVATE DEVELOPMENT PROGRAMS

Mr. PASSMAN. You indicate in fiscal year 1973 you will explore new opportunities to give support to other privately managed development programs. Don't you think you should not overextend yourself in this area?

Mr. KIEFFER. We are mindful of the danger of overextension and for this reason have requested only a modest increase in funds for this purpose in fiscal year 1973. In our exploration of these new opportunities, along with our regional bureaus and the private voluntary agencies themselves, we intend to be very selective in the support of the work of private organizations. The first criterion will be that the program supported must be in response to explicit LDC priorities with which AID concurs in supporting. Secondly, the private organizations must have demonstrated capability or genuine potential for

developing such capability. Financial stability and self management ability will be a further consideration in selection. The application of these criteria will permit AID to be discriminating in the selection of private organizations and prevent overextension.

SUPPORT TO VOLUNTARY AGENCIES

Mr. PASSMAN. Would you please list for the record the voluntary agencies that are supported by AID?

Mr. KIEFFER. Yes, sir.

(The information follows:)

Organizations registered with the Advisory Committee on Voluntary Foreign Aid and receiving AID overseas freight payments [1] in fiscal year 1972;

American Friends Service Committee [1]
American Jewish Joint Distribution Committee [1 2 3]
American-Korean Foundation [1 2]
American Natonal Red Cross [1]
American ORT Federation [1 2]
Assemblies of GOD–F.S.C.[1]
CARE, Inc. [1 2 3]
Catholic Relief Services–USCC [1 2 3]
Church World Service [1 2 3]
Christian Reformed World Relief Committee [1]
Foster Parents Plan [1]
Friends of the United States of Latin America[3]
Hadassah [1 2 3]
Heifer Project [1]
Holt Adoption Program [1]
International Educational Development [1 2]
International Institute of Rural Reconstruction [1]
Iran Foundation [1]
Lutheran World Relief [1 2]
Medical Assistance Programs [1 2]
Mennonite Central Committee [1]
Miizrachi Women's Organization of America [3]
Pan American Development Foundation [1 3]
People-to-People Health Foundation (Project HOPE) [1]
Dr. Jose P. Rizal-Gen. Douglas MacArthur Memorial Foundation [1 3]
Albert Schweitzer Fellowship [3]
Seventh-day Adventist Welfare Service [1 2 3]
Sumer Institute of Linguistics [1 3]
Thomas A. Dooley Foundation [1]
United Israel Appeal [1 3]
World Relief Commission of the National Association of Evangelicals [1 2]
World Vision Relief Organization [1 3]
YMCA International Committee [1]

---

[1] AID obligated $4.5 million to cover overseas freight for shipments on a world basis of supplies privately donated for the overseas work of 29 registered voluntary agencies and the American National Red Cross (ANRC). Because of its special charter, the Red Cross, although not a registered agency, shares in the benefits of registration.

[2] Eight of the registered voluntary agencies participated in the Public Law 480 food for peace program. During fiscal 1972, AID administered $47 million of U.S. Department of Agriculture shipping funds

[3] Eighteen registered agencies had excess property determinations during fiscal year 1972.

Mr. PASSMAN. What type of support is provided to these agencies?

Mr. KIEFFER. In addition to the grant and contract activity discussed earlier, U.S. voluntary agencies registered with the Advisory Committee on Voluntary Foreign Aid, who meet specific program criteria, are eligible to apply for three financial benefits—U.S. Government grants of agricultural foods under Public Law 480 title II legislation; reimbursement by the Government for the overseas shipment of these foods and for voluntary agencies' own donated supplies; and various kinds of property in excess to U.S. Government needs.

FOREIGN DISASTER RELIEF COORDINATION

Mr. PASSMAN. What have been the major disasters in the last 2 years?

Mr. KIEFFER. U.S. contributions to disasters considered major from the standpoint of U.S. input since July 1, 1969, include the following:

Value of U.S. assistance (includes Public Law 480 food)

	Amount
Fiscal year 1970:	
Botswana drought	$2,653,000
Tunisia floods	4,421,000
Rumania floods	12,867,000
Peru earthquake	26,796,000
Korea floods	2,538,000
Honduras/El Salvador border war	1,805,000
Fiscal year 1971:	
Droughts in 11 African countries (recorded as separate disasters)	13,079,000
East Pakistan:	
Floods	7,233,000
Cyclone	18,334,000
Civil strife	34,132,000
India-East Pakistan refugees	102,310,000
Iraq drought	2,408,000
Jordan civil strife	11,816,000
Yemen Arab Republic drought	3,341,000
Philippines, 5 typhoons (recorded as 3 separate disasters)	4,991,000
Brazil drought	3,571,000
Fiscal year 1972 to present:	
Mauritania drought	1,378,000
Chile earthquake	1,060,000
Afghanistan drought	1,230,000
India floods	3,766,000
Bangladesh relief program	122,537,000

Mr. PASSMAN. What has been the total U.S. contributions to disaster relief in the last 2 years?

Mr. KIEFFER. During fiscal year 1970 and 1971, the United States provided help valued at $267 million in 102 foreign disasters. Help in 28 others so far in fiscal year 1972 is valued at $133 million. Following is a breakdown of this assistance:

[In millions of dollars]

	Fiscal years 1970 and 1971	Fiscal years 1972 to present
Contingency fund	22.1	1.3
Other AID funds	48.4	44.8
Other USG agencies	16.7	
Public Law 480 food	150.5	81.4
Total	237.7	127.5
U.S. voluntary agencies	28.8	5.6
Total	266.5	133.1

Actual assistance may be greater than these figures imply since value of U. S. military and voluntary agencies personal services is not included. Nor is the value of donated supplies by some private groups since value figures were not always reported.

AUTHORIZING LEGISLATION

Mr. PASSMAN. Is it not true that the authorizing legislation requires you to use $125 million for population programs even though you might not have the need for all the funds?

Mr. RAVENHOLT. Not exactly, the earmarking of $125 million for programs relating to population growth in the authorizing legislation directs that $125 million of the total funds appropriated for the Foreign Assistance Act be used solely for programs relating to population growth, and if not used, the unobligated balance of the $125 million appropriated for the program carries over into the next fiscal year, and if reappropriated by the Congress, is available for population programs in that year.

Mr. PASSMAN. Have you been able to obligate the entire $125 million provided in fiscal year 1972?

Mr. RAVENHOLT. No. At the time the fiscal year 1973 congressional presentation was prepared we already had reasonably firm population program project plans totaling $97,711,000. With regard to the balance of $27,289,000, currently we are processing a number of additional projects and we expect that a number of these could make important contributions to the population program. While it is difficult to assess now the exact figure, undoubtedly we will come pretty close.

EXPLANATION OF UNDISTRIBUTED POPULATION FUNDS

Mr. PASSMAN. I note on page G–2 you list $27,289,000 in fiscal year 1972 and $24,209,000 in fiscal year 1973 as undistributed. Would you please explain this item?

Mr. KIEFFER. For fiscal year 1972 the Congress appropriated $125 million for population programs. For fiscal year 1973, we are requesting the full amount—$125 million—which has been authorized and earmarked for population. At the time the fiscal year 1973 congressional presentation was prepared we had identified reasonably firm population program requirements of $97.7 million in fiscal year 1972 and $100.8 million in fiscal year 1973. The balance of the $125 million appropriated for fiscal year 1972 and of the $125 million requested for fiscal year 1973 was left undistributed, to be allocated as additional requirements are defined and fully developed. These undistributed balances amount to $27.3 million for fiscal year 1972 and $24.2 million for fiscal year 1973. We are currently analyzing additional activities which could make an important contribution to population programs. These include strengthening multilateral organizations concerned with population, support for World Population Year activities scheduled for 1974, and studies by LDC institutions on ways to increase adoption of family planning methods.

EXPLANATION OF FISCAL YEAR 1972 FUNDS FOR UNFPA

Mr. PASSMAN. Why was such a large amount of funds provided to the UN Fund for Population Activities in fiscal year 1972?

Mr. KIEFFER. The amount of funds obligated for the UNFPA in a particular fiscal year is related to the level of U.S. pledges to the UNFPA, which are made on a calendar year basis. $9.5 million was obligated from fiscal year 1972 funds to cover part of the U.S. pledge of $14.5 to the UNFPA for calendar year 1971. $5 million from fiscal year 1972 funds has been used to cover the remainder of our calendar year 1971 pledge. We currently estimate that $15 million of fiscal year 1972 funds may be needed to meet the U.S. pledge for calendar year 1971 pledge. We currently estimate that $15 million calendar year 1972 of $24 million. The $5 million for calendar year 1971 and the $15 million for calendar year 1972 make a total of $20 million of fiscal year 1972 funds which may be provided to the our calendar year 1972 pledge to the UNFPA, a portion of the fiscal year 1972 undistributed population funds could be used.

Mr. PASSMAN. What is the percentage of the U.S. contribution when compared to the total?

Mr. KIEFFER. The U.S. pledges for calendar year 1970 and calendar year 1971 amounted to 50 percent of the funds raised by the UNFPA in these years. For calendar year 1972 our share will be 48 percent of the total. As the contributions from other countries increases we plan to reduce further our percentage share—perhaps to 45 percent for calendar year 1973 and 40 percent for calendar year 1973.

FISCAL YEAR 1973 OBLIGATION

Mr. PASSMAN. Do you feel you will be able to obligate the entire $125 million effectively in fiscal year 1973?

Dr. RAVENHOLT. Yes, we anticipate that we will obligate the entire $125 million effectively in fiscal year 1973. First of all, we would like to maintain continuity in programs that we have begun and that seem to have real promise and we also foresee in our pending workload a number of new and promising projects. Also, during fiscal year 1972, population program activities in the India, Pakistan, and Bangladesh areas were hobbled by the political and military conflict. We would expect that as relations improve between the United States and these countries, we will be asked for help in the population area. Assistance of this type could bulk large in our future programing.

DECREASES IN FERTILITY

Mr. PASSMAN. Has this program been able to slow down some of the population growth rates?

Mr. RAVENHOLT. Yes, population and family planning assistance provided by AID has no doubt contributed in significant measure to the rapid decrease in fertility now occurring in many countries as shown in the following charts. Of 69 countries with complete registration and births at the beginning and end of the decade of the 1960's, 63 had a decrease in crude birthrate during that decade. In a number of these countries such as Hong Kong, Taiwan, Costa Rica, and Chile, AID support has undoubtedly contributed to the favorable changes which have occurred. The probable impact of family planning programs upon age specific fertility rates and therefore some indication of the impact of assistance from AID is particularly evident in the case of Hong Kong and Taiwan in the period from 1965 to 1970.

Population growth rates are slowing in Latin America and Asia but little change has yet appeared in Africa.

RELIGIOUS AND SOCIAL PROBLEMS

Mr. PASSMAN. Have you been able to overcome religious and social problems connected with family planning?

Mr. RAVENHOLT. Rapid changes are occurring with respect to population policies and family planning programs in many of the developing countries. The overall trend is highly favorable but some countries have not yet revised their population policies and laws.

Mr. PASSMAN. You indicate that certain legal aspects are being studied with regard to family planning. Would you please explain what legal problems are involved?

Mr. RAVENHOLT. Based upon the concept that social behavior and legal systems interact, and that such interaction is important to the solution of great social problems, AID in June 1970, contracted with the Fletcher School of Law and Diplomacy, Tufts University, to undertake a law and population progam, which would among other things:

Stimulate interest and awareness in this matter among lawyers generally, and exchange ideas among lawyers in different countries;

Collect legislation of judicial and administrative decisions which affect or may affect population and family planning;

Analyze such materials with respect to selected countries;

Study in depth four countries representing four different regions of the world—Asia, Africa, Middle East, and Latin America—to investigate how law affects behavior, and vice versa, in matters concerning population and family planning;

Hold an international symposium on law and population;

Establish a law and population project staffed by a local team of lawyers in selected countries in cooperation with local universities, the U.N. Fund for Population Activities, and the International Planned Parenthood Federation;

Conduct a model interdisciplinary seminar on law and population at the Fletcher School of Law and Diplomacy with a view to conducting the seminar in law schools abroad;

Prepare a textbook on law and population; and

Provide at the end of the project a set of recommendations on how the program could be continued with non-AID funds.

In the specific area of population and family planning, laws (including enforcement and nonenforcement) and the absence of law influence to a large degree the actions of peoples and governments. For example, laws may be pronatalist or antinatalist in their effect; they may inhibit the successful attainment of a government policy; and so on. Thus legal restrictions may hamper the importation, manufacturing, distribution, advertisement, and sales of contraceptives. Minimum marriage ages remain low. Education laws may prohibit teaching population problems in schools. Social welfare laws may promote large-family concepts. Abortion codes may contribute to high-cost, high-risk, illegal operations. In a word, the demographic and social impact of many laws is quickly seen.

For a fuller discussion of the relationship between population and law, and a description of the law and population program, I have attached a recent article.

(The article follows:)

[From War on Hunger, December 1971]

FAMILY PLANNING AND THE LAW

(By Thomas C. Lyons, Jr.)

Thomas C. Lyons, Jr. is Deputy Chief, Analysis and Evaluation Division, Office of Population, Technical Assistance Bureau. He is a member of the International Advisory Committee on Population and Law.

For several years the population program of the Agency for International Development has sought, among other things, to understand all the dimensions of population growth and its relationship to the process of modernization, and to involve the pertinent institutions and influential individuals in both understanding and solving the population problem in specific country settings. In both areas of knowledge and operations, it was obvious that existing legal structures in many underdeveloped countries were often obstacles to progress generally, and population programs specifically. In a word, lack of both legal concern and involvement of countrywide legal communities was viewed as an impediment to developmental efforts.

As an example, in early 1969, former Ambassador to the Organization of American States Sol M. Linowitz told a meeting of the Association of American Law Schools that all nations need to use their legal systems more effectively in their developmental process. Ambassador Linowitz said: "The use of law in this manner is somewhat akin to the role of an engineer—for the lawyer must analyze the stresses and strains in their nations, and place themselves in the vanguard of devising new institutions and techniques. Few developing nations are in a position to innovate successfully because they lack sufficient well-trained personnel. The lack of qualified personnel is both quantitative and qualitative. I am speaking not merely of political officers and economic planners, but also of those who staff the present legal infrastructure."

LAW BECOMES STATIC

In some countries of the world, including the United States, lawyers have a long and strong tradition of public service, but the exercise of dynamic leadership on the part of the legal community in many developing countries has not been visible. Further, in many areas of the developing world, the body of law is seen too often (by lawyers themselves, unfortunately) as a static structure, rather than a dynamic device of change and modernization.

In addition to involvement (or noninvolvement as the case might be) of the legal community, there is the question of the interplay between law and other aspects of society. It is part of the general theory of social behavior that a legal system and laws are to one degree or another influential on individual and societal behavior, at least insofar as the system and the laws create the conditions for such behavior. As such, the absence of laws, the existence of laws and their application, the future enactment of laws, can all contribute to a specific demographic response. While law often reflects contemporary social norms, its potential as catalyst for social change and total development has been little understood and, to a lesser degree, utilized.

Among the various aproaches to population and family planning—sociological, economic, political, religious, biological, psychological, ideological, medical-pharmaceutical, demographic—that of the law has been little studied and its potential little explored. As recently as 1965, for example, of nearly 1,000 participants and observers at the United Nations World Population Conference in Belgrade, there was only one lawyer, and none of the hundreds of papers presented at the Conference dealt with the legal aspects of the population problem.

BASIC HUMAN RIGHTS

Among many developments in recent years, two underscore the importance of the legal approach: (a) the declaration by heads of states, including that

of the United States, that family planning is a basic human right, and (b) the unanimous adoption of a resolution by the United Nations Conference on Human Rights in Teheran in 1968 that knowledge of family planning is a basic human right.

Since "human right" imposes a legal, and not merely moral, responsibility upon states, there is a legal duty, on the part of states which explicitly recognize the right of family planning as a human right, to see that laws and policies which conflict with the implementation of such right be amended or abolished and that new laws and policies be adopted to conform with and further this right.

Official recognition that family planning is a basic human right, however, has seldom been followed by systematic legal reforms to bring the existing laws into the line with that recognition. Thus, restrictions continue to hamper the importation, manufacture, advertisement and transportation contraceptives; the minimum marriage age remains low; education laws continue to forbid the teaching of family planning or sex education in schools; public health services remain unresponsive to the need for birth control council and clinics; the social welfare and income tax systems may favor large families; and abortion codes are believed to contribute to high-cost, high-risk illegal operations.

Even where legal reforms have been instituted, there are many gaps, owing to the lack of coordination. In many other newly emergent nations, retention of archaic laws inherited wholesale from former colonial powers often leads to the defeat of an official family planning policy.

NEED TO KNOW PRESENT LAWS

Because the relationship between population and law has been little studied and less understood, it is felt that eventual legal reform will be impossible without an adequate knowledge of what existing laws are, and how these laws relate to other facts relevant to the population question, such as policy and programs. The mere compilation of all laws in a few countries is an important and necessary first step. Statutes and decrees are often scattered throughout the law, and administrative and judicial decrees and interpretations are usually buried and in many cases not generally known.

If legal reforms are to come about in the setting of the less developed countries, a degree of awareness and a degree of expertise must eventually be created, for only countries themselves can in the end effect the necessary change. Lawyers, professors of law, students, and government officials can be helped in acquiring knowledge, interpreting the knowledge, and applying the knowledge to their own particular setting. In some cases, more assistance will be necessary, including legal analysis, help in drafting model codes, help in preparation of text books and course content in training lawyers, and a forum for sharing views and problems.

PROJECT DEVISED

This need was recognized by those working in the AID population programs. In 1969 a project was developed to add a new dimension to existing approaches of family planning services. It also sought to understand the complicated matrix we call "the population problem." The project began with the premise that law has an important impact upon the behavior of people, although the exact extent of the impact varies from national state to national state. Further, the project was to be directed at assisting developing countries who sought to do so, in making legal reforms necessary to bring existing laws into line with the recognition that family planning is a basic human right. The project also aimed at exploring the many-faceted relations between law and the actual policy of governments and practices of people. And finally, the project, to the extent possible, would involve the legal community in host countries in solving the population problem. This project would be carried out with as low a U.S. profile and non-U.S. involvement as possible.

In June 1970, AID contracted with the Fletcher School of Law and Diplomacy, Tufts University, Medford, Mass., for a 3-year law and population program. Director is Dr. Luke T. Lee, an eminent legal scholar who has authored or coauthored several books on international law and published dozens of articles. For years Dr. Lee has lectured in the area of law and population. Recently, a paper prepared for the World Health Organization, "Law and Family Planning," appeared in the April 1971 issue of "Studies in Family Planning." He is coeditor,

with Arthur Larson, of a forthcoming book, "Population and Law" which will cover law and population in 13 countries and the United Nations.

The law and population program under Dr. Lee's direction has as its specific goals:

To stimulate interest and awareness in this matter among lawyers generally, and to exchange ideas among lawyers in different countries;

To collect legislation of judicial and administrative decisions which affect or may affect population and family planning;

To analyze such materials with respect to selected countries;

To study in depth four countries representing four different regions of the world—Asia, Africa, Middle East, and Latin America—to investigate how law affects behavior, and vice versa, in matters concerning population and family planning;

To prepare and discuss model codes by host country legal scholars on population and family planning on the national, regional, and worldwide bases;

To provide reference services on law as it affects population and family planning;

To collaborate, or, if necessary, hold an international symposium on law and population;

To establish a law and population project staffed by a local team of lawyers in selected countries in cooperation with local universities, the U.N. Fund for Population Activities, and the International Planned Parenthood Federation;

To conduct a model interdisciplinary seminar on law and population at the Fletcher School of Law and Diplomacy with a view to conducting the seminar in law schools abroad;

To publish a legislative series on population and family planning in cooperation with international organizations;

To prepare a textbook on law and population; and

To provide at the end of the project a set of recommendations on how the program could be continued with non-AID funds.

IMPORTANT DIFFERENCES

This project effects growing trends within AID to involve the resources of many organizations and institutions in the developing and developed world. For example, while building this worldwide cooperative relationship, efforts have been made to make the law and population program a truly multinational effort through the closest formal collaboration with the International Planned Parenthood Federation (IPPF) and the U.N. Fund for Population Activities.

A case in point: As of August 31, 1971, scholars or institutions from seven developing countries have formally requested UNFPA assistance in establishing a law and population program. Recently, Dr. Lee, the program's director, was appointed legal consultant to the IPPF. Through contacts with heads of U.N. organizations, deans, legal scholars, and government lawyers around the world, Dr. Lee has laid the ground for an elaborate international network of cooperating institutions.

The program is guided by a multidisciplinary International Advisory Committee on Population and Law, which is required to guide the director in several important areas, including the selection of sites for the indepth studies. Americans may not account for more than 50 percent of the committee's membership. The committee, which serves without pay, must meet, if at all possible, outside of the United States and under the auspices of a cohosting institution.

Further efforts to internationalize the program include multinational sponsorship of the international law symposium to be held outside the United States, use of local scholars in the compilation of legal texts and preparation of model cities; indepth studies to be conducted only with cosponsorship of a local law faculty; a textbook to be prepared on law and population under internationally represented authorship; and housing of the legislative series outside of the United States with international cosponsorship.

The program, just over a year old, has generated keen interest around the world for numerous reasons, but perhaps most importantly, its numerous parts have been organized and carried out in a remarkably international way. Major law schools in Europe and the developing world, all U.N. family organizations, and relevant national and international, public and private organizations have been contacted by Dr. Lee and his staff. Cooperative relationships have been set in motion that will extend far beyond the initial undertakings of the AID program.

The program is under the general supervision of an International Advisory Committee on Population and Law meeting annually in different regions of the world. The committee held its first meeting at the Headquarters of the Organization for Economic Cooperation and Development in Paris in April 1971 and its members are: Georges Abi-Saab (Geneva University); Richard Baxter (Harvard University); F. E. Bland (OECD); Jean Bourgeois-Pichat (Institut National d'Etudes Demographiques); Philander Claxton, Jr. (State Department); Ambassador Melquiades J. Gamboa Philippines); Robert K. A. Gardiner (UN Economic Commission for Africa); Halvor Gille (U.N. Fund for Population Activities); and Edmund A. Guillion (Fletcher).

Other members are: Julia Henderson (IPPF); Dr. Norman Hoover (American Medical Association); Edmund H. Kellogg (Fletcher); Dr. Dudley Kirk (Stanford University); Dr. Peter F. Krogh (Georgetown University); Dr. Arthur Larson (Duke University); Dr. Luke T. Lee (Fletcher); Thomas C. Lyons, Jr. (AID); Bertil Mathsson (UNESCO); Father Arthur McCormack (Vatican); Robert Meserve (American Bar Association); Dr. J. De Moerloose (World Health Organization); Dr. Minoru Muramatsu (Japan); Harriet Pilpel (Planned Parenthood—World Population); and Helvi Sipila (U.N. Commission on Status of Women).

AID POPULATION PROJECTS

Mr. PASSMAN. What organizations are presently receiving funds from AID for family planning projects and what amounts do they receive?

Mr. RAVENHOLT. Population family planning projects, organizations and activities funded by AID since the inception of the program in fiscal year 1965 are set forth in the table below taken from the 1971 issue of AID's Population Program Assistance book.

(The table follows:)

A.I.D. PROJECTS IN POPULATION AND FAMILY PLANNING, FISCAL YEAR OBLIGATIONS

Description and purpose	1965-67	1968	1969	1970	1971
Nonregional	*1,000 dol.*	*1,000 dol.*	*1,000 dol.*	*1,000 dol.*	*1,000 dol.*
OFFICE OF POPULATION					
Goal 1: Development of Adequate Demographic and Social Data					
Development of Methodology for Estimating Birth and Death Rates and Population Changes from Interview Data. Research PASA[1] with National Center for Health Statistics, U. S. Public Health, to develop techniques and methodology by which birth and death rates, and population changes can be estimated from interview data where no detailed census information is available or no registration, or incomplete registration, is in effect. Project 931-17-570-450: RA-1-66.	64 Completed Aug. 1967				
Demographic Studies. PASA[1] with U.S. Bureau of the Census to prepare a report on the population of Pakistan including population projections, demographic data, and analysis. Project 946-11-590-735; TCR-3-65.	27 Completed Jan. 1965				
Demographic Methods Handbook. PASA[1] with the U.S. Bureau of the Census to prepare a book on statistical methods which will fill demand by demographers and statisticians and serve as a basic text for training foreign demographers. Project 931-11-570-802; WOH(CA)-7-67.	28	58		8	8
Demographic Services. PASA[1] with Bureau of the Census, International Demographic Statistical Center, to store, retrieve, tabulate, analyze, and project data, so that analyses of the socioeconomic implications of alternative demographic policies will be based on more accurate projections of available data. Project 931-11-570-810; WOH(CA)-10-68.		17	393	557	766
New Florencia Workshop. PASA[1] with Bureau of the Census to improve censuses and surveys in LDCs for the 1970's. Procedural models have been devised for developing countries. These models are used in a worldwide workshop training program to facilitate their incorporation in national programs. Project 931-11-570-808; WOH(CA)-9-68.		15	158	129	204
Laboratories for Population Studies - Phase I. Contract with University of North Carolina to prepare detailed proposals for establishing two or more population studies laboratories overseas to test population measurement instruments and obtain information under controlled population conditions. Project 931-11-570-825; csd-2161.		61 Phase I Completed			
Laboratories for Population Studies - Phase II. Task order with the University of North Carolina, to establish laboratories for population studies in collaboration with academic and research institutions overseas to be administered by local nationals. The laboratories will collect population data and experiment with data collection techniques. Project 931-11-570-861; csd-2495.			353	208	424
To establish the Moroccan Demographic Research Center (CERED) in Rabat. PROAG. 608-70-10.				200	
Correspondence Training in Household Sample Surveys. PASA[1] with the Bureau of the Census to develop and implement correspondence training courses in specialized fields of statistical operations. Project 931-11-570-881; PASA TA(CA)-6-70.				21	134
OFFICE OF POPULATION					
Goal 2: Development of Adequate Population Policy and Understanding of Population Dynamics					
Study of the Effect of Population Growth on A.I.D. Goals. Contract with the University of Pittsburgh to prepare a report on the impact of alternative forseeable population					

[1] Participating Agency Service Agreements.

A.I.D. PROJECTS IN POPULATION AND FAMILY PLANNING, FISCAL YEAR OBLIGATIONS–Cont'd.

Description and purpose	1965-67	1968	1969	1970	1971
Nonregional–Continued	*1,000 dol.*	*1,000 dol.*	*1,000 dol.*	*1,000 dol.*	*1,000 dol.*
trends upon economic development prospects and assistance needs of less developed countries, utilizing data for Pakistan. Project 946-11-590-735; csd-751	11 Completed Jan. 1965				
Conference on Population Dynamics. Contract with Johns Hopkins University to conduct a conference to orient selected A.I.D. personnel in population dynamics, including planning and implementation. Project 946-11-590-735; csd-833.	13 Completed June 1965				
Multivariate Factors Influencing Fertility. Contract with Harvard University to develop and pretest a questionnaire schedule designed to evaluate the interrelationships of the level of living, fertility behavior, and mortality for use in the research project "Determinants of Family Planning Attitudes and Practices." Project 931-13-570-818; csd-2153.		61		Completed March1970	
Rationale for Population Policies. Contract with National Academy of Sciences to conduct symposia to explore and define interactions between population change and economic and social development as a basis for developing a comprehensive rationale for appropriate population policies applicable to individual country situations. Project 931-11-570-817; csd-1925.		72	40		Completed July 1971
Development Center Population Project. Grant to the Organization for Economic Cooperation and Development (OECD) to help support the operation of the Population Center at the OECD Development Center. Project 931-11-570-827; csd-2166; csd-2782.		109		100	
Population/Economic Growth Analysis. Contract with General Electric Co. to formulate suitable analytical models to assist A.I.D. Missions and host country organizations to analyze consequences of birthrates and other demographic rates. Project 931-11-570-016; csd-1936; csd-2611.		110	24		
To provide revision and extension of the basic models and analytical materials (Task Order No. 1.)				147	
To assist Mission in Chile in the application of analytical materials (Task Order No. 2.)				60	
To assist five LDC expert teams in country applications (Task Order No. 3.)					239
To carry out in depth studies on issues raised by model applications (Task Order No. 4.)					155
Human Fertility Patterns - Determinants and Consequences. Research contract with Rand Corporation to analyze determinants and consequences of human fertility patterns, for use in formation of A.I.D. policy. Project 931-17-570-824; csd-2151.		143			
Improvement of Population Program and Policy Design. Contract with the University of North Carolina to analyze and evaluate current systems of delivering family planning services, and to test alternative approaches in order to more effectively reach rural populations not yet receiving conventional services. Project 931-11-570-856; csd-2507.			435	1,174	
Situation Reports on Population Problems, Policies, and Programs. Contract with the California Institute of Technology to establish regional observers and compare the economic and social context of population policies and family planning programs as a sequel to the rationale for population policies under contract with the National Academy of Sciences. Project 931-11-570-858; csd-2515.			405	398	411
International Union for Scientific Study of Population. Grant in support of the general conference of the International Union for Scientific Study of Population held at the School of Economics, London, in September 1969. Project 931-11-570-839; csd-2258.			20	Completed May 1970	

A.I.D. PROJECTS IN POPULATION AND FAMILY PLANNING, FISCAL YEAR OBLIGATIONS–Cont'd.

Description and purpose	1965-67	1968	1969	1970	1971
Nonregional–Continued	*1,000 dol.*	*1,000 dol.*	*1,000 dol.*	*1,000 dol.*	*1,000 dol.*
The Epidemiology of Outcome of Pregnancy in Diverse Cultures in Selected Countries. Research contract with Johns Hopkins University to conduct epidemiological studies in several countries to ascertain the epidemiology of induced abortions and its relationship to health, fertility levels, fertility control measures, demographic and socioeconomic variables. Project 931-17-570-496; csd-2246.			194		
Determinants of Family Planning Attitudes and Practives. Research contract with Harvard University to conduct studies of the determinants of fertility patterns and family planning practices as a basis for the formulation and evaluation of policy and program planning. Project 931-17-570-497; csd-2478.			106		
Utilization of Family Planning Services. Research contract with the Bowman Gray School of Medicine, Wake Forest University, to ascertain and evaluate factors contributing significantly towards participation in fertility limitation, and those contributing to indifference and to strong resistance to family planning; and to experiment with nonclinical health-oriented models for family planning programs. Project 931-17-580-510; csd-2512.			262		101
Programmatic Grant to the Population Council. Project to make use of the experience and competence of the Population Council in population/family planning to assist A.I.D. to develop and implement approved programs; public information and communication activities; knowledge and insight to socioeconomic factors in determining population policies; effects of population growth on economic planning and educational goals; and need for additional and better trained specialists in population/family planning programs. Project 931-11-570-863; csd-2508.			1,000		1,000
Law and Population Program. Contract with the Fletcher School, Tufts University, to establish a reporting network on legal data, for subsequent publication and distribution, and to undertake studies and seminars that will provide a better understanding of the living law and legal changes as related to several countries. Project 931-11-570-880; csd-2810.				640	
Determinants of Fertility. Research contract with Rand Corporation to develop a general theoretical statement of knowledge of the determinants of fertility, and a set of associated papers that explore elements of the theory from various conceptual, empirical, and policy points of view. Project 931-17-570-517; csd-2533.				326	
A Study of Fertility Rates and Earning Capacity of Rural Migrants in Latin America. Research contract with the Land Tenure Center, University of Wisconsin, to determine differential fertility rates and earning capacities before and after migration, and between migrants and nonmigrants, the study to be conducted in two Latin American countries. Project 931-17-570-528; csd-2863.					223
Cross-Cultural Research in Fertility Behavior. Research contract with American Insittutes for Research to establish an International Reference Center to collect data on pregnancy termination and to conduct studies into behavioral factors associated with acceptance of new fertility control methods. Project 931-17-580-539; csd-3155.					842
Expansion of Harvard University Center for Population Studies. Grant to the Center for Population Studies, Harvard University, to provide an expanded program of training, research and public service. Project 931-11-570-891; csd-3290.					1,458

A.I.D. PROJECTS IN POPULATION AND FAMILY PLANNING, FISCAL YEAR OBLIGATIONS—Cont'd.

Description and purpose	1965-67	1968	1969	1970	1971
Nonregional—Continued	*1,000 dol.*	*1,000 dol.*	*1,000 dol.*	*1,000 dol.*	*1,000 dol.*
OFFICE OF POPULATION					
Goal 3: Development of Adequate Means of Fertility Control					
Research on Family Planning-Pathfinder Fund. Research contract with the Pathfinder Fund to establish a Family Planning Evaluation Center to carry out collaborative international field studies of IUD performance patterns in 40 countries and to carry out research to develop and study other means of fertility control. Project 931-17-580-478; csd-1573.	194		1,289		
Research for Development of a Once-a-Month Birth Control Pill. Research contract with the Worcester Foundation for Experimental Biology, to study uterine luteolytic substances and factors which control corpus luteum function. Project 931-17-580-493; csd-2169.		109			99
Contraceptive Development: A Method to Prevent Pregnancy by Direct or Indirect Antiprogestational Activity. Research contract with the Population Council for research in order to develop "a nontoxic and completely effective substance or method that when self-administered on a single occasion would ensure the nonpregnant state at completion of one monthly cycle." Project 931-17-580-512; csd-2491.			3,000		
Research into the Corpus Luteum Function. Research PASA[1] with the Center for Population Research, NICHD/HEW, to study ways of controlling the function of the corpus luteum leading towards the development of an effective and safe once-a-month contraceptive. Five major areas of study are being covered in 28 separate activities. These areas include such factors as (1) development of methods, (2) the role of female sex hormones in the initiation and maintenance of early pregnancy, (3) specific areas of control of corpus luteum function, (4) target effects of products of the corpus luteum, and (5) the quantitative description of the menstrual cycle. Project 931-17-580-509; RA(HA) 8-69.			[2]1,540	53	
Research on Reversible Sterilization. Research contract with the University of North Carolina to explore simpler and more reversible sterilization procedures by (1) undertaking studies on the biologic effects of vasectomy, (2) by developing vasocclusion devices and evaluating them preclinically, and (3) conducting preclinical studies in female tubal occlusion. Project 931-17-580-498; csd-2504.			79		135
6th World Congress of Gynecology and Obstetrics. Grant in partial support of the 6th World Congress of Gynecology and Obstetrics held in New York City in April 1970. Project 931-11-570-870; csd-2577.				94	
Development of Releasing Factor Inhibitors as Contraceptive Agents. Research contract with the Salk Institute of San Diego, Calif., to develop a new contraceptive based on the characterization of gonadotrophin-releasing factors and development of substances which interfere with their function. Project 931-17-570-518; csd-2785.				2,255	
Development of a Combined Agent for Disease Prophylaxis and Contraception. Research contract with the University of Pittsburgh to develop an intravaginal agent, or combination of agents, which will be effective as a contraceptive as well as a prophylactic against infectious diseases. Project 931-17-570-526; csd-2822.				581	

[2]Includes $30,000 deobligated in FY 1970.

A.I.D. PROJECTS IN POPULATION AND FAMILY PLANNING, FISCAL YEAR OBLIGATIONS–Cont'd.

Description and purpose	1965-67	1968	1969	1970	1971
Nonregional–Continued	*1,000 dol.*	*1,000 dol.*	*1,000 dol.*	*1,000 dol.*	*1,000 dol.*
OFFICE OF POPULATION–Goal 3–Cont'd.					
Prostaglandin and Other Contraceptive Development Research. Research contract with the Worcester Foundation for Experimental Biology, Inc. Sherwsbury, Mass., to develop prostaglandins as contraceptives; to study the effects of progestins and antiestorgens on fertility, and the development of agents which inhibit the corpus luteum function. Project 931-17-580-520; csd-2837.				2,980	
Research on the Safety of Contraceptive Steroids. Research contract with Southwest Foundation for Research and Education, San Antonio, Texas, to test the safety in long-term use of contraceptive steoid hormones in a variety of populations. Project 931-17-570-521; csd-2821.				913	
Development of IUD and Controlled-Release Contraceptives. Research contract with the Pacific Northwest Laboratories, Battelle Memorial Institute, Richland, Washington, to develop an improved intrauterine device which is effective and will not cause bleeding, pain or other side effects. Project 931-17-570-527; csd-2819.				150	495
Third International Conference on Prostaglandins. Grant to N.Y. Academy of Sciences in support of an international conference on prostaglandins held in New York City Sept. 17-19, 1970. Project 931-11-570-898; csd-2867.					60
Studies on the Synthesis of Prostaglandins. Research contract with University of Wisconsin to develop a simplified synthesis of prostaglandins using microorganisms to simplify and reduce the cost of prostaglandin synthesis. Project 931-11-570-532; csd-2965.					227
International Fertility Research Program. Research contract with the University of North Carolina to establish an international network of field trials centers to evaluate new methods of fertility control on a comparative basis in a spectrum of countries and cultures. Project 931-17-580-537; csd 2979.					3,106
A Study on Side Effects and Mechanism of Action of Prostaglandins. Research contract with Washington University at St. Louis, Mo., to carry out controlled clinical trials on human subjects using prostaglandins as a means of fertility control and to study mechanisms of action of prostaglandins. Project 931-17-570-541; csd-3160.					293
Surgical & Engineering Research on Means of Fertility Control. Research contract with Battelle Memorial Institute to develop simplified techniques for male and female sterilization and improved and simplified techniques and equipment for other means of fertility control. Project 931-17-570-538; csd-3152.					830
Research on Prostaglandins in Relation to Human Reproduction. Research contract with Makerere University, Kampala, Uganda, to further test and develop prostaglandins as a means of fertility control. Project 931-17-570-540; csd-3300.					821
OFFICE OF POPULATION Goal 4: Development of Adequate Systems for Delivery of Family Planning Services					
Support to Regional Conference. Grant to International Planned Parenthood Federation to assist in supporting the Western Pacific Regional Conference held in Korea, May 1965. Project 946-11-590-735; csd-825.	2 Completed June 1965				

A.I.D. PROJECTS IN POPULATION AND FAMILY PLANNING, FISCAL YEAR OBLIGATIONS—Cont'd.

Description and purpose	1965-67	1968	1969	1970	1971
Nonregional—Continued	*1,000 dol.*	*1,000 dol.*	*1,000 dol.*	*1,000 dol.*	*1,000 dol.*
Training Resources for Nurses and Midwives. PASA[1] with Children's Bureau, Welfare Administration, HEW, to develop and administer a training program for foreign nurses, nurse midwives, and professional midwives. Project 915-11-990-039; TCR-12-65.	40 Completed June 1966				
Evaluation of Family Planning Programs. Contract with Population Council to produce a series of manuals to facilitate use of service statistics, knowledge-attitude-and-practice statistics, and vital statistics for evaluation of family planning programs. Project 931-11-580-815; csd-1185.	329				
Evaluation Studies of an International Postpartum Family Planning Program. Research contract with the Population Council to test, through a large-scale experimental project, the effectiveness of the Council's international postpartum family planning program of providing family planning education and techniques to mothers following childbirth in large hospitals. Project 931-17-580-479; csd-1565.	300		300		
International Planned Parenthood Federation. Worldwide grant to strengthen IPPF's support of family planning associations and affiliates in less developed countries and provide contraceptives, medical supplies, vehicles, and audiovisual and office equipment. Project 931-11-580-838; csd-1837.		3,500	4,000	5,550	3,000
Family Planning Services - Pathfinder Fund. Grant to augment Pathfinder's capacity to make small grants in selected countries to initiate and support family planning activities including contraceptives and related equipment. Project 931-13-580-807; csd-1870.		700	2,500		2,266
Cost-Benefit Analysis of Pilot Family Planning Programs. Contract with Pennsylvania State University to undertake an empirical study of actual costs and benefits of family planning in terms of service statistics and demographic implications to learn how the effectiveness and efficiency of various technical and administrative approaches vary in different cultural, economic and demographic contexts. Project 931-11-570-806; csd-1884.		92	6	111	14 Completed June 1971
Expansion of Postpartum Family Planning Program. Grant to Population Council to support the rapid expansion of postpartum family planning to more large maternity hospitals in less-developed countries. Project 931-13-580-812; csd-2155.		500	750		956
Conference on Social Work Responsibility Relating to the Dynamics of Population and Family Planning. Contract with the Council on Social Work Education, New York City, to plan, organize, and conduct a 4-day international conference in the United States in March 1970 on the role of the social worker in population and family planning. Project 931-11-580-862; csd-2483.			160		
Methodology for Evaluating Family Planning Programs. Contract with Columbia University to develop a framework for family planning program evaluation, methods, and indices for components of family planning programs, for application by evaluation units to be established within host country programs upon their request. Project 931-11-580-855; csd-2479.			88	182	1,381
Accelerated Feedback for Family Planning Programs. PASA[1] with the National Communicable Disease Center, U.S. Public Health Service, to generate an experimental system to accelerate the feedback of service statistics to guide			[3]10 Completed June 1969		

[3] Includes $4,000 deobligated in FY 1970.

A.I.D. PROJECTS IN POPULATION AND FAMILY PLANNING, FISCAL YEAR OBLIGATIONS–Cont'd.

Description and purpose	1965-67	1968	1969	1970	1971
Nonregional–Continued					
OFFICE OF POPULATION–Goal 4–Continued	*1,000 dol.*	*1,000 dol.*	*1,000 dol.*	*1,000 dol.*	*1,000 dol.*
programmed reponses by the field staff of family planning programs. Project 931-11-570-853; WOH(HA)-7-69.					
Rapid Feedback for Family Planning Improvement. Contract with the Community and Family Study Center, University of Chicago, to design improved evaluation systems in selected countries, develop new computer programs for evaluation, and conduct short-term workshops. Project 931-11-580-842; csd-2251.			175	98	399
Field Support Technical Services. Contract with the American Public Health Association to provide technical and professional personnel for consultation to the Missions and their host countries. Project 931-11-570-877; csd-2604.				522	
Expansion of Margaret Sanger Research Bureau. Grant to the Margaret Sanger Research Bureau of New York City to enable it to make qualitative improvements in its research and training programs in the clinical, demographic, and administrative aspects of family planning operations. Project 931-11-570-875; csd-2790.				1,035	
Clinical Training of Nurse-Midwives in Family Planning. Grant to the Research Foundation of the State University of New York, to expand its program of family planning clinical training of nurse-midwives from LDCs. Project 931-11-570-918; csd-2940.					1,176
International Development of Qualified Social Work Manpower for Population/Family Planning Activities. Contract with the International Association of Schools of Social Work, New York, N.Y., to introduce relevant population/family planning content into social work curriculums and prepare LDC social workers for more effective service in population. Project 931-11-570-948; csd-2971.					963
Development of Family Planning Programs of CWS and Other Charitable Organizations. A grant to the Planned Parenthood Federation of America to develop and improve family planning programs assisted by Church World Service and other Charitable organizations. Project 931-11-580-955; csd-3289.					3,800
Accelerated Feedback for Guidance of Family Planning Programs. Project to improve the collection, processing and utilization of family planning services statistics through the use of computers in selected LDCs. Project 931-11-570-943. Implemented jointly through:					
a. PASA[1] with Bureau of Census PASA TA(CA)-11-71.					43
b. Contract with Battelle Memorial Institute, Seattle; csd-2966.					52
Survey of Global Patterns of Commercial Distribution of Contraceptives in Selected Developing Countries. A contract with Westinghouse Electric Corp., Columbia, Md., to carry out an inventory and analysis of contraceptive production, marketing and distribution through the private sector in selected LDCs. Project 931-11-570-942; csd-3319.					226
Family Planning Management Information System. Contract with Management Services for Health, Inc., Cambridge, Mass., to improve the management of family planning programs through the application of modern management techniques. Project 931-11-570-951; csd-3298.					561
Institutional Development and Program Grant (Family Health, Inc.). A grant to Family Health, Inc., New Orleans, La., to develop its capability to provide a variety of services to collaborating institutions in LDCs concerned with family planning programs. Project 931-11-580-957; csd-3311.					954

A.I.D. PROJECTS IN POPULATION AND FAMILY PLANNING, FISCAL YEAR OBLIGATIONS–Cont'd.

Description and purpose	1965-67	1968	1969	1970	1971
Nonregional–Continued					
OFFICE OF POPULATION–Goal 4–Continued	*1,000 dol.*	*1,000 dol.*	*1,000 dol.*	*1,000 dol.*	*1,000 dol.*
Advanced Training to Develop a Leadership Cadre in Preventive Social Work. Contract with the University of Michigan to develop and provide advanced training in social work with a population/family planning specialty relevant to LDC schools of social work. Project 931-11-570-959; csd-3313.					475
Medical Education-Association of American Medical Colleges. Support for a contract with the Association of American Medical Colleges which provides technical advice and information on matters relating to international medical education including training in family planning. (Office of Health.) Project 931-11-540-212; csd-2587.					24
OFFICE OF POPULATION					
Goal 5: Development of adequate Systems for Delivery of Information/Knowledge					
Prototype Pamphlets on Family Planning Programs. Contract with Jay Richter and Associates to provide an informational pamphlet on A.I.D.'s population program assistance, and a program data bulletin prototype. Project 946-11-590-735; csd-1948.	3 Completed April 1967				
Proceedings of Population Symposium. Contract to edit proceedings of population symposium of the Pacific Science Congress, held in Tokyo in 1966. Project 931-11-570-003.		2 Completed Nov. 1967			
International Training Seminar in Communication Aspects in Family Planning Programs. Contract with University of North Carolina for a 2-week seminar in 1968 for family planning information leaders from the NESA, East Asia, and Vietnam areas with intensive training in structuring and carrying out communication support for family planning. Project 931-11-580-809; csd-1914.		76 Completed Dec. 1968			
FSI Course on Population Matters. Agreement with Foreign Service Institute to organize and conduct 1-week courses on population matters for selected State, A.I.D., USIA, and Peace Corps personnel. Project 931-11-580-833.		6	([4])	([4])	([4])
Population Technical Support. Support for purchases of technical films and publications; for consultant and other backstopping costs; and for establishment of technical library and publication of annual "Population Program Assistance." Project 931-11-570-002.		42	13	173	113
Family Planning Education Through Adult Literacy Programs. Contract with World Education, Inc., of New York City to encourage and implement use of population/family planning information in functional literacy programs throughout the developing world. Project 931-11-580-820; csd-2456; csd-3280.			53	295	470
World Assembly of Youth (WAY) Family Planning Conferences. Grant to the World Assembly of Youth in Brussels to support national and local conferences of youth organizations in developing countries to promote family planning. Project 931-11-570-850; csd-2271; csd-2610.			55	233	430
Inventory & Analysis of Information, Education and Communication Support. Contract with East-West Center, Univ. of Hawaii to establish a continuing inventory and analysis service covering IEC activities, plans, and needs of population programs. Project 931-11-570-900; csd-2878.					312
Improvement of Population Library and Reference Services in Less Developed Countries. Contract with the University of					

[4] Now handled by Office of Personnel and Manpower, A.I.D.

A.I.D. PROJECTS IN POPULATION AND FAMILY PLANNING, FISCAL YEAR OBLIGATIONS–Cont'd.

Description and purpose	1965-67	1968	1969	1970	1971
Nonregional–Continued					
OFFICE OF POPULATION–Goal 5–Continued	*1,000 dol.*	*1,000 dol.*	*1,000 dol.*	*1,000 dol.*	*1,000 dol.*
North Carolina to raise the overall adequacy of population library and reference institutions in LDCs for stronger population research, program and policy development. Project 931-11-570-857; csd-2936.					524
Development of Institutional Capacity for IEC Support of Population Programs. Grant to the Center for Cultural Technical Interchange Between East and West, Honolulu, Hawaii, to improve and maintain institutional capability for support of information/education/communication activities for population programs. Project 931-11-570-917; csd-2977.					1,047
Training Film in Population Field. Contract with Dick Young Productions, Ltd., New York, N.Y., to produce a 16-mm sound & color motion picture for orientation and training use in U.S. and overseas. Project 931-11-570-922; csd-3318.					43
Computer Assisted Instruction in Population Dynamics & Economic Development. Contract with the University of Illinois at Urbana to develop and present a computerized course in Population Dynamics and Economic Development to approximately 300 participants a year. Project 931-11-570-924; csd-2937.					281
Promotion of Family Planning Among Midwife Organizations. Contract with the International Confederation of Midwives, London, England, to conduct a conference to plan Working Parties for education and preparation of midwives in LDCs for more effective participation in family planning programs. Project 931-11-570-947; csd-2948.					23
Family Planning Support Through Home Economists. Contract with the American Home Economics Association to assess needs and opportunities for home economics associations and institutions in LDCs to provide family planning concepts and information. Project 931-11-570-925; csd-2964.					118
Training Films and Related Teaching Materials Series. Contract with Airlie Foundation, Warrenton, Va., to produce three training films and concurrent teaching materials. Project 931-11-570-953; csd-3304.					394
Expansion of Population Program Communication. Grant to University of Chicago to enable it to expand its graduate training capabilities in population program communication. Project 931-11-570-958; csd-3314.					509
OFFICE OF POPULATION Goal 6: Development of Adequate Multi-Purpose Institutional Capacity & Utilization					
Population Dyanmics Unit. Grant to Johns Hopkins University to establish an academic unit within the Division of International Health; develop needed manpower in population and related disciplines; design improved procedures for program implementation; and provide consultants. Original grant extended in FY 1969 to carry out population research in selected overseas areas. Project 931-11-570-813; csd-841.	475			Terminated June 1970	
Center for Population Studies. Grant to University of North Carolina to establish the Carolina Population Center to provide both short- and long-term training facilities and consultative services to A.I.D. for development and implementation of population programs. Project 031-11-570-814; csd-1059.	268	Completed June 1968			
Family Planning Studies Unit. Grant to University of Hawaii to establish a family planning studies unit with the School of Public Health to provide training facilities for foreign	325			Terminated June 1970	

A.I.D. PROJECTS IN POPULATION AND FAMILY PLANNING, FISCAL YEAR OBLIGATIONS—Cont'd.

Description and purpose	1965-67	1968	1969	1970	1971
Nonregional—Continued					
OFFICE OF POPULATION—Goal 6—Continued	*1,000 dol.*	*1,000 dol.*	*1,000 dol.*	*1,000 dol.*	*1,000 dol.*
participants; develop and conduct short- and long-term courses; and develop and maintain institutional capacity to provide consultant and advisory services. Project 931-11-570-822; csd-1439.					
Institutional Grant to the University of North Carolina. Grant[5] to develop within the University of North Carolina specialized competency in the population and family planning field. Project 931-11-570-102; csd-1940.		2,400			
Institutional Grant to Johns Hopkins University. Grant[5] to develop within Johns Hopkins University specialized competency in the population and family planning field and in international health. Total amount of grant $1.8 million of which $1.3 million is for development in population and family planning. Project 931-11-570-101; csd-1939.		1,300			
Institutional Grant to the University of Michigan. Grant[5] to develop within the University of Michigan specialized competency in population planning in developing nations. Project 931-11-570-110; csd-2171.		1,250			
University Overseas Population Internships. Contract with University of North Carolina to establish an internship program for 40 graduates and post-graduates to undertake assignments in public and private host institutions engaged in population activities overseas. Project 931-11-570-882; csd-2830.				939	
University Overseas Population Internships. Contract with the University of Michigan to establish an internship program for 40 graduates and post-graduates to undertake assignments in public and private host institutions engaged in population activities overseas. Project 931-11-570-893; csd-2831.				933	
University Overseas Population Internships. Contract with Johns Hopkins University to establish an internship program for 40 graduates and post-graduates to undertake assignments in public and private host institutions engaged in population activities overseas. Project 931-11-570-894; csd-2832.				990	
University Services Agreement. Grant to Johns Hopkins University to fund a broad range of services designed to overcome obstacles, fill gaps, and meet needs of population/family planning programs overseas. Project 931-11-570-916; csd-2956.					717
University Services Agreement (University of Michigan). Grant to University of Michigan to fund a broad range of services designed to overcome obstacles, fill gaps, and meet needs of population/family planning programs overseas. Project 931-11-570-923; csd-3321.					1,089
University Services Agreement (University of North Carolina). Grant to University of North Carolina to fund a broad range of services designed to overcome obstacles, fill gaps, and meet needs of population/family planning programs overseas. Project 931-11-570-956; csd-3325.					1,083
Institutional Development for Family Planning. Grant to the University of Hawaii to develop the School of Public Health into a comprehensive academic center for family planning training, research, and advisory services. Project 931-11-570-952; csd-3310.					774
Office of Population total	2,079	10,623	17,398	22,055	36,248

[5] Authorized under Section 211(d), Foreign Assistance Act of 1966.

A.I.D. PROJECTS IN POPULATION AND FAMILY PLANNING, FISCAL YEAR OBLIGATIONS—Cont'd.

Description and purpose	1965-67	1968	1969	1970	1971
Nonregional—Continued					
OFFICE OF INTERNATIONAL TRAINING	*1,000 dol.*	*1,000 dol.*	*1,000 dol.*	*1,000 dol.*	*1,000 dol.*
Training Program for Vital Statistics and Measurement of Population Change. PASA[1] with National Center for Health Statistics, U.S. Health Service, HEW, to develop and administer a training program in vital statistics registration, and analysis and estimation of current population change, including training. Project 915-11-570-038; IT-1-68.	132	38	40	42	59
Family Planning Seminars and Facilities. Project provides specially tailored training programs in population/family planning field. In FY 1970 it included 1-week seminar at Columbia University for 35 participants from the 6th World Congress of Gynecology and Obstetrics; and long- and short-term training courses for 100 family planning professionals, provided through Planned Parenthood Association of Chicago. Project 915-11-580-045.				40	139
Planning and Management of Population Programs. Contract with Governmental Affairs Institute, Washington, D.C., to provide 7 weeks' training seminars in U.S. on development and management of population programs to 50 participants in decision-making levels in developing countries. Project 915-11-580-048; csd-2573; csd-2876				121	202
Population Impact on Technical Training Programs. Contracts with Governmental Affairs Institute, Washington, D.C., and with the University of Pittsburgh to provide brief training courses for participants from a variety of fields on the relationship of population growth to other aspects of development such as education, agriculture, industry, health, and public administration. Project 915-11-570-050; csd-2789 and csd-2802.				101	146
Office of International Training total	132	38	40	304	546
AID/W OTHER		435	1,431	1,932	2,536
UN FUND FOR POPULATION ACTIVITIES	524	500	2,500	4,000	14,000
Nonregional total	2,735	11,596	21,369	28,291	53,330
NEAR EAST AND SOUTH ASIA					
Country projects:					
Afghanistan:					
Population Family Planning. To assist in building a stronger base for strategy planning, decision-making, and program implementation in population-family planning activities. A university team under a long-term contract will initiate this process by conducting, with Afghan assistance, a sample census survey of the population. (306-11-570-110)		10	87	130	1,740
India:					
Population-Family Planning. To assist the Indian Government to accelerate its population-family planning program by providing a 19-man U.S. advisory staff; a training program in the U.S. and in other countries; local currency for key research and demonstration activities; and, in FY 1970, granting $20 million for U.S. imports in order for the Indian Government to spend an equivalent amount for rupee local currency (386-51-580-332; 386-1642)	127	[6]7,721	730	20,318	540
Nepal:					
Population Family Planning. To assist the Nepalese Government to develop and expand the organization necessary					

[6] Includes $2.7 million loan to India for program vehicle parts.

A.I.D. PROJECTS IN POPULATION AND FAMILY PLANNING, FISCAL YEAR OBLIGATIONS—Cont'd.

Description and purpose	1965-67	1968	1969	1970	1971
NEAR EAST AND SOUTH ASIA—CONTINUED	*1,000 dol.*	*1,000 dol.*	*1,000 dol.*	*1,000 dol.*	*1,000 dol.*
to initiate a nationwide population-family planning program by providing advisory services, training in the U.S. and in other countries, and selected equipment and supplies. (367-11-580-096)		299	222	413	706
Pakistan:					
Population-Family Planning. To assist the population-family planning project through commodity support and by strengthening the government's program in training, evaluation and planning, and improvement of demographic statistics. (391-11-580-256)	210	1,031	2,297	2,000	2,078
Turkey:					
Family Planning. A development loan to purchase U.S. vehicles for use by the Turkish family planning program in rural areas, and for vehicle maintenance and audiovisual equipment; technical assistance in demographic education. (Loan 227-H-068; 277-11-580-595)	2,100				77
CENTO:					
Population-Family Planning. To finance training of leaders of family planning programs from Iran, Pakistan, and Turkey; also preparations for CENTO workshops and seminars. (290-11-580-250)			13	47	40
Regional projects:					
Family Planning Expansion. Grant to Pathfinder Fund to assist private organizations in NESA to expand family planning operations. (298-15-580-019)		350	270		
Postpartum Program in India. Grant to Population Council to support a postpartum family planning program in 150 hospitals. (298-15-580-019)		100			
Family Planning Training. Grant to Planned Parenthood Association, Chicago, training program to provide training in Chicago to family planning professionals at varying levels of education and competence. (298-13-995-015)		200			
Middle East Population Center Study. Grant to American University in Beirut to study possibility of a population center in Middle East. (298-13-995-015)		5			
Colombo Plan Advisor. To support a Population Advisor to the Colombo Plan countries. (298-15-580-019)			30		
Family Planning and Health Services. A 5-year study by Johns Hopkins University on integration of family planning with rural health services in India. (298-15-995-017)			575		630
Middle East Survey. To survey demographic patterns, socioeconomic factors and family planning policies in Middle East countries. (298-15-995-017)			86		29
Research Triangle Institute. Contract with Research Triangle Institute to undertake information and data synthesis and analysis as assistance to regional strategy planning. (298-15-590-019)				277	480
Regional Family Planning. Consultants.			2		
Population/Family Research in the Middle East. Grant to American University in Cairo to support a 3-year research program. (298-15-580-019)					270
Country projects total	2,437	[6]9,060	3,349	22,908	5,181
Regional projects total		655	963	277	1,409
Near East-South Asia total	2,437	[6]9,716	4,312	23,185	6,590

A.I.D. PROJECTS IN POPULATION AND FAMILY PLANNING, FISCAL YEAR OBLIGATIONS–Cont'd.

Description and purpose	1965-67	1968	1969	1970	1971
LATIN AMERICA	*1,000 dol.*	*1,000 dol.*	*1,000 dol.*	*1,000 dol.*	*1,000 dol.*
Regional projects:					
Latin America Demographic Center. Grant to the Latin American Demographic Center (CELADE), Santiago, Chile, to strengthen demographic research in L.A. institutions, support field studies and research projects and teach demography to Latin American trainees. (598-15-570-459; AID/la-200 and AID/la-603)	240	294	361	316	300
Demographic Research and Training. Grant to the University of California to provide consultation, technical advice, and assistance by performing research in demography and improving the qualtiy and increasing quantity of demographic expertise. (598-15-990-438; AID/la-247)	164 Completed				
Sociological Study of Family Structure. Grant to the University of Notre Dame to provide assistance to selected institutions in developing and conducting studies in population dynamics and family structures. (598-15-570-455; AID/la-309)	417	96	Completed		
Assistance to Latin American Family Planning. Grant to the International Planned Parenthood Federation (IPPF) Western Hemisphere to support family planning organizations and programs in Latin America. (598-15-580-457; AID/la-308 and AID/la-523)	346	500	1,964	1,750	2,000
IPPF Conference. Grant to International Planned Parenthood Federation for partial costs of International Conference in Family Planning held in Chile April 1967. (598-15-990-457; AID/la-468)	100	Completed			
Research and Analysis of Population Growth in Latin America. Grant to the Population Council to expand analytical activities relating to population growth problems and to sponsor research studies, pilot projects, consultation on problems of research design, and data collection and analysis. (598-15-570-456; AID/la-286, AID/la-549 and AID/la-604)	400	300	993	1,115	891
Assistance to Country and Regional Postpartum Projects. Grant to the Population Council to expand its support to hospitals providing postpartum family planning information and services. (598-15-570-456; AID/la-550)		525	619	720	
Research Training in Population Dynamics with Relation to Public Health and Medical Care. Grant to the Pan American Health Organization (PAHO) to develop and carry out a program in population dynamics and its relationship to public health and medical care and support development. (598-15-570-470; AID/la-430, AID/la-547, AID/la-551, and AID/la-552)	175		2,346	553	2,750
Study of Family Size and Family Growth. Grant to the Latin American Center for Studies of Population and Family (CELAP) to conduct research in sociology, psychology, and anthropology focused on family size and population growth. (598-15-570-460; AID/la-266)	560	200	230	350	
Research, Training and Production of Educational Audiovisual Materials. Grant to the Colombian Institute for Social Development (ICODES), a private, nonprofit organization, for production of movie film and two film strips on the role of family planning in social development. (598-15-990-438; AID/la-298)	40	Completed			
Communications Techniques in Population Programs. Contract with design Center, Washington, D.C., to furnish a report on communications channels and techniques as related to population program support. (598-15-990-425; AID/la-232)	2				

A.I.D. PROJECTS IN POPULATION AND FAMILY PLANNING, FISCAL YEAR OBLIGATIONS–Cont'd.

Description and purpose	1965-67	1968	1969	1970	1971
LATIN AMERICA–CONTINUED	*1,000 dol.*	*1,000 dol.*	*1,000 dol.*	*1,000 dol.*	*1,000 dol.*
Regional Projects–Continued					
Sociological Research in Rural Areas. Grant to the Federation of Institutes for Sociological Research of Latin America (FERES), a private, nonprofit organization to carry on research in the rural areas among the clergy, community leaders, and women of various social levels. (598-15-990-438; AID/la-417)	140		Completed		
Translation and Distribution of Population/Family Planning Informational Materials. Allotment of funds to Regional Technical Aids Center (RTAC) to translate and distribute informational materials region-wide. (598-15-580-477)		100	54	62	65
Advisory Services. Project provides for the development and evaluation of innovative family planning programs, especially in the field of education, information, and communication, and for consultants' services and seminars related to implementation of population programs. (598-15-570-438; AID/la-672; LA(HA17-69; AID/la-123)	34	29	53	153	784
Assistance for ROCAP (Regional Organization for Central America.) Program for Health and Demographic Studies (596-15-570-023)	243	424	186	260	209
Assistance to Latin American Family Planning Services. Grant to the Pathfinder Fund to increase support to interested nonaffiliated institutions and individuals by making available small amounts of financial assistance and contraceptive supplies. (598-15-570-471; AID/la-599)			300		800
Demographic and Family Planning Training and Development of Audiovisual Materials. Grant to the Pan American Federation of Associations of Medical Schools to conduct seminars in the teaching of demography in medical schools (inclusive of family planning) throughout the region, to conduct workshops in teaching of family planning in obstetrics and gynecology courses, and to develop audiovisual materials for teaching population dynamics and family planning in medical schools curriculums. (598-15-570-456; AID/la-605)			150	241	362
Country projects total	1,539	5,457	3,071	5,437	7,085
Regional projects total	2,861	2,468	7,256	5,520	8,161
Latin America total	4,400	7,925	10,327	10,957	15,246
EAST ASIA					
Country projects:					
Indonesia:					
Family Planning Program. To support a national family planning program by integrating family planning services into existing health facilities. Major organizations receiving support include the National Family Planning Institute, Armed Forces Medical Division, Indonesian Planned Parenthood Association, Muhammadijah Council of Churches, and the Ministry of Health. (497-15-580-188)		270	1,500	430	1,759
Korea:					
Health and Family Planning. To assist Korean family planning program by providing funds for direct hire of family planning technicians, consultants in vital statistics training, public school education, and teaching methodology; commodities for training of public health; and participant training. (489-11-580-649)	151	1,491	1,200	888	1,660

A.I.D. PROJECTS IN POPULATION AND FAMILY PLANNING, FISCAL YEAR OBLIGATIONS—Cont'd.

Description and purpose	1965-67	1968	1969	1970	1971
EAST ASIA—CONTINUED	*1,000 dol.*	*1,000 dol.*	*1,000 dol.*	*1,000 dol.*	*1,000 dol.*
Philippines:					
Reprints and travel.	60				
Population Planning. To fund family planning activities through the Asian Social Institute; City Health Departments in Angeles City, Davao City, and Manila; Project Office of Maternal and Child Health of the Department of Health; Philippine National Land Reform Council; Philippine Rural Reconstruction Movement; U.P. Population Institute; U.P. College of Medicine; U.P. Institute of Hygiene; Institute of Maternal and Child Health; Silliman U. Medical Center; and the Province of Laguna. (492-11-570-220)	210	1,064	1,400	4,948	5,000
Thailand:					
Family Planning Clinics. To provide equipment for 40 family planning research clinics in provincial hospitals.	25				
Family Planning. To provide family planning technicians, commodities, participant training, and improved and expanded family planning training. Services were provided in 20 provincial hospitals and health centers in 1968, were expanded to 24 additional provinces in 1969. (493-11-580-209)		650	1,298	1,295	1,395
Other			990	1,112	925
Regional projects:					
Family Planning Seminar. Grant to Economic Commission for Asia and Far East (ECAFE) for family planning seminar.	25				
Asian Family Planning Assistance. To assist the Population Council to expand its family planning program in East Asia and Vietnam. (498-11-580-200)	325	325	525	600	800
Asian Population Dynamics Study. To establish in East-West Center, University of Hawaii, a program for Asians and Americans to study population dynamics in Asia and the Pacific area. (498-11-580-200; ea-32)		1,000	1,083		1,000
Colombo Plan. To provide a population advisor to the Colombo Plan and to support a population-family planning program consisting of seminars, workshops, and population educational activities in member countries. (498-11-580-200)				17	50
Regional Development (RED). To finance a preliminary survey and liaison activity in SEA countries to determine their interest in a regional population-family planning effort. (498-11-580-200)				6	65
Seminars and Conferences: To promote population concepts and programs and stimulate Asian Institutional involvement in family planning.					27
Country projects total	446	3,475	6,388	8,673	10,739
Regional projects total	350	1,325	1,608	623	1,942
East Asia total	796	4,800	7,996	9,296	12,681
AFRICA					
Country projects:					
Ethiopia:					
Study of Births and Deaths. Portion of Public Health Demonstration and Evaluation Project dealing with registration of births and deaths in sample households. (663-11-530-055)	23 Completed Sept. 1967				
Demographic Planning. Consultant services to prepare recommendations for grant assistance to family planning and					

A.I.D. PROJECTS IN POPULATION AND FAMILY PLANNING, FISCAL YEAR OBLIGATIONS—Cont'd.

Description and purpose	1965-67	1968	1969	1970	1971
AFRICA—CONTINUED	*1,000 dol.*	*1,000 dol.*	*1,000 dol.*	*1,000 dol.*	*1,000 dol.*
demographic studies in Addis Ababa and selected provinces, and to provide a demographic advisor. (663-15-570-165)				1	30
Ghana:					
Family Planning and Demographic Data Development. Three-year project to provide technical and financial support for sample demographic survey, University of Ghana. (641-15-570-051)		130	98	20	
Danfa Rural Health-Family Planning Program. Contract with the University of California (Los Angeles) to establish a demonstration family planning/MCH program at Danfa (641-11-580-055)			21	770	393
National Family Planning Program Supplies. Five-year project to provide commodity support for the National Family Planning Program. Project provides full support for 2 years with decreased graduated support over remaining 3 years. (641-15-580-065)					215
Population Program Support. Project provides support for participant trainees to upgrade technical capabilities of National Family Planning Program personnel. (641-15-580-064)					35
Kenya:					
Population Dynamics. To provide an audiovisual expert, a demographer, and a computer programmer for the family planning program in Kenya. (615-11-580-141)			133	164	141
Liberia:					
Demographic Household Survey. A 5-year project to develop demographic data by household surveys. (669-11-570-109)		14	184	200	141
Maternal Child Health/Family Health Training. Agreement with HLW to provide a public health nurse and a nurse-midwife supervisor for the MCH/family health program. (669-11-580-110)			95	94	81
Morocco:					
Population/Family Planning. Project provides equipment and supplies to MCH/family planning program and health education, and also to provide services of a cartographer, a demographer, and a computer programmer. (608-11-580-089)			156	170	90
Tunisia:					
Family Planning. Joint support by the Government of Tunisia, Ford Foundation, Population Council, U.S. Public Health Service, and A.I.D. for project to reduce population increase by developing institutional capacity for family planning through a National Family Planning Bureau. The program includes family planning services utilizing all standard contraceptive techniques. (664-11-580-224)		260	223	665	858
Uganda:					
Agreement with the Bureau of the Census to provide a data processing specialist for 2 years. (617-11-780-051)			73	25	32
Maternal-Child Health Training. Contract with University of California at Berkeley to provide training of personnel in MCH techniques and family planning at Makerere University for regional hospitals and rural family health centers. (617-11-570-057)				375	68

A.I.D. PROJECTS IN POPULATION AND FAMILY PLANNING, FISCAL YEAR OBLIGATIONS—Cont'd.

Description and purpose	1965-67	1968	1969	1970	1971
AFRICA—CONTINUED	*1,000 dol.*	*1,000 dol.*	*1,000 dol.*	*1,000 dol.*	*1,000 dol.*
Regional projects:					
Participation in IPPF Conferences. Support by certain country missions for participants to attend the International Planned Parenthood Federation conferences in Copenhagen in 1966 and in Santiago in 1967.	30	Completed			
Pathfinder Fund Activities. Support for family planning activities carried on by Pathfinder Fund in a number of African countries. (698-11-580-189)		250	Completed		
Regional Population Support. Provides A.I.D. backstopping for field activities, translation of information materials, and regional population officers covering all of Africa, stationed in Ghana. (698-11-580-166)		9	24	151	297
Regional Demographic Survey Workshop. Agreement with the Bureau of the Census to carry out demographic sampling survey workshops for training of African statisticians. (698-11-570-337)			97	28	10 Completed
Census Data Analysis. Contract with Northwestern University to analyze data obtained in census of Douala and Yaounde, Cameroon. (625-11-570-512)			36	Completed Sept. 1969	
Regional Population Planning, Population Council. Grant to the Population Council to assist African programs in demography, census and family planning programs. (698-11-580-346)			300		600
Population Census and Demographic Studies. Agreement with Bureau of the Census to assist African countries in carrying out demographic activities in coordination with ECA and UNFPA. (698-11-570-361)					16
University Teaching of Population Dynamics. Contract with University of North Carolina to assist in establishment of Population Centers in selected African Universities. (698-11-570-360)					1,034
Maternal and Child Health Extension. Contract with University of California Extension to improve MCH services and to include child spacing activities in selected African countries. (698-11-580-358)					1,414
Maternal and Child Health/Family Planning Training and Research Center Development. Grant to Meharry Medical College, Nashville, Tenn., to develop center to improve American competence to assist African countries in MCH/Family Planning and provide training in MCH/FP to African Scholars. (698-11-580-373)					2,231
Special Population Activities. Provided support for various population activities such as training, assistance to maternal & child health/family planning clinics, and the supply of vehicles or other equipment, in five countries, namely Botswana, Burundi, Dahomey, Mali, and Mauritius.					97
Country projects total	53	404	983	2,484	2,084
Regional projects total		259	457	179	5,699
Africa total	53	663	1,440	2,663	7,783
VIETNAM, SOUTH					
Family Planning – Population Council. To finance Vietnam portion of the East Asia-Vietnam contract, enabling Population Council to expand its training, conference, and assistance programs in Vietnam. (703-11-590-200; ea-8)	50	50			

A.I.D. PROJECTS IN POPULATION AND FAMILY PLANNING, FISCAL YEAR OBLIGATIONS–Cont'd.

Description and purpose	1965-67	1968	1969	1970	1971
SOUTH VIETNAM–CONTINUED	*1,000 dol.*	*1,000 dol.*	*1,000 dol.*	*1,000 dol.*	*1,000 dol.*
Population/Family Planning. Through this project, assistance is provided to the Vietnamese Government in establishing a family planning program. Specific targets are to assist the Ministry of Health (MOH) to establish at least one family planning clinic in each province; to supply information to Vietnamese officials to demonstrate the economic and health benefits of fertility reduction; to provide training programs for Vietnamese personnel; and to assist in carrying out public information programs. (730-11-580-405)				180	238
Vietnam total	50	50		180	238

OTHER FAMILY PLANNING ORGANIZATIONS

Mr. PASSMAN. In a report put out by the International Planned Parenthood Federation, many organizations are involved in family planning. The ones mentioned are as follows: U.N. Fund for Population Activities, U.N. development program, the World Bank, the World Health Organization, the U.N. Children's Fund, U.N. Educational, Scientific, and Cultural Organization, International Labor Office and others. With this many institutions involved, how are you able to coordinate your efforts to insure against duplication?

Mr. RAVENHOLT. Intensive communication between the many organizations involved in provision of population and family planning program assistance has characterized this field since its inception. Because AID is the foremost source of support for population program assistance, it has taken the lead in keeping abreast of the activities of all organizations and countries active in this field. For that reason it has published an annual comprehensive inventory or report, Population Program Assistance, which details the work of each organization in general and in each country.

FISCAL YEAR 1973 FAMILY PLANNING BUDGET

Mr. PASSMAN. Do you have any idea what the total amount will be expended in fiscal year 1973 for family planning, including all sources, worldwide?

Mr. RAVENHOLT. There is no way of providing a precise estimate of probable worldwide expenditures for family planning during fiscal 1973. In addition to the political impossibility of obtaining such information for major countries, such as China and Russia, there are technical difficulties in delineating what proportion of total health expenditures, both private and official, will be applied for family planning purposes. For example, India has budgeted the equivalent of $80 million for family planning during the current year, but expenditures for family planning are so intermingled with other health expenditures that no exact figure of funds actually applied for family planning purposes can be adduced.

Likewise, in the United States the $125 million planned for population/family planning purposes in the Foreign Assistance Act and the Department of Health, Education, and Welfare budget for population/family planning purposes of approximately $150 million will only constitute a minority of total U.S. expenditures for family planning in 1973. In summary, it is not possible to provide a sound worldwide estimate of moneys for family planning in fiscal year 1973.

Mr. PASSMAN. Would you please provide for the record a table showing the countries which will receive funds in fiscal year 1973 for family planning and in what amounts?

Mr. KIEFFER. We will be happy to provide this information for the record.

(The information follows:)

AID fiscal year 1973 population–family planning program

	Amount (thousands)
Total—Latin America	$14,400
Bolivia	229
Chile	----
Colombia	600
Costa Rica	216
Ecuador	1,093
El Salvador	450
Guatemala	650
Honduras	592
Jamaica	449
Nicaragua	500
Panama	395
Paraguay	494
Peru	97
Uruguay	100
Venezuela	----
Central America Regional Organization (ROCAP)	----
Regional programs	8,535
Total—Asia	21,079
Afghanistan	420
India	990
Indonesia	2,500
Korea	800
Laos	870
Nepal	333
Pakistan	2,500
Philippines	5,535
Thailand	2,145
Turkey	300
Vietnam	346
East Asia Regional	2,481
Near East Regional—CENTO	1,859
Total—Africa	10,484
Botswana	(1)
Burundi	(1)
Dahomey	(1)
Ethiopia	200
Ghana	1,000
Kenya	385
Liberia	109
Mali	(1)
Mauritius	(1)
Morocco	475
Nigeria	370
Tunisia	1,000
Uganda	430
Zaire	400
Regional	5,780
Central West Africa	85
Self-help	250
U.N. population program	9,000
Interregional programs	45,828
Undistributed	24,209
Grand total	125,000

[1] Self-help programs. Population self-help funds are available for countries eligible for regular self-help.

ECONOMIC ASSISTANCE AND FAMILY PLANNING

Mr. PASSMAN. You state family planning programs are not made a condition for economic assistance. Wouldn't it make sense to do just the reverse?

Mr. RAVENHOLT. AID's population/family planning program has been built on the principle that knowledge and means for population/family planning would be provided to societies and individuals desiring such assistance. While deeply convinced of the urgency of the population program and the need for societies and individuals to take prompt corrective action, we have consistently avoided coercion of countries and individuals to this practice. This action must continue to be based upon education, persuasion, and the provision of means. Whatever compression of the time frame of initial acceptance of population/family might be accomplished by coercion would surely be more than lost in the subsequent time frame.

Furthermore, we now have a half dozen years' experience to validate the concept that when appropriate assistance is offered to countries and individuals for population/family planning assistance will ordinarily be accepted and used.

COUNTRIES WITHOUT FAMILY PLANNING PROGRAMS

Mr. PASSMAN. What countries have not instituted a family planning program?

Mr. RAVENHOLT. Although only approximately 32 of the developing countries have instituted official family planning programs, nonofficial family planning program have developed in most of the developing countries. The sequence of events ordinarily moves from the pathfinding activities of individual and small group activities to the development of family planning associations, and then, finally, official programs. Seventy-nine countries now have family planning associations affiliated with and receiving support from the International Planned Parenthood Federation.

Countries not yet having official family planning programs include: Algeria, Bolivia, Brazil, Burma, Burundi, Chad, Comoro Islands, Congo, Gambia, Israel, Ivory Coast, Lesotho, Malagasy Republic, Malawi, Mexico, Niger, Peru, Senegal, Seychelles, Tanzania, Togo, Upper Volta, Uruguay, and Zambia. However, some of these countries have nongovernmental family planning associations providing information and services to large numbers of people.

World evolution toward official family planning programs in every country is occurring quite rapidly and should be virtually complete by the end of the current decade.

RESEARCH IN FAMILY PLANNING

Mr. PASSMAN. Have you had any "breakthroughs" in your research efforts on family planning techniques?

Mr. RAVENHOLT. Yes, very important breakthroughs, to which AID has contributed in substantial measure, have recently occurred in the field of fertility control technology:

(*a*) Foremost among these breakthorughs is the emergence of prostaglandins as an effective means of fertility control. When launching

a research program aimed at development of new and improved fertility control agents 4 years ago, AID defined its principal goal as "a nontoxic and completely effective substance which when self-administered on a single occasion would insure the nonpregnant state at completion of the monthly cycle"; and it currently appears that the prostaglandins will come very close to fulfilling that definition of an ideal fertility control substance. AID has applied more than $5 million for research and development activities relative to prostaglandins and is currently supporting clinical trials at a dozen universities and institutions in the United States and in a rapidly increasing number of developing countries. At this point in time it appears likely that prostaglandins will have a revolutionary impact upon fertility control practices and programs during the current decade.

(*b*) Improvements in female sterilization technology and procedures have been developed during the last year; and outpatient sterilization, with use of laparoscopes and metal clips, is being introduced into developing countries by U.S. experts. Demand for this procedure in developing countries appears to be substantial, based upon initial experience in Nepal, Thialand, and El Salvador.

AID is contributing in important measure to this development through support of research and development activities at the Battelle Institute, and the Universities of Johns Hopkins and North Carolina.

(*c*) Some improvement in intrauterine devices is currently occurring and AID is contributing to this action by support of collaborative clinical trials and intensive research on the ways in which IUD form and substance can be improved.

(*d*) AID-supported research has recently demonstrated that a number of spermicidal agents now in use are potent germicidal agents in vitro against both gonococci and spirochetes; and field trials are now being performed to measure their value in prevention of gonorrhea and syphilis. It appears likely that these agents could be distributed by nonclinical means to simultaneously prevent both unwanted conception and venereal disease among populations not reached by other methods and programs in many countries.

(*e*) AID support to the Salk Biological Institute during the last 2 years has contributed in important measure to the development of an antigonadotrophin releasing factor which is now ready for clinical trials and which, if successful, would add another completely new means of fertility control to those now available.

In summary, we believe we now have in view the technological improvements needed for resolution of the world population crisis and AID is focusing its resources increasingly on the further development and clinical trials needed for rapid dissemination of these improved means throughout the developing world.

FAMILY PLANNING PROGRAM EFFECTIVENESS

Mr. PASSMAN. What percentage of the total people which should be involved in some sort of family planning program have you presently been able to reach?

Mr. RAVENHOLT. In some countries more than 30 percent of married women of reproductive age have accepted more effective means

of fertility control, such as oral contraceptives and intrauterine devices, but overall for non-Communist developing countries, the percent of fertile couples reached by family planning programs to date is probably between 10 and 15 percent.

Mr. PASSMAN. I yield to Mr. Shriver.

U.N. FUND FOR POPULATION ACTIVITIES

Mr. SHRIVER. Thank you. You are reducing the program administered by the United Nations from $20 million in fiscal 1972 to $9 million in fiscal 1973, I believe; is that right?

Mr. KIEFFER. It isn't actually a reduction. At the time the budget was prepared AID programed only the amount needed—$9 million—to complete the pledge for calendar year 1972. This amount does not include the funds contemplated for calendar year 1973, which could be met from the unprogramed amount within the $125 million request.

Mr. PASSMAN. How much is that?

Mr. RAVENHOLT. Perhaps I should speak to the level of our support to the United Nations Fund for Population Activities, which has been going up quite rapidly. The United States has been providing half of this, matching the grants from other countries in each of the last several years.

Mr. SHRIVER. We have been putting up half of all of it?

Mr. RAVENHOLT. Right. In calendar 1970 the total was $15 million. We put up $7.5 million. In calendar 1971 it was about $29 million and we put up $14.5 million. In the current year, calendar 1972, the total is expected to be $40 to $50 million, and the United States is beginning to reduce its commitment. It will be 48 percent this year, and it is tentatively planned that in callendar 1973 it will be down to 45 percent and in calendar 1974, down to 40 percent. So we are moving down stepwise as the contributions from other countries increase, which they are at the present time.

Mr. SHRIVER. Who decided it was to be 50 percent?

Mr. RAVENHOLT. This was a decision by AID and State Department, a joint decision.

Mr. SHRIVER. Why would we want to take on 50 percent of it?

Mr. RAVENHOLT. Because we thought it was exceedingly important that the U.N. move forward vigorously and develop an effective population family planning program. The very thing that the chairman of the committee spoke to, the possibility of the United States getting out of certain countries after a period of time and reducing our inputs are greatly determined by whether these countries are able to constrain their reproduction that they are able to take care of. It was believed that a substantial U.S. contribution would trigger other countries into contributing to supporting the U.N. population effort. This, in fact has happened in a large measure.

ACCOMPLISHMENTS OF POPULATION PROGRAMS

Mr. SHRIVER. When were these population programs started?

Mr. RAVENSHOLT. The United States changed its policy in 1965.

Mr. SHRIVER. How would you assess the accomplishments of these population programs, since their initiation in 1965?

Mr. RAVENHOLT. Each year we publish an inventory of what has been accomplished and about where we stand on a country-by-country basis as well as worldwide.

Mr. SHRIVER. Is that you are holding in your hand, the accomplishments?

Mr. RAVENHOLT. Yes.

Mr. SHRIVER. We don't want all that in the record, but you can summarize the accomplishments.

Mr. RAVENHOLT. The accomplishments in the last half dozen years have been that of gearing up a worldwide program of assistance for population and family planning. This has moved more quickly in some areas than in others. In some parts of the world it is now considerably advanced and the impact on birth rates is discernible—especially in East Asia and Latin America.

Mr. SHRIVER. Would you then place into the record whatever you deem important in connection with a showing of the accomplishments since 1965?

Mr. KIEFFER. We will put that into the record.

(The information follows:)

A comprehensive description of AID's population program showing how the funds provided by the Congress have been used, and documenting the evolution of population and family planning activities in each of the developing countries, is presented in the AID publication, "Population Program Assistance" (now on sale by the Government Printing Office).

A brief statement of "AID Population Program Accomplishments Since 1965" based upon that publication follows: and also a recent analysis of "World Fertility Trends During the 1960's," which provides some indication of the impact of population and family planning programs upon fertility and population growth.

A.I.D. Population Program Accomplishments Since 1965

by
R. T. Ravenholt, M.D.
Director, Office of Population
Population and Humanitarian Assistance Bureau
Agency for International Development

Five years ago, in a paper prepared for a scientific gathering, this writer noted that progress toward solving the world population crisis was both "agonizingly slow" and "remarkably fast."

It was "slow" measured against the magnitude of the problem and the need for rapid solution. It was "fast" when viewed in historical perspective.

Since that 1967 paper was written the advances on many population fronts have been swift, encouraging and exciting--though the long range crisis is not yet solved and progress will continue to seem agonizingly slow until it is.

A confluence of favorable developments gives me a sense of program acceleration, with the action now moving more swiftly than I had anticipated five years ago: Many countries have made important policy and legal changes, activities of international organizations are burgeoning, family planning programs are developing rapidly in dozens of countries, and technological breakthroughs have occurred ahead of schedule.

To these developments the United States, through the Agency for International Development, has contributed in large measure.

Five years ago, at this time, AID had just authorized its first funds to finance the purchase of contraceptives. Its technical assistance in this field then was confined to demographic and health programs that might only secondarily have family planning or population control significance, and AID was not involved to any great extent in financing research into contraceptives or fertility control.

Today, however, AID has developed a powerful and complex world-wide program of assistance for population and family planning activities. It is providing grants for the purchase of contraceptives and other commodities. It is providing technical assistance in numerous fields relating directly and indirectly to family planning and population control; it is financing research both abroad and in the United States by private, public and governmental agencies and institutions.

The stimulus for this involvement has come from several sources: from the private sector, which persistently pleaded the need for action on humanitarian and ecological grounds; from the government planners and administrators who saw well-laid social and economic development programs and projects inhibited by uncontrolled population growth; from the international community which looked to the United States to take the lead in this world-wide crisis.

It has been the U.S. Congress, however, that has fueled the engine. In the past seven fiscal years, funds available for population programs through legislation have amounted to more than $385 million.

Congress expressed its concern when it amended the Foreign Assistance Act in 1968, with legislation known as "Title X". This was a specific mandate to appropriate executive agencies and AID to help developing countries and institutions to carry out programs in population and family planning.

Also, in 1968, Congress, in extending Public Law 480, made available local currencies generated by sales of Food for Peace. The legislation provided that "not less than 5 percent of the total sales proceeds received each year shall, if requested by the foreign country, be used for voluntary programs to control population growth." The so-called self-help section of the act also made family planning programs a factor to be considered by the President before entering into a Food for Peace agreement.

Money provided by Congress, and encouragement from a world concerned about its future, have, as noted, resulted in a wide variety of activities to which AID has been a principal contributor. One of these is the United Nations population program.

With one-half of its funds from the United States, the United Nations population program jumped to $15 million in 1970 and $29 million in 1971. Through calendar year 1971, United States support to the United Nations Fund for Population Activities total $24 million. Also, AID has provided $5.8 million to the Pan American Health Organization, the UN agency for health matters in the Western Hemisphere for its support of family planning programs in Latin America.

With support through the UNFPA the executing agencies of the United Nations, such as the World Health Organization, United Nations Childrens Fund (UNICEF), and the Food and Agriculture Organization are moving strongly to incorporate population and family planning activities into their programs. The United Nations is now providing a broad spectrum of support for family planning programs in Pakistan, Nigeria and Indonesia and soon will extend assistance to many more countries.

Planned Parenthood

With $22.6 million support from AID through FY 1971, the scope and effectiveness of the International Planned Parenthood Federation family planning program has leaped forward during the last five years. During these years IPPF has obtained approximately 40 percent of its funds from AID. It has rapidly increased its funding from less than $1 million in 1965 to $20 million in 1971, and has moved to extend support to affiliated family planning programs in 72 countries.

Especially through the IPPF, AID has supplied large quantities of contraceptives and other commodities to family planning programs in more than 60 countries--which has greatly improved the availability of oral contraceptives and other modern means to women in the developing world.

With more than $25 million from AID, organizations such as the Population Council, The Pathfinder Fund, Planned Parenthood Federation of America-Church World Service, Margaret Sanger Research Bureau, World Assembly of Youth, World Education, Inc., American Public Health Association, International Confederation of Midwives, American Home Economics Association, International Association of Schools of Social Work, and the Pan American Federation of Medical Schools, have initiated or greatly extended their assistance for family planning activities in the developing countries.

With AID support the Postpartum Family Program of The Population Council has been extended to more than 132 hospitals in 22 countries and contraceptive services have been accepted by more than one-half million women.

Likewise, with AID support the Pathfinder Fund has greatly extended its "pathfinding" program of providing small grants of contraceptives and other supplies to organizations and individual clinics to initiate family planning services in areas where these were not previously available.

AID's strategy of providing support to many relevant organizations to enable them to infuse family planning knowledge and activity into their traditional fields of work is broadening and strengthening the population and family planning activities of nurse-midwives, teachers, social workers, missionaries, home economists and agricultural extension workers.

Through country missions through fiscal 1971, AID had provided approximately $100 million in grants of contraceptives, other supplies, and fiscal resources for population and family planning programs in 32 less developed countries--and AID support for family planning programs has evoked increased indigenous support for these programs.

Foremost among these actions has been support to India ($29.4 million), Philippines ($12.6 million), Pakistan ($7.6 million), Thailand ($6 million), and Indonesia ($5.2 million).

A $20 million grant to India in June 1970 triggered construction of primary health and family planning centers in thousands of disadvantaged areas of India previously without essential facilities for family planning.

Population Report from New Delhi

A report from the AID Mission in New Delhi states that: "For the Fourth Five Year Plan, beginning April 1, 1969, a provision of 282 million rupees had been made for construction of buildings for 2,550 main rural family planning centers, 8,140 subcenters, and 28 regional family planning training centers.

"With the additional $20 million support from AID beginning June 1970, the allocation for construction of family planning facilities was augmented by 97 million rupees, and under the accelerated program State Officials were additionally urged by the Secretary of Health and Family Planning to give top priority attention to the construction of urgently needed family planning facilities."

"As compared with a total of only 220 main centers which had been completed by April 1, 1970, by February 1, 1971, construction of 395 centers had been completed, and construction of 844 additional main centers was in progress. Regarding subcenters, as compared with 2,133 subcenters completed up to April 1, 1970, there were 2,671 additional centers by April 1, 1971, with completed buildings, and 1,515 more subcenters were under construction. These figures do not include progress in the states of Andra Pradesh, Assam, Haryana, Jammu and Kashmir, Tamil Nadu and West Bengal, from which year end reports are yet to be received. The total expenditure on family planning facilities in India in 1970-71 was 75 million rupees--almost double the 40 million rupees expended in 1969-70."

Construction of family planning facilities is, of course, only one of many actions required for development of an adequate family planning program in India. But rapid progress in this area presages other improvements, and is particularly timely in view of the recent (August 1971) passage of a liberalized abortion law by the Indian Parliament. More facilities in many rural areas will contribute to the prevention of many thousands of maternal deaths now occurring because of lack of contraceptives and information and crude attempts at termination of unwanted pregnancies.

In the Philippines, where AID support has gone to more than 15 organizations in the population and family planning field, including the Ministry of Health, the swift development of family planning interest and activities during the last several years has been astonishing.

With powerful support from the President and many other key leaders in the Philippine society, and mainly through the work of a large cadre of relatively well trained medical personnel, family planning services are rapidly being extended throughout the country. More than 1500 family planning clinics are now operative and acceptance of oral contraceptives and other means is increasing rapidly.

Likewise in Thailand and in Indonesia substantial assistance by AID since 1967 has contributed in large measure to their now rapidly growing family planning programs.

With strong support from AID the Ministry of Health in Thailand has developed an effective family planning program; and in Thailand, the Philippines and Indonesia the number of acceptors of oral contraceptives and other means is now increasing in geometric fashion.

In recognition of the fact that technology is highly determinative of family planning programs strategy and progress, AID has become a world leader in support of the research and development of new means of fertility control.

A multifaceted research program has been developed, with substantial support going for improvement of current means of contraception, such as oral contraceptives, intrauterine devices, vaginal chemicals and sterilization procedures.

But of the $21 million AID has applied toward development of better fertility control technology during the last four years, the major part ($12 million) has been directed toward development of a new and "ideal" means of fertility control, defined as "a nontoxic and completely effective substance which when self administered on a single occasion would ensure the non-pregnant state at completion of a monthly cycle."

Prostaglandins

With surprising speed during the last three years, and at least partially due to AID support, the prostaglandins have emerged as a likely "ideal" means of fertility control. These fatty-acid compounds, naturally present in many body tissues and especially in the reproductive tracts of both men and women, have been demonstrated to have potential for self administration by the vaginal route for initiation of the menses.

AID has moved rapidly with maximal force to explore and exploit the fertility control potential of prostaglandins, and now has contracts totaling more than $5 million with outstanding investigators and institutions, including the Worcester Foundation for Experimental Biology, the Upjohn Company, the Royal Veterinary College (Sweden), and the Universities of North Carolina, Wisconsin, Michigan, Harvard, Yale, Hawaii, Washington (St. Louis), and Makerere (Uganda).

Problems of synthesis and production appear to have been largely solved; intensive studies of routes of administration and safety are in progress; and collaborative clinical trials of prostaglandin, supported by AID--already under way in North Carolina, Michigan, Massachusetts, Connecticut, Missouri and Hawaii in the United States; and in India, Uganda, United Arab Republic, Yugoslavia, Great Britain, and Singapore--will be rapidly extended to additional developing countries.

Rarely, if ever, has the testing and introduction of a new technology into the developing coutries proceeded so rapidly.

Much additional research and testing will be required before the potential of the prostaglandins will be fully known and realized, but the probability that these compounds can be used by women to bring their menstrual and reproductive functions under intellectual control presages a new era in the field of fertility control.

It seems likely that the advent of prostaglandins will have as powerful an effect on family planning programs during the next five years as the genetic improvement of rice and wheat ("green revolution") has had on agricultural productivity during the last five.

Through country programs and intermediaries AID has provided the full spectrum of contraceptives--orals, IUDs, condoms, and foam--and needed clinical supplies to family planning programs in most of the developing countries.

The more than 40 million monthly cycles of oral contraceptives supplied by AID have made orals available in virtually all family planning programs, and improved availability is leading to growing use. By augmenting supplies, AID has helped lower costs of commercial contraceptives so that effective contraceptives have become more generally available to poor women.

Demography

With AID support the U.S. Bureau of the Census established an International Demographic Statistics Center to provide a broad range of analytic and technical demographic services. It will assist with a major international effort to extend census taking in Africa and worldwide to complete the world demographic picture.

More than $9 million has also gone to the National Center for Health Statistics, Latin America Demographic Center, Rand, General Electric Company, and to a number of universities for analytic studies and technical assistance activities.

AID's Office of Population has pioneered the development of simplified methods for analysis of demographic and family planning data, facilitating more rapid measurement of the impact of family planning programs on fertility patterns.

Fertility data now becoming available for various countries during the latter 1960s show rapid change in age-parity patterns and age specific fertility rates indicative of increasing family planning program effectiveness.

University Population Centers

With $13 million from AID, the Universities of North Carolina, Johns Hopkins, Michigan, Chicago, Hawaii, East-West Center, Harvard and Tulane have developed multi-disciplinary population centers which provide training, research, and technical assistance backstopping for population programs in the developing countries.

In addition to the funds used to develop capacity at these schools, AID has used $18 million to obtain technical services from these schools, thus capitalizing on its initial investment.

AID has also provided $15 million for technical assistance projects at many American universities, including Pennsylvania State, California, Columbia, Tufts, East-West Center, Meharry, California Institute of Technology, the State University of New York, Illinois, George Washington, Wisconsin and others.

Altogether, for institutional development, research, training, and technical assistance in the population field, AID has provided nearly $45 million to 25 American universities during the last four years.

Inescapably, considerable time must elapse from initiation of population and family planning programs to resultant fall in birth rates--time to recruit and train personnel, time to muster fiscal and other resources, time to construct or otherwise arrange facilities, time to purchase and deliver contraceptives and other commodities, time to educate and recruit acceptors of family planning services, and finally, the nine additional months until the time when births prevented would have occurred.

But family planning programs are now beginning to have clearly perceptible effects in a number of places--in Hong Kong, Singapore, and the Ryukyu Islands birth rates are now near 20 per 1000 population; in South Korea, Taiwan, Malaysia, Chile and Costa Rica, substantial downward trends are evident; and even in India--one-seventh of the world population and a most difficult assistance task--in areas such as Bombay and Ghandigram--islands of fertility control success are increasingly apparent.

Although population and family planning programs are but of recent origin in many countries of the world, not yet operative in some, and the bulk of the work needed to solve the world demographic crisis still lies before us, I am optimistic that the major part of the work needed to put the world on the road to solution of the problem will be accomplished by the end of this decade. An analysis of "World Fertility Trends during the 1960s" shows a worldwide accelerating trend toward lower fertility at the beginning of the current decade.

WORLD FERTILITY TRENDS DURING THE 1960s

by: R. T. Ravenholt, Director
Office of Population, and
James W. Brackett, Chief
Analysis and Evaluation Division
Office of Population
Agency for International Development,
John Chao, Demographic Statistician
International Demographic and
Statistics Center
U. S. Bureau of the Census
Washington, D. C.

The censuses of 1960 awakened the world to the reality of the "population explosion". In many cases these censuses showed that population totals were considerably larger than had been expected and that they were increasing at unprecedented rates. As part of the resulting demographic concern, there was a resurgence of Malthusian fears, and a flood of books and articles joined in prophecies of doom. While it can be argued that some of these expressions were overly pessimistic, it was clear that the high rate of world population growth had become a crucial world problem demanding intensive study and rapid solution.

Responding thereto, private organizations and governments have changed policies and developed research and action programs aimed at solution of population problems. Although some pioneering activity had been initiated before 1960, it is only during the last decade, and mainly during the last five years, that action aimed at solution of national and world population problems has gained strength commensurate with the magnitude and urgency of the problem.

Inescapably, considerable time must elapse from initiation of family planning programs to resultant fall in birth rates -- time to muster fiscal and other resources, time to recruit and train personnel, time to ready facilities, time to purchase and deliver contraceptives and other commodities, time to educate and recruit acceptors of family plan ning services, and finally, at least six additional months until the time when births prevented would have occurred.

Presented to the Population Association of America,
Toronto, Canada, 13 April 1972.

But sufficient time has now elapsed since family planning programs were begun in a number of countries that it is reasonable to attempt to measure and analyze what impact these programs are having on fertility patterns in those countries, and what general world fertility trends have emerged during the last decade.

Fertility Measurement is mainly dependent upon data generated by four kinds of activities: a) registration of births; b) demographic and fertility surveys; c) national population censuses, and d) family planning programs.

The current study is based upon data generated by such programs and collected over a considerable number of years by national agencies, the United Nations, the U. S. Bureau of the Census and the U. S. Agency for International Development.

From these data a composite picture of world fertility has been constructed, using the best available data for each country and estimating fertility levels for a number of countries (mainly in Africa) for which very little data are available.

The World Fertility Pattern at the close of the decade of the 1960s is presented in Figure 1 and Table 1.

At a glance it is apparent that almost all the developed countries of Europe and North America now have crude birth rates less than 20; that birth rates for most countries of Latin America now fall in the intermediate range from 20 to 45; and that many countries in Asia and the majority of African countries have birth rates in excess of 45.

Birth rates of countries by level and continent at the beginning of the decade of the 1960s is presented in Table 2; and comparison of Tables 1 and 2 reveals a substantial movement of countries to lower fertility levels ("shift to the left"), during this decade, especially in Latin America; somewhat in Europe/North America and Asia; but with little apparent change in Africa.

The extent of fertility change in 69 countries with complete registration of births at the beginning and end of this decade is shown in Figure 2. Obviously a powerful movement toward lower fertility has occurred among these countries during this decade - with 63 countries registering decreased fertility and only six registering modest increases. A consierable number of smaller countries, such as Trinidad and Tobago, Singapore, Hong Kong, Grenada and Costa Rica, have experienced precipitous decline in fertility.

Age Specific Fertility Patterns, constructed from the best data available from birth registration, national population censuses, and sample surveys, now available for a number of countries in each continent, provide additional and sometimes striking evidence of rapid fertility decrease in many countries during the last decade (Figures 3-7).

Furthermore, age-specific changes in fertility can be related to the strategy, content and timing of family planning programs to gain considerable understanding of the impact of such programs upon fertility patterns.

Figure 3 provides a vivid illustration of family planning program impact upon age specific fertility patterns and therefore, also, upon total fertility in Hong Kong and Taiwan:

At the beginning of this decade both of these Chinese societies, located only a few hundred miles apart, had very similar fertility patterns; with crude birth rates of more than 35 and almost identical age specific rates (Figure 3, table 3).

During the 1960s along with rapid economic development energetic family planning programs were developed in both countries, but with very different technological emphases (Table 4): Taiwan's family planning program was predominantly an IUD program throughout the decade*; whereas oral contraceptives became the principal means of contraception in Hong Kong during the last 3 or 4 years of the decade, from commercial and family planning program sources.

The differential impact of a family planning program mainly emphasizing provision of intrauterine devices and one emphasizing oral contraceptives is clearly apparent in Figure 3 and Table 3. The impact of the Taiwan program, which was slightly apparent in the 1965 data and more clearly apparent in the 1969 data, was almost entirely upon the fertility of women more than 30 years of age; whereas the more general availability and use of oral contraceptives in Hong Kong probably contributed in large measure to the abrupt decrease in fertility among younger women - and thereby a much greater drop in total fertility.

---

*When AID/Pathfinder began supply oral contraceptives to Taiwan in 1968 their distribution was initially limited to "IUD drop-outs"; and later the program was still tilted for IUDs and against oral contraceptives by the unequal application of monetary incentives and other program actions ( ).

The dominant role of the differential availability of various means of fertility control in determining age-specific and general fertility in many countries during the last decade is also revealed by fertility patterns in other countries: the uniformly low level of fertility in countries where women have general legal access to abortion, such as Japan; and by the abrupt rise in fertility in Romania (Figure 4) during the year after the liberal abortion law was rescinded (October 1966).

Trends in the use of oral contraceptives and intrauterine devices in family planning programs in developing countries are shown in Table 5 and Figure 8 : whereas the total number of new acceptors of intrauterine devices is decreasing in these 35 countries, the number of new acceptors or oral contraceptives has increased rapidly during recent years, and in 1971 exceeded the number of IUD acceptors.

Age-Parity Fertility Patterns

When measuring the impact of family planning programs upon fertility it is essential to analyze the age and parity of family planning acceptors as well as the age-parity patterns of related fertility.

For this purpose Ravenholt, Frederiksen and Brackett( ) devised a "numerator analysis" system; and since 1967 the Office of Population has directed persistent effort toward the collection of age-parity contraceptive and fertility data from many sources, and these data now provide additional insight into world fertility patterns (Table 6 , Figures 9-11).

Important differences in age-parity fertility patterns are apparent for highly developed countries with general availability of abortion, such as Japan, when contrasted with the age-parity fertility pattern of less developed countries without general availability of either contraceptives or abortion, such as Costa Rica.

When the polyvariate age-parity grid technique ( ) is used to plot the median age by median parity of women reproducing in 99 countries, great variability of national fertility patterns is apparent (Figure 9). Age-parity coordinates for developed countries with relatively low birth rates occupy the lower part of the age-parity field, but there is considerable difference in the median age of women reproducing in Hungary and Japan, despite their crude birth rates being virtually the same.

When changes in country fertility patterns are tracked through time by plotting median age-parity coordinates during successive years (mainly during the decade of the 1960s) very interesting patterns appear (Figure 10). Dynamic changes in age-parity structure are revealed which provide a sensitive measure of rapid change in fertility control behavior, some of which can reasonably be related and ascribed to family planning program actions.

Population Growth Trends

Rapid fertility decrease in many countries during the last several years of the decade of the 1960s had only modest impact upon average annual intercensal population growth rates during the 1960s as compared with rates during the 1950s. This is understandable in view of the further decrease in death rates during these two decades, and the fact that the comparison of decade averages is the equivalent of comparing mid-1950 growth rates with mid-1960 growth rates -- not the 1950 rate with the 1970 rate.

Although population programs are of recent origin in many countries, not yet apparent in some, and the bulk of work needed to solve the world demographic crisis still lies ahead, there is reason for optimism that the major part of this work will be accomplished by the end of this decade.

In other words, it is now possible to think in terms of the world -- by 1980 -- being well on the road toward finding positive solutions to its problem of excess reproduction and population growth.

This optimism is based upon the emergence and confluence of a number of favorable trends and developments:

. The concept of fertility control - that improved control of fertility confers large benefits upon individuals and nations - has been broadly disseminated in an increasingly receptive world.

. Many countries have removed or modified laws that restricted the availability and use of the most effective means of birth control.

. Resources available for development of population and family planning programs have increased rapidly.

. International organizations have greatly increased their activities in the population and family planning field.

. Key breakthroughs in fertility control technology have occurred "ahead of schedule."

. Many countries are developing increasingly effective family planning programs.

. Recent census and other demographic data indicate a more favorable world population picture than had been projected from earlier data.

BIRTH RATES

Mr. HATHAWAY. What do you mean by crude birth rate?

Mr. RAVENHOLT. The number of live births per thousand population. In the United States last year it was 17.2. The year before it was about 18.1.

Mr. HATHAWAY. I wonder about the word "crude" as opposed to what?

Mr. RAVENHOLT. As opposed to specific birth rates. You might be interested in these charts. On this chart you can see for example, the rapid decrease in specific fertility rates in Hong Kong from 1965 to 1970. This is a more precise measurement of changes in fertility patterns than the crude birth rate, but both are useful.

Mr. HATHAWAY. By age groups?

Mr. RAVENHOLT. Right. This presents the age specific fertility rates, showing what has happened in these countries. You can see at a glance very substantial changes in some of the smaller countries like Hong Kong, Singapore, Ryukyu Islands, some of the larger countries now like Costa Rica, Malaysia. Now the actions are beginning to move forward with substantial force in Thailand, Philippines, Indonesia, some of the really substantial countries.

COORDINATION OF RESEARCH

Mr. SHRIVER. You mention a need for a research into better population control measures. How are these research activities coordinated with research in the same field by HEW?

Mr. RAVENHOLT. Substantial coordination activities have been going on for years in addition to the informal coordination. I served for several years on the Population Research Advisory Committee of the National Institute for Child Health and Human Development, in which the Center for Population Research is located. They participate in many of our meetings. The U.S. Government also has an interagency committee which brings together representatives of all the various U.S. organizations that have an interest in population research, which issues periodic compilations of all the research activities. We also have had meetings with the Office of Science and Technology at the White House, which reviews this matter periodically.

U.S. CONTRIBUTIONS TO WORLDWIDE POPULATION PROGRAMS

Mr. SHRIVER. We were talking a little while ago about the worldwide population programs that were started in 1965. How much has the United States contributed to these worldwide programs through 1965?

Mr. RAVENHOLT. From fiscal year 1965 through fiscal 1971 we had obligated $262 million for this action.

Mr. SHRIVER. Can you estimate what percentage this represents of the total efforts?

Mr. RAVENHOLT. I don't have an exact figure for all years, but in the last several years the U.S. contribution has been by far the most important contribution from any country to the solution to this problem.

Mr. SHRIVER. Do you know what the percentage of the total would be since 1965.

Mr. RAVENHOLT. In the current year the estimate is that the total moneys available for application toward resolution of population problems in the developing countries is in the neighborhood of $175 to $200 million, from external sources, in addition to what these countries supply themselves. Of this we will provide $125 million.

Mr. SHRIVER. What percentage is that?

Mr. RAVENHOLT. About 62 percent.

Mr. SHRIVER. Put it in the record since 1965.

(The information follows:)

RECORD OF U.S. CONTRIBUTIONS AS A PERCENT OF TOTAL CONTRIBUTORS FROM ALL DONORS

[Dollars in millions]

	1968		1969		1970			
	Amount	Percent	Amount	Percent	Amount	Percent	1971	1972
Total (from all donors includes United States)	[1] $70		[1] $86		[1] $125		(1)	
Total from United States/percent of whole	35	50	45	52	75	60	$96	[2] $125

[1] Estimated by the Organization for Economic Cooperation and Development (OECD) derived from analysis of annua reporting by donors of total foreign economic assistance. Reporting of population assistance as a separate category was not adopted by all donors until 1968. Many donors operate on a calendar year or other annual basis differing from the U.S. fiscal year and OECD composite reports cannot be completed and published until about 9 months after the close of a calendar year—thus no data is available for 1971 contributions by all donors.

[2] Estimate.

Mr. SHRIVER. And you expect this percentage figure to change?

Mr. KIEFFER. Downward.

Mr. RAVENHOLT. The various other developed countries such as the Scandinavian countries, West Germany, Holland, Japan, Britain, have been coming aboard, quite rapidly increasing their share, though they are still substantially less, of course, than ours.

POPULATION CONTROL ORGANIZATIONS

Mr. SHRIVER. Would you explain the general activities of the several population control organizations which are listed in the justifications, the "Pathfinder Fund," Population Council, and so forth.

Mr. RAVENHOLT. One of the foremost organizations is the International Planned Parenthood Federation, which is headquartered in London, and has been in existence about 20 years, and to which we have contributed in substantial measure in the last few years.

In the last 4 years the United States has contributed about 40 percent of the total budget of the International Planned Parenthood Federation. This as its name implies is a federation of country family planning associations. It currently has 79 member family planning associations. It provides assistance to these member organizations. It has a governing board which has representation from many of these countries. It is a foremost action organization in the family planning field, providing a lot of educational activity, also services and contraceptives, supplies, and so forth. The "Pathfinder Fund" is a somewhat similiar organization, but which is, as the name implies, a pathfinding organization, begun by Dr. Clarence Gamble several decades ago

initially as a private philanthropic organization, but in the last 5 years also receiving substantial support from the Agency for International Development to enlarge its activities.

It initiates family planning activity where there is little or no organized activity, seeking out someone who is interested in this, providing them with some supplies, and so forth. In fact, the family planning associations of the IPPF in quite a few countries, such as Pakistan and Uganda, have developed from the early pathfinding activities of the Pathfinder Fund.

The Population Council, headquartered in New York, was started by John D. Rockefeller about 20 years ago also. It has a far-flung program of research and training and also supports pilot family planning activities such as the Postpartum Family Planning Program to which we have contributed in substantial measure. These are the three large ones.

Mr. SHRIVER. The ones mentioned are the Pathfinder Fund, Population Council, Planned Parenthood Federation of America, International Planned Parenthood Federation. New grants are being initiated with other competent nonprofit organizations such as the American Home Economics Association and the International Confederation of Midwives. I think we had better have an explanation in the record of all these and their activities.

Mr. KIEFFER. We will put that in the record.

(The information follows:)

Explanation of Organizations

A. On-going Grants

1. The International Planned Parenthood Federation

The International Planned Parenthood Federation is a non-profit international federation with member associations in about 80 countries. Its Central Office is in London and Regional Offices are located in Bombay, Kuala Lumpur, Tokyo, Beirut, Nairobi, Accra, New York, and London. The stated objective of IPPF is "to promote family planning services throughout the world on such a scale as to make it possible for everyone to decide voluntarily on childbearing and family size." Particular emphasis has focused upon the initiation and support of family planning services in developing countries. By virtue of its private status, its expertise, its stature, and its aggressive assistance to member associations, IPPF has gained recognition as a leader in the world population/family planning movement. IPPF's burgeoning financial assistance to members in developing countries has been financed by public and private contributions, with the A.I.D. contribution running somewhat less than 40% of total budget. For the purpose of the A.I.D. Grant, IPPF is recognized as a competent and autonomous organization whose program is reviewed annually by A.I.D. before allocation of additional funds.

2. The Planned Parenthood Federation of America

The Planned Parenthood Federation of America (PPFA) is the largest private, non-profit family planning organization in the United States with affiliates in most major United States cities. In order to utilize this outstanding resource, PPFA, through A.I.D. grant assistance, has organized a Family Planning International Assistance Division to provide technical assistance, distribute contraceptives and supplies, and develop population/family planning action programs through the worldwide affiliates of charitable organizations such as the Church World Service (CWS). The charitable organizations with a long background of health and social action orientation have been able to plan extensive development in population/family planning through the help of PPFA. During the initial period of operations -- July 1, 1971 to the present -- PPFA has inventoried the P/FP needs of the CWS in over 30 of the LDCs. Commodities, i.e., contraceptives and supplies and equipment, are provided the field hospitals and clinics on a continuing and timely basis. Programs which are directed to expand family planning services, provide training and development, extend information, education and communication abilities, and promote operational research have been identified. The PPFA staff of experts have assisted the field operations of the CWS affiliates in developing viable project proposals which presently are in various stages of review, approval and implementation. The first annual review carried out in March 1972 shows that PPFA has a well-organized central staff in New York, the specialists have travelled extensively, are well accepted, and energetically developing action programs in over 20 LDCs, and the commodity distribution program

has identified 555 hospitals in 56 countries which are providing family planning services -- the potential number of CWS affiliated hospitals and clinics is over 1,500 in the LDCs.

3. The Pathfinder Fund

The Pathfinder Fund is a private charitable United S ates organization started in 1958 with headquarters in Boston, Massachusetts, to continue the work of Dr. Clarence J. Gamble to stimulate the introduction of family planning practices to a worldwide public. The Pathfinder Fund, as the name implies, has concentrated particularly on initiating and developing new outlets or centers for providing family planning services, related training, and information and education activities in countries where there are no formal family planning programs. The professional field staff have been able to work effectively under delicate political and social conditions to establish viable family planning programs which have gone on to become the basis for family planning associations or governmental programs. Through the provision of the A.I.D. grant, Pathfinder Fund is able to continue and expand its worldwide action programs by providing budgetary support, commodities and advisory service to institutions, organizations and individuals requesting family planning assistance.

4. The Population Council

The Population Council is a non-profit organization established in 1952 for the purpose of promoting research, training and technical assistance in the social and bio-medical sciences.

The Council has three major divisions: demographic, bio-medical and technical assistance. Under the demographic division, the Council sponsors independent research grants in support of studies covering a broad scope of social science research. Priority is given to research grants to explore new frontiers in methodology and to develop better measurements of effectiveness of family planning programs.

In the bio-medical division, the Council has focused much of its resources upon research in various methods of contraception. It is one of the prime sources of information on the comparative effectiveness of IUDs; also, it was largely responsible for the development of the Copper T IUD and for extensive work in implants and injections.

Under the technical assistance division, the Council has established advisory and consultation teams abroad and supports independent research and training activities in many countries. A major program under technical assistance is the Post Partum program to provide family planning information and services to women at large maternity hospitals in LDCs. In addition, the Council has an extensive fellowship program.

The A.I.D. grants provide support to the Council for carrying out programs in the aforementioned activities.

5. Margaret Sanger Research Bureau

Established in 1923, the Margaret Sanger Research Bureau is the oldest family planning clinic in the world. It has grown into a small but internationally recognized center. While many facilities exist in the U.S. for teaching the physiology of reproduction, the Margaret Sanger Research Bureau is unique in combining research, clinical procedures and training into one integrated program. Under the guidance of a professional staff with excellent laboratory and library facilities, this integrated program is aimed at providing foreign physicians with an unparelleled opportunity for clinical research and the study of fertility control. The philosophy of the Bureau is to restrict its financial support to foreign graduates who will make use of their training in their native countries. While some U.S. physicians have studied at the Bureau, these have been small in number, short term and funded from outside sources. In addition to its other facilities, the Bureau operates comprehensive clinics serving over 7,000 patients annually, an excellent resource for providing practical experience. What does the grant do? The A.I.D. grant makes it possible for the Bureau to provide advanced year long, family planning training, for an increasing number of outstanding LDC physicians, who have already shown leadership qualities. Graduates of this program are now providing notable services in key institutions in all parts of the worlds.

6. World Assembly of Youth

The World Assembly of Youth (WAY) is a non-profit association organized under the laws of Belgium and is the coordinating body of National Youth Councils. These councils are composed of the principal voluntary, democratic national youth organizations in their countries. WAY's services include seminars, conferences, training courses, practical development projects, technical assistance programs and action in the field of human rights. Emphasis is also given to the problems of rural youth, young workers and young women. WAY is closely associated with the United Nations through its consultative status with the Economic and Social Council, UNESCO, UNICEF, and the Food and Agricultural Organization. WAY also works closely with the International Labor Organization, the Council of Europe, and other inter-governmental and non-governmental organizations.

In its 20 years of experience in working with international youth groups, WAY has gained considerable expertize in carrying out regional, national, and local conferences and in conducting on-going programs with youth and other organizations. For many years they have been concerned with demographic problems and their impact on economic and social growth, particularly in developing countries.

During the past three years, WAY has undertaken major programs to promote awareness of the world population problem to young people. Seminars on population have been held in hundreds of districts and at national levels in 16 AID supported countries. Family Planning concepts have been included in six regional and three international seminars.

A bimonthly bulletin devoted to population is distributed as well as numerous publications in English with translations to French and Spanish. The grant has strong emphasis on information and communication with youth direction for family planning.

During the first grant year (April 1969 - April 1970) WAY launched programs in India, Indonesia, and Mauritius. During the second grant year, (May 1970 - May 1971) work was continued in the three initial countries and expanded into El Salvador, Jamaica, Thailand, the Philippines, Kenya, and Ghana. The third grant year (1971 - 1972) provided new programs in Thrinidad-Tobago, Colombia, Nicaragua, Nigeria, and Malaysia. For 1972 - 1973 these activities will hopefully be continued and strengthened.

B. New Grants being Initiated

1. International Confederation of Midwives

The International Confederation of Midwives (ICM) is a non-profit organization based in London. It is the single world-wide organization for the midwifery profession, and its membership represents approximately 100,000 midwives in forty countries. Midwives in many non-member countries also have close contacts with the organization. The ICM promotes international cooperation in the professional practice of midwifery, and assists other groups in improving standards of maternal and infant care. It has a broad grassroots based on which it seeks to build higher standards in terms of local needs. It has served as a center for advice to developing country students and official licensing authorities. The ICM also consults with the World Health Organization, the UN, UNESCO, and the EEC. Its close ties with the medical profession are indicated by the establishment in 1958 of a Joint Study Group with the International Federation of Gynecologists and Obstetricians.

The triennial congresses of the ICM bring together professional midwives, both members and non-members, to discuss worldwide health trends and issues and to share information related to midwifery practice. The confederation also conducts special projects--such as a study of family planning and midwifery in Europe, and an international survey of midwifery practice and training. A grant from AID will assist the ICM in equipping midwives in developing countries to provide family planning information, education, and persuasion as part of their work for maternal and child health, and to assist in providing family planning services.

2. American Home Economics Association

The AHEA, founded in 1909, is a non-profit nationwide organization of home economists. It represents the U.S. in the International Federation of Home Economists, the sole international organization in the field. The stated purpose of the AHEA is "to improve the quality and standards of individual and family life through education, research, cooperative programs, and public information." The Association's membership includes approximately 35,000 home economists with bachelor's or advanced degrees in home economics, and approximately 15,000 undergraduate student members. Home economics organizations in every state as well as the District of Columbia and Puerto Rico are affiliated with the AHEA.

Many contacts between AHEA members and home economists in developing countries have developed through the AHEA's international scholarship program. Anumber of AHEA officers have also worked in setting up training institutions in developing countries. Under the contract with AID, the AHEA will equip home economists in those countries to provide population/family planning information and education as an integral part of their regular professional work.

3. Association for Voluntary Sterilization

The Association for Voluntary Sterilization (AVS) is the only national organization in this field and its membership consists of many outstanding authorities on sterilization. It has long recognized the desirability of international cooperation in order to achieve its larger goal, that of building a similar organization world wide. In 1965 the AVS appointed an International Committee for the purpose of creating a viable and effective international association of national agencies to promote voluntary sterilization. Since 1967 the chairman of the committee has been Dr. John C. Cutler, Director of Population Division, Graduate School of Public Health, University of Pittsburgh. The AVS has greatly helped to increase professional and public awareness in the United States of the benefits of voluntary sterilization as an effective method of contraception, bringing sterilization to a point of public acceptance which only a few years ago would have been thought unrealizable. The proposed AID grant will permit AVS to follow-up on the requests from overseas for assistance in the field of voluntary sterilization from individual physicians and medical people, from hospitals and health centers, from family planning associations and clinics, and from government family planning programs. The technical assistance to be provided will include advisory services, training and equipment.

4. The Planned Parenthood Association of Metropolitan Washington, D.C.

The Planned Parenthood Association of Metropolitan Washington, D.C. is a non-profit association serving the family planning needs of the national capital area. It operates family planning clinics in Fairfax and Arlington Counties in Virginia, Montgomery and Prince George's Counties in Maryland and in the District of Columbia. The objective of the Association is to help all people in the metropolitan area to achieve full control over their own fertility. As an institution it possesses perhaps more experience than any other local family planning organization in theprovision of family planning services to people in this area, having begun as early as 1937. Currently, its clinics serve a broad spectrum of society, including black, white, and Spanish-speaking people at various levels of income. PPA also has some experience in providing informal orientation for foreign visitors interested in learning about the provision of family planning services in the nation's capital. It has oriented M.D.'s, nurses, teachers, social workers, statisticians, and demographers. The contract would make use of this unique blend of expertise to establish a more formalized program of orientation for visitors from less developed countries.

WORLDWIDE FERTILITY SURVEY

Mr. SHRIVER. You also say you will support a Worldwide Fertility Survey. When is that expected to be completed and how much money goes into it?

Mr. RAVENHOLT. This is a project that we have developed with other organizations during the last year. Indeed we are short on accurate knowledge of fertility in many countries, particularly in Africa. We need to develop adequate representative sample surveys to get knowledge of fertility patterns and fertility control behavior there, so that we can measure the progress of population programs.

This has been developed together with the United Nations Fund for Population Activities, the United Nations Population Division, and the International Statitical Institute in the Hague.

Mr. SHRIVER. When will they be complete and available?

Mr. RAVENHOLT. This is being developed as a periodic activity, first in the midseventies, to try and get improved knowledge of fertile patterns particularly in conjunction with the World Population Year in 1974. Then it is also envisioned that perhaps the surveys would be repeated in the mideighties, so that we can get really adequate measurement of what is happening in the world with respect to population.

Mr. SHRIVER. How much money?

Mr. RAVENHOLT. The United Nations' Fund for Population Activities put in an initial planning grant of $50,000. We have received the approval of Research Advisory Committee for an initial development grant of $1 million, and the United Nations' Fund for Population Activities would also be putting in $1 million for a 2-year development phase.

Mr. SHRIVER. And in the United Nations' program, we put in roughly half of that?

Mr. RAVENHOLT. Right.

BUREAU OF THE CENSUS SUPPORT OF POPULATION ACTIVITIES

Mr. SHRIVER. You say also, "The resources of the Bureau of the Census will be used to support and strengthen the role and capabilities of the U.N. and its specialized agencies." What will that entail, and is this all at our expense?

Mr. RAVENHOLT. We have a participating agency service agreement with the Bureau of the Census, and we support an International Demographic Statistic Center there. We also provide support to the Bureau of the Census for improving census and vital statistics in the developing world. They are doing this. They have been an important element in that development.

Mr. SHRIVER. Is this all at our expense? That was my question.

Mr. RAVENHOLT. In each of these countries that situation varies. Some countries are handling this entirely on their own. They are doing the census and so forth. In some countries we are providing partial support, computer support, and so forth. In other countries, we are carrying virtually the entire burden of at least the representative sample survey activity.

Mr. SHRIVER. What is your position?

Mr. RAVENHOLT. I am Director of the Office of Population.

Mr. SHRIVER. And yours?

Mr. KIEFFER. Under the AID reorganization, a new bureau is being assembled which includes five offices of population offices and Dr. Ravenholt's central Office of Population, and several other units of AID. The population part of that reorganization hasn't come into being yet, but we have been working in the last few weeks on the plan to bring it in and consolidate those program activities.

Mr. SHRIVER. You are the one then generally in charge of the Bureau for Population and Humanitarian Assistance.

Mr. KIEFFER. Yes; I am going to be in charge of this Bureau coming together now.

RÉSUMÉ OF MR. JAROLD A. KIEFFER

Mr. SHRIVER. I notice you have a long and distinguished record of service to the Government. It might be well if this résumé is placed in the record.

(The information follows:)

RÉSUMÉ OF DR. JAROLD A. KIEFFER

Present position.—Assistant Administrator, Agency for International Development, in charge of Bureau of Population and Humanitarian Assistance.

Office address.—Room 3932, Department of State Building, 21st and Virginia Avenue NW., Washington, D.C.

Born.—May 25, 1923, Minneapolis, Minn.

Legal residence.—Fairfax, Va.

Martial status.—Married.

Family.—Wife: former Frances R. Clarfield of Duluth, Minn.; children: Edith, Charles, Philip.

Formal education.—B.S., 1947; Ph. D., 1950; University of Minnesota.

Experience.—Nongovernment: 1959–63, professorial lecturer, American University, Washington, D.C.; 1963–67, associate professor of political science and assistant to the president, University of Oregon; 1967–69, professor of public affairs and administration and chairman of undergraduate and graduate programs in public affairs and administration, Lila Acheson Wallace School of Community Service and Public Affairs, University of Oregon; 1969–71, director, Macalester Foundation for Higher Education, St. Paul, Minn., and adjunct professor of political science; 1971, consultant, University of Minnesota, Center for Urban and Regional Affairs.

Government: 1942–46, U.S. Army—United States and overseas; 1951–52, Executive Secretary, Defense Manpower Committees, Office of Defense Mobilization (ODM) Executive Office of the President; 1952, Staff Secretary, ODM; 1952–53, Executive Assistant to Director, Organization and Personnel Division, U.S. Atomic Energy Commission; 1953, Executive Secretary, Borrowing Authority Review Board, ODM; 1953–55, Assistant to Commissioner Arthur S. Flemming, Second Hoover Commission; 1953–61, Assistant to Arthur S. Flemming and Consultant for work of President's Advisory Committee on Government Organization; 1955–56, Special Assistant to Director, ODM, and Assistant to Meyer Kestnbaum, Special Assistant to President Eisenhower for Hoover Commission matters, the White House; 1956–57. Deputy Assistant to the Director, National Security Affairs; ODM; 1957–58, assistant to Nelson Rockefeller and director, campaign research staff, first gubernatorial campaign; 1958, consultant—U.S. Department of Health, Education, and Welfare; 1958–59, Assistant to the Secretary of Health, Education, and Welfare; 1959–61, Assistant to the Secretary, HEW, for Program Analysis: 1959–61, elected Secretary of the Board of Trustees, National Cultural Center; 1961–63, Executive Director of the Center Project (now JFK Center for the Performing Arts, Washington, D.C.); 1969, consultant—U.S. Department of Transportation; 1971, consultant—Office of Edu-

cation; 1971–72, Director, Office of International Training, Agency for International Development, Department of State.

State government: 1965–67, vice chairman, Governor's Planning Council on the Arts and Humanities, State of Oregon; 1968–69, chairman, Project 70's Task Force on Reorganization of the Oregon State Government, Governor's Office, State of Oregon.

Memberships.—Governor, Museum of Art, State of Oregon, 1964–69; member, board of directors, Lane County (Oregon) Auditorium Association member, board of directors, Arts in Oregon Association, 1964–69.

Author.—See list of publications attached.

Mr. SHRIVER. I note also Mrs. Crowley is the highest ranking woman with AID; is that correct?

Mrs. CROWLEY. Yes, sir.

Mr. SHRIVER. And you are going to be the deputy assistant administrator of the Bureau?

Mrs. CROWLEY. Yes. I have been director of private overseas programs previously.

(Discussion off the record.)

UNIVERSITY OVERSEAS POPULATION INTERNS PROGRAM

Mr. SHRIVER. Would you tell us more about the activities of the Fredrickson Fellows, also known as the universities overseas population interns.

Mr. RAVENHOLT. Yes; I can. This was developed several years ago with three university population centers, Johns Hopkins University, University of North Carolina, and the University of Michigan. We developed this program with these universities to bridge the gap between academic training and regular employment in the population field.

The Fredrickson Fellowships make it possible for a young trained person to gain a foothold in field activity along with someone who wants his services.

Mr. SHRIVER. Is AID the sole source of funding for this university overseas population interns program?

Mr. RAVENHOLT. Yes; I believe we are for this.

(The information follows:)

The university overseas population internship program is funded solely by AID through contracts with John Hopkins University, the University of Michigan, and the University of North Carolina. However, in addition to AID's financial inputs (Johns Hopkins, $990,000; Michigan, $933,000; North Carolina, $939,000), there are some contributions from less developed countries (LDC's) and these have benefited this overseas training program. These inputs have been in the form of office space, equipment, clinical facilities and equipment, limited secretarial assistance, training supervision and guidance, and access to data and reference materials. In some cases, transportation has been supplied to interns, usually for field trip activities.

PRIVATE DEVELOPMENT ASSISTANCE PROGRAMS

Mr. SHRIVER. Concerning your new efforts to utilize private development assistance programs, you mention in the justifications your intent to use "new technique" and "devices for collaboration". Could you be more specific? You also say you intend to "experiment with relationships" to find ways to use these private groups. What do you mean?

Mr. KIEFFER. One new technique which is presently being explored is a block grant to an LDC government with which that government selects and finances assistance required for its own priority programs. In some instances a private organization may well be the best source for providing such assistance. At the request of an LDC government we will make available information about various private organizations which might be considered as appropriate implementing agents. Selection and negotiation would be the responsibility of the LDC government.

We have had some experience in supporting organizations such as IESC, VDC, and VITA in responding directly on a private-to-private basis to requests for short-term technical assistance and technical information from LDCs. In our support for such organization as PACT and TECHNOSERVE we are interested in their planning and implementing sustained long-term assistance to specific projects on a private-to-private basis. These projects in some cases may involve technical assistance, investment or loans aimed at making the projects locally managed and owned.

We are particularly interested in encouraging collaborations among voluntary nonprofit organizations, where resources can be pooled to increase impact and effectiveness. PACT, which is a consortium of small private organizations, is one example of collaboration which is underway. Collaboration, however, does not necessarily mean formal association in the framework of a consortium. A better knowledge of the work of private organizations and cross dissemination of this information could well lead to logical collaborations. The Bureau of Population and Humanitarian Assistance will become a central point of information about the work of private and voluntary organizations overseas and will disseminate the information among these organizations, to the LDC agencies, AID missions and international organizations.

Mr. SHRIVER. Would you show for the record how much private assistance is obtained through the expenditure of these AID funds and Public Law 480 commodities? I want you to expand on that to show a direct cause and effect relationship.

Mr. KIEFFER. CARE, Catholic Relief Service, Lutheran World Relief and Church World Service are the four major voluntary agencies participating in the Public Law 480 program. They utilize 93 percent of the commodities made available under title II of the act. They received from private donations almost $47 million to support their overseas programs. While a direct causal relationship would be difficult to establish, it can be said that their programs would be reduced dramatically were Public Law 480 resources not available.

The voluntary agencies estimate that for every dollar in ocean freight assistance they ship goods valued at approximately $20. Since the contributions are in kind, not cash, it is suggested that in the absence of the $4.5 million ocean freight item, almost $90 million in medicines, clothing, hospital equipment, educational supplies, et cetera, would be lost to the needy in the developing countries.

We do have working relationships with a number of other private, nonprofit organizations, such as the International Executive Service Corps, the Asia Foundation, and PACT which come closer to demonstrating a cause and effect relationship.

Under grant agreements with these private organizations, their total operational budget is funded partly by AID and partly by non-AID resources mobilized by the organizations. There is, in these cases, a direct cause and effect. The scale of AID support is designed to sustain and in some cases to increase the non-AID support. For example, under grants to seven private organizations of $7.4 million in fiscal year 1972, we estimate non-AID cash budget support for these organizations of about $4.4 million.

In addition, there are many other unquantified inputs which are generated by programs operated by these organizations. These include the value of voluntary service, donated commodities, and LDC private and government support of field programs.

Mr. SHRIVER. Under this private organization assistance program, do you have any requirements that would prohibit help to organizations which have programs in countries in which the U.S. Government has or is considering stopping our bilateral aid programs for national interest reasons, such as Chile?

Mr. KIEFFER. No. AID has not tried to impose such requirements. This, of course, is a complex foreign relations problem that involves the degree to which we want to lay a heavy hand on organizations of all types that have overseas programs and force them into a single mold. These things involve judgments about what courses contribute best to our overall national objectives.

Mr. SHRIVER. You mention in several places that these private groups send assistance, with your support using tax funds, to several countries in which we don't have regular foreign aid programs. Provide more details on that for the record.

Mr. KIEFFER. In providing assistance to these private organizations, we provide only part of their financial support. Since these organizations are independent entities which develop their own programs and have other sources of funds in addition to those received from AID, we feel it would unduly interfere with their integrity and indeed be counter-productive to insist that they limit their operations to only countries where we have a bilateral government-to-government aid program. For example, the Asia Foundation has always carried on certain programs in Malaysia, Singapore and Taiwan where we have never given bilateral aid or have phased out our bilateral assistance. We feel it would damage its integrity as a private organization to require the Foundation to terminate its valuable programs in those countries as a condition of receiving AID money. Similarly VITA (which receives only one-fourth of its total budget from AID) receives requests for information from persons in many developing countries where AID, for reasons of economy or policy, does not carry out a government-to-government assistance program. We believe it would be inconsistent with our desire to strengthen bona fide private organizations (as mandated by section 601(b)(5) of the FAA) if we required VITA to respond only to requests from countries where AID has a bilateral aid program.

Mr. SHRIVER. Would you also provide for the record the percentage of each of these private group's overseas assistance programs which would be provided by your requests?

Mr. KIEFFER. This table is an estimate of the percentage distribution between non-AID and AID grant support of the overseas pro-

grams of each organization for fiscal year 1973. The non-AID support is estimated cash input and does not include the inputed value of voluntary services, donated commodities, or other private and LDC government support of field programs.

(The information follows:)

[In percent]

Grants	Non-AID support	AID support
The Asia Foundation	32	68
Private agencies cooperating together	60	40
Volunteers for International Technical Assistance	75	25
Technoserve	67	33
International Voluntary Services	20	80
International Executive Service Corps	46	54
YMCA	13	87
Institute for International Development, Inc	67	33
Volunteer Development Corps	15	85

Mr. KIEFFER. Additionally AID is under contract with Agricultural Cooperative Development International, Credit Union National Association, Cooperative League of the U.S.A., and National Rural Electric Cooperative Association to provide services for technical assistance in specific countries, administrative support and cooperative development work. These are nonprofit, cost reimbursable contracts. Parallel to this work, CLUSA and CUNA support and conduct programs of their own. ACDI and NRECA have raised money and donated commodities in support of AID programs in which they are involved.

INTERNATIONAL EXECUTIVE SERVICE CORP.

Mr. SHRIVER. You say AID provides the travel expenses and living expenses for the International Executive Service Corps. Would you break those costs down for the record?

Mr. KIEFFER. IESC volunteers serve without pay. The AID grant to the IESC does pay for the travel expenses and living expenses of these volunteers in connection with the project. These expenses include per diem for the volunteer and his wife at standard government rates, round trip air travel for the volunteer and his wife, reasonable out-of-pocket expenditures incurred en route to, from, and at the assignment, and for immunization, new passports, passport photos and visa fees and expenses, local transportation related to his assignment and insurance for the volunteer and his wife.

Mr. SHRIVER. How much of the administrative costs of this Executive Service Corps is provided by the U.S. business community? Has this been going up or down?

Mr. KIEFFER. The U.S. business community contributes about $300,000 per year to the IESC. This amount has remained relatively constant for the past several years.

Mr. SHRIVER. You say you expect to explore the possibility of expanding the Executive Service Corps in the "public sector." What do you have in mind?

Mr. KIEFFER. IESC operates almost exclusively with private businesses in foreign countries. We do believe, however, that in a limited number of situations, IESC volunteers may be able to make a significant contribution by assisting directly government agencies or de-

partments in LDCs particularly in the promotion and development of local private enterprise.

INSTITUTE FOR INTERNATIONAL DEVELOPMENT, INC.

Mr. SHRIVER. You mention a "newly formed" organization called the Institute for International Development, Inc., for which you are considering assistance. Are there any former AID personnel involved in this new organization?

I would think our new emphasis on private organizations runs the risk of assisting the proliferation of such organizations just because the money is there. What precautions are you taking to avoid this?

Mr. KIEFFER. Regarding the Institute for International Development, Inc., no former AID personnel are involved or employed in the organization. The officers of IIDI are:

Board chairman—Dr. Roger J. Voskuyl (executive director, Council for the Advancement of Small Colleges, Washington, D.C.).

Vice chairman—Congressman John H. Buchanan, Jr. (Congressman, Sixth District, Alabama).

Secretary-Treasurer—James F. Bell (partner, Reavis, Pogue, Neal & Rose, Washington, D.C.)

Director—Rev. Paris W. Reidhead (formerly a missionary with the Sudan Interior Mission (1948–1953); pastor of the Gospel Tabernacle Church of the Christian and Missionary Alliance, New York City (1957–1966); and director of Development Assistance Services (1966 to present).

Executive Director—Alfred A. Whittaker (formerly, Executive Vice president and director, the Mennon Co., Morristown, N.J.; chairman, Nyack Missionary College, Nyack, N.Y.).

Our new emphasis on the support of private organizations for development work overseas will be very selective. The key to the involvement and use of private and voluntary organizations is in the identification of LDC priority programs concurred in by AID for which these organizations are best suited to do the job. Implicit in this is the demonstrated capability of the organization and it acceptability by the LDC. We are developing a program identification and organizational selection process which estblishes criteria and requires careful analyses and screening before a program is approved. Only after going through this process and reaching program approval will funding be provided. We believe that this process provides adequate precautions against arbitrary support or the proliferation of such organizations.

FOREIGN DISASTER RELIEF COORDINATION

Mr. SHRIVER. When our country, through public or private funds, contributes to disaster relief efforts around the world, how is this assistance identified as coming from Americans?

Mr. KIEFFER. When relief supplies are purchased sufficiently in advance, the item or containers of items are marked most often with the AID hand clasp symbols. Therefore, most items coming from the Panama stockpile are identified as coming from the U.S. source is also indicated in other ways. Relief supplies frequently arrive by U.S. ship or aircraft and receive local news media attention. Also, it is not uncommon for a head of state to specifically acknowledge in a public

statement contributions made by the United States. In providing emergency relief humanitarian considerations must be prime—we would therefore forgo markings should the process inhibit timely delivery. Bagged Food for Peace commodities carry the hand clasp symbol. The presence of U.S. mission staff or disaster experts, medical or scientific teams from the United States also indicates American participation. Private organizations not uncommonly indicate through various forms of markings the organizational source of donations.

Mr. SHRIVER. You have said you will establish additional disaster relief stockpiles. Why is there a need for that?

Mr. KIEFFER. The prepositioning of disaster relief supplies and common usage equipment in stockpiles around the world serves several purposes. It reduces delivery time for the initial U.S. emergency response by 2 to 3 days, increasing the advantageous impact on victims of disasters, by eliminating the necessity of a procurement process following the declaration of a disaster, and by substantially reducing delivery distances. U.S. material delivered from a stockpile therefore often is the first aid to arrive at a disaster scene. U.S. responsiveness in the Latin American area from the Panama stockpile has frequently been lauded by recipients.

Since the procurement of material to stock contingency reserves is not carried out on a crash basis, normal procurement practices apply and maximum price advantage is obtained. It also permits the application of well thought-out item specifications, avoiding make-do substitutes. It also substantially reduces the cost of transportation by permitting surface shipment from the United States to the stockpile location.

In a recent study it was found cost savings of $1,309,000 had been effected during the years 1968 through 1971 as a result of the existence of the Panama stockpile.

The initial stocking of these reserves is financed from contingency funds but not related to any particular country. Subsequent restocking, also financed from the contingency fund, is charged to the country disaster for which the supplies were withdrawn.

It should be noted these stockpiles carry limited inventories—items which experience indicates will be turned over three to four times a year.

Mr. SHRIVER. Tell us more about the Disaster Relief Operations Center and Information Exchange, which you are planning to create. Where will it be located? How will it be staffed? What will the total cost be?

Mr. KIEFFER. The Disaster Relief Operations Center and Information Exchange is to be a modest installation, probably located in the main State Department building. It will not differ greatly from regular office space except that it should be configured to facilitate the special work of people, rarely more than 18 at any one time, assembled to coordinate the provision of emergency relief to a disaster country or countries. It is not uncommon for the United States to find itself assisting in several disasters simultaneously. Because of the intensity of activity, more than the usual sound deadening material will be needed, and it must have equipment for quickly receiving and disseminating current disaster information. A place where maps and charts may be easily seen and a board on which assistance progress can be posted is also required. The Center is also to serve as an information and operational focal point for the some 100 private U.S. agencies often actively participating in relief following major world

disasters; 300 to 400 telephone calls are sometimes logged in a single day following such an event.

There will be no duplication of services or equipment readily available elsewhere.

The Operations Center will be manned by the regular staff of the Office of the Foreign Disaster Relief Coordinator. Developing and managing the Information Exchange is to be the job of one employee of the office. This regular staff will be temporarily augmented as required from other parts of AID to a degree consistent with the operational requirements of the disaster. Normally temporary augmentation is from the country desks or AID Bureau concerned.

While cost estimates have not yet been developed, the Agency has resolved to keep expenditures to a minimum. As an indication of its size, the Center will have approximately 1,500 square feet that will house seven of the regular staff and accommodate an additional 8 to 10 persons during augmentation.

Mr. SHRIVER. In your statement you say you will conduct a systematic study of the possible applications of modern technology to disaster relief. What does this mean?

Mr. KIEFFER. Each year throughout the world scientific and technical developments occur, new products are developed, research is initiated and techniques proven which have an application to various kinds of disaster situations, or which facilitate disaster preparedness or prevention. These might include such a variety of things as a light weight portable metal cutting device, special equipment for handling electrical emergencies, new kinds of blankets or shelter designs, high protein food concentrates, a victim locator device, new techniques for predicting seismic activity, early disaster warning equipment, techniques for organizing or coordinating on-site disaster relief, epidemiological breakthroughs and the like.

The absence of a system for receiving and disseminating such information has substantially limited the advantages which could have accrued to a disaster ridden world.

The Office of Disaster Relief Coordinator will, in cooperation with other members of the foreign disaster relief community, work toward establishing a system for assembling such information and determining how it might be evaluated and distributed to the greatest advantage.

EFFECT OF DOCK STRIKE ON HUMANITARIAN ASSISTANCE PROGRAMS

Mr. SHRIVER. In the justifications you mention the effect of the recent dock strike on the humanitarian assistance programs. Would you tell us more about that?

Mr. KIEFFER. The dock strikes, which closed down most U.S. ports for several months, made it impossible for U.S. voluntary agencies to ship supplies overseas in support of their regular ongoing programs. Warehouses were filled with supplies donated by the American people for overseas relief. However, as soon as the dock strikes were over, voluntary agencies moved out supplies posthaste. Therefore, the dock strikes created a late fourth quarter accelerated demand for additional fiscal year 1972 overseas freight funds.

The east coast dock strike prevented the shipment of vehicles and parts destined for East Pakistan. The cargo consisted of a wrecker, trucks, truck parts and jeeps. By the time the strike ended, war had disrupted East Pakistan port operations so that only recently has it

become possible to effect the shipments. Further, the strike overburdened air freight capabilities inhibiting movement of disaster relief supplies and equipment planned to be shipped by such means.

COOPERATION FROM RECIPIENT COUNTRIES

Mr. HATHAWAY. Do we have any problems with any governments to which we are supplying money for development and aid in the population program? Are we meeting any resistance?

Mr. RAVENHOLT. Yes; we do in some countries. For example, Brazil has been very reluctant to develop population and family planning activities.

Mr. HATHAWAY. Because of what, religious reasons?

Mr. RAVENHOLT. Religious mainly, but also relating to what they believe to be large, unfilled spaces in the Amazon Basin, and so forth.

Mr. HATHAWAY. You mean they need more people instead of less?

Mr. RAVENHOLT. A strong pronatalist sentiment exists in that country.

Mr. HATHAWAY. Any other country where resistance is substantial?

Mr. RAVENHOLT. Burma and a number of African countries have similar policies.

Mr. HATHAWAY. Why?

Mr. RAVENHOLT. Somewhat similar reasons, I think, mainly the fallacy of equating development of certain parts of Burma with more people.

Mr. HATHAWAY. But not religious.

Mr. RAVENHOLT. No; not in the same way at least. These countries are distributed in many different places in the spectrum of understanding the importance of controlling their population element for their total development. Some of them have a rather complete understanding and a highly developed policy and also family planning program. Others are at an embryonic state of understanding.

RESEARCH IN FERTILITY CONTROL

Mr. HATHAWAY. You mentioned money for research. Don't we have things such as the pill and other devices that are sufficient?

Mr. RAVENHOLT. Not really. We have some fairly good means of fertility control, such as the pill, beginning in 1968 when the Congress did earmark funds for the population program of AID for the first time. This came at a time when, of course, there was intense realization in South Asia, because of the droughts, starvation and so on, that there was need for rapid action.

There came a strong consensus within the agency and the Congress that if we were going to get the kind of action we needed, we needed to improve the means of fertility control. Beginning that year we launched a substantial research program aimed at the development of new and improved means of fertility control. I have with me a brief statement which puts in a few pages the nature of that program, how it has developed during the last few years. Through fiscal 1971, the agency had obligated about $21 million toward development of new means of fertility control. This year we will add about $9 million to that, and I am happy to be able to say that there are rapid improvements now occurring in means of fertility control. We have got some very exciting breakthroughs which promise to move this whole pro-

gram ahead with far greater speed during the seventies than occurred during the sixties.

Mr. HATHAWAY. Like what?

Mr. RAVENHOLT. First and foremost is the development of a new class of compounds called the prostaglandins. The prostaglandins are 21 carbon fatty acid compounds which have a broad spectrum of activity not only for family planning, but affect blood pressure, and affect bronchial function and so forth. But certainly one of the most exciting characteristics is their capacity to control of fertility. Research studies are underway in about two dozen places in the United States and in about a dozen foreign countries at the present time.

Mr. HATHAWAY. These aren't in use yet.

Mr. RAVENHOLT. They are on a research basis, and I am happy to report they appear to be working very effectively.

Mr. HATHAWAY. For men, women, or both?

Mr. RAVENHOLT. For women. We also have developments in sterilization, particularly for women, some of which have been developed at the Johns Hopkins University. Especially promising is a new procedure called laprascopic sterilization which can be performed on an outpatient basis. This is being done in large numbers at Johns Hopkins University now. They have initiated this action in Nepal, Thailand, and El Salvador, and it is going forward in these countries. There is quite considerable demand for female as well as male sterilization in the developing countries.

Also, it appears a combination spermacide germicide agent is being developed which may be useful against venereal disease as well as for the prevention of pregnancy.

The pill is working well, and there is rapidly increasing demand around the world for oral contraceptives. Through fiscal 1971 AID had purchased about 30 million monthly cycles for distribution to about 70 countries. In the current fiscal year we will perhaps buy a similar amount for distribution. Improvements in intrauterine devices are also occurring, and an exciting development at the Salk Biological Institute is the development of antigonadotropin releasing factor agents which have evolved during the last year and which may become an important additional means of fertility control.

Mr. HATHAWAY. What about abortion? Is that accepted in most of the countries or do they have the operative facilities?

Mr. RAVENHOLT. This varies considerably by country. The big development last year was the change in India, where previously abortion had been inhibited legally just about the same way it was in the United States. The new law passed last August and instituted just a month ago, on the 1st of April, gives Indian women legal access to termination of pregnancy. In all probability this will have an important impact on fertility in India.

Mr. HATHAWAY. Mr. Riegle?

Mr. RIEGLE. Thank you, Mr. Chairman.

RATE OF WORLD POPULATION GROWTH

Do you know what the current rate of world population growth is?

Mr. RAVENHOLT. Currently our best information is that the total world population is about 3.7 billion people. The crude birth rate for the world last year was calculated to be about 34 per thousand population, the crude death rate 13 per thousand, and the annual growth rate therefore being about 2.1 percent.

Mr. RIEGLE. How does that compare to the growth rate 5 years ago?

Mr. RAVENHOLT. It is higher than 5 years ago.

Mr. RIEGLE. I am doing this now for the record. What would it have been 5 years ago compared to that 2.1 percent?

Mr. RAVENHOLT. In 1965 it was approximately 2 percent.

Mr. RIEGLE. Or 10 years ago.

Mr. RAVENHOLT. In 1960 it was approximately 1.9 percent.

Mr. RIEGLE. So the birth rate has in effect doubled.

Mr. RAVENHOLT. Not the birth rate. The birth rate has remained roughly constant.

Mr. RIEGLE. The net growth rate.

Mr. RAVENHOLT. It has gone up very rapidly in the last couple of decades.

Mr. RIEGLE. It has more than doubled?

Mr. RAVENHOLT. I would have to check the figure 10 years ago to be sure, but because of the rapid drop in death rate, the population growth rate has been increasing rapidly during the last several decades and that is at the heart of much of our difficulty.

Mr. RIEGLE. Then if you just compare the crude birth rate today with what it might have been 10 years ago, what would have been the exact number?

Mr. RAVENHOLT. It wasn't so different. In 1960 the world crude birth rate was approximately 36.

Mr. RIEGLE. So there has been a slight decrease.

Mr. RAVENHOLT. Yes, a slight decrease. I would expect this year the crude birth rate for the world is about 32, and an accelerating decline in the world birth rate is evident.

Mr. RIEGLE. Do we have enough projectable data to be able to say that if these trends continue at some future date we will reach a stable population?

Mr. RAVENHOLT. This, of course, is what we are intensely striving for. We do have a participating agency service agreement with the Bureau of the Census and we collect demographic data from all around the world from every source we can—census data, birth and death registration data, and program data.

Some of this is presented in these charts which shows that the intercensus growth rate in the fifties and sixties was fairly similar, but there has been a rapid change in birth rate during the last 5 years. It is my belief that within the last several years the birth rate has dropped more rapidly than the death rate, so that the population growth rate is beginning to decrease. We cannot be certain just how fast this process will go, but it is my belief from the confluence of forces occurring, the rapid change of policy in many countries around the world, the increase in trained personnel, the development of country programs, the activities of international organizations, such as the IPPF, the United Nations and so forth, the new technologies now being seeded into the developing countries, and the rapid growth of available resources, and indeed the resources provided by the Congress have been of foremost importance to this action. It is my belief that it is reasonable to think that the crude birth rate of the world can be below 20 and the world population growth rate below 1 percent per annum by 1980.

RELATIONSHIP OF POPULATION GROWTH TO AVAILABILITY OF WORLD RESOURCES

Mr. RIEGLE. Is any effort made to try to relate these population growth statistics to the resources that are available? In other words, if you establish some average level of resource requirement per human being, is there any data we have that would express the resource crunch that seems to be occurring.

Mr. RAVENHOLT. There is a general developmental equation, which applies: resources divided by people equals well being. This can be applied to nutritional well being: number of mouths equals nutritional well being. Likewise, housing divided by the number of people equals housing well being; and school rooms and teachers divided by number of children equals educational entertainment. Each area can be analyzed in this fashion.

Mr. RIEGLE. What I am asking is, are we far enough along in terms of our refinement of this data to be able to use the argument that you have pressure on resources which is reaching the critical point? In other words, can we express the argument in that form so that I could go to the people in my district and say the money that we spend on world population programs makes sense for these hard, cold practical reasons.

Mr. RAVENHOLT. Some of this is expressed in these charts. Then there are other publications, of which you are probably aware, such as "Limits of Growth", which highlight this kind of thing. Certainly from our point of view the need to move as rapidly as possible to constrain population growth and unwanted excess fertility is just the most crucial action that this Nation or the world can take.

Mr. RIEGLE. What I am saying to you is that we have got to find a way to convert that feeling which you have as a professional into a very simple, practical, compelling argument that citizens in this country can hear and absorb quickly and understand.

Mr. KIEFFER. That is absolutely correct.

Mr. RIEGLE. I wonder if you could provide for the record any abstract that would relate the resource crunch with unrestricted population growth. What happens if we can't continue to move this population trend in the direction we are endeavoring to move them? If we could find a way to express that in summary form it would be a very useful thing to have here for justification. Also it would help in responding to inquiries we get from citizens.

Mr. RAVENHOLT. We will be happy to provide a number of such analyses and formulations.

(The information follows:)

FORMULATIONS/ANALYSES

The Office of Population is currently completing a study of the impact of population growth on environment and will have a statement to transmit to the committee shortly. The following article, "World Demographic Trends," taken from the 1971 issue of "Population Program Assistance," addresses the matter of a population-resources "crunch" to some extent.

World Demographic Trends

Demographers attempting to quantify the nature of the "population explosion" are faced with numerous questions, many of which as yet have no precise answers. How fast, and by how much, is the world's population increasing? What are the levels of fertility and mortality and how do they differ among the regions–and subregions–of the world? What are the patterns by age group and sex?

Much is known about the pace of population increase in the developed countries. However, many of the less developed nations have only recently begun to collect demographic information. Essential data on population dynamics are weak or missing altogether. Firmer and more precise information should become available in the early 1970's, when over 100 nations will conduct population censuses.

Even so, the broad facts on population trends are all too clear. During the last 50 years both the rate and amounts of population increase have been moving upward at unprecedented speeds.
the next billion people, while the population would double about every 35 years.

Actually, the U.S. Census Bureau believes that a moderate decrease in birth rates by the year 2000 would be a reasonable expectation. The Bureau adds, however, that this assumes family planning programs will be expanded and intensified and that the developing countries will undergo economic and social development.

Even with moderate declines in fertility, the increase in population will be dramatic. The U.N. medium projection indicates population in the year 2000 will total over 6.1 billion, or more than 2.5 billion above the 1970 total. This growth will place major burdens on economic and social development among the less developed nations even as population programs work toward lower birth rates.

Latin America

The population of Latin America–currently about 270 million–is growing more rapidly than that of any other major region. Since the end of World War II, mortality levels have dropped sharply in Latin America. Today, the average crude death rate of about 10 per thousand is only slightly above that for

In 1650, according to sparse statistics, the world probably had not more than half a billion people. High birth and death rates meant a growth rate that was barely above zero. By 1900 the world's population had risen to about 1.5 billion and the growth rate, to around 0.4 percent per year. Over the next 50 years, the world added another billion people. As mortality levels continued to decline, particularly in the more developed countries, the rate of population growth increased, so that by 1950 it was close to 1 percent per year.

In the last 20 years the "population explosion" has really made itself felt. Mortality levels have been reduced drastically in the less developed nations. Going into 1970, world population had already surpassed 3.5 billion, and the rate of growth had doubled to about 2 percent per year.

The current increase of 2 percent per year, if maintained, would result in fantastic increases in population. It would take less than 10 years to add the more developed countries. The average crude birth rate has remained high at slightly under 40 per thousand although a downward trend in it has been evidenced in some countries in recent years. (Actually, the birth rate in most Latin American countries is over 40 per thousand since the average figure is affected by the relatively low birth rates of close to 25 per thousand prevailing in the countries of Temperate South America–Argentina, Chile, and Uruguay.)

The result of this has been a staggering increase in the rate of growth, from less than 2.0 percent in 1940 to almost 3.0 percent today. In about half a dozen countries the growth rate approaches 3.5 percent.

If fertility were to remain constant at present levels, the United Nations estimates the population of Latin America would reach 756 million by the year 2000. Even if fertility declined significantly, the population would still increase by almost 150 percent, according to the U.N. medium projections, reaching 638 million by the year 2000.

Rapid growth rates have been reflected by a large proportion of young people in the population, a situation which can place severe strain on government

resources for social welfare and education. In Latin America about 42 percent of the total population is less than 15 years old as compared to only 30 percent in North America and 24 percent in Europe.

Asia[1]

Asia contained close to 2.1 billion people at the beginning of 1970, about three-fifths of the world's total population. The average growth rate of about 2.4 percent means that close to 50 million people are being added each year, an annual numerical increase equal to the present population of the Philippines and Malaysia combined.

There is considerable variation in the rate of growth among the continent's subregions. In several of the countries of East Asia the annual rate of population growth is below the area average. Extensive family planning programs in Hong Kong, the Republic of Korea, and Taiwan have helped to cause marked declines in fertility in recent years. The average crude birth rate for these three countries has declined by almost 25 percent, from about 40 per thousand to close to 30 per thousand over the past decade. In Japan, a very low crude birth rate of 19 per thousand and a crude death rate of 7 per thousand make this country demographically comparable with those of Western Europe.

In comparison, the population of the Philippines is currently increasing at an annual rate of 3.5 percent. Its population of 38 million will double by the year 1991 if the present rate of growth continues.

The population of Near East-South Asia (NESA), with an annual increase of about 2.6-2.7 percent, would more than double from about 860 million to almost 1.9 billion by the year 2000 if present growth is maintained.

In two of the largest countries in South Asia, India and Pakistan, the governments are engaged in large-scale programs to effect fertility reduction. However, it is still not just clear how much birth rates have been reduced.

Mainland China is the largest country, both in terms of land area and population, in Asia. However, because of a lack of specific data, the present size and growth rate of the population are somewhat uncertain. Current estimates place the population at about 830 million (give or take 100 million). Estimates of the crude birth and death rates of about 43 and 21 per thousand, respectively, give a rate of increase of about 2.2 percent. At this rate the population would pass the 1-billion mark before 1980 and would reach about 1.6 billion by the year 2000.

Africa

Lack of data necessitates basing population estimates in many African countries on sample surveys, scattered censuses, and rough estimates of fertility and mortality. As of 1969 only a handful of countries, primarily in North and East Africa, had undertaken complete censuses, while several countries had never even attempted comprehensive sample surveys.

Africa has the highest fertility of all the major regions of the world, with an estimated crude birth rate for 1970 of about 48 per thousand. However, the estimated crude death rate of 21 per thousand is also the highest in the world, giving Africa a rate of increase of about 2.7 percent, roughly midway between that of Asia and Latin America.

The estimated 1970 population of about 310 million would increase 145 percent to about 770 million by the year 2000 under the U.N. constant fertility projection and would still reach close to 690 million under the medium population projection.

While population density is not yet severe in most of Africa, indications are that growth rates will increase markedly during the next decade in much of the region. Mortality, which began to decline only in the mid-1950's in many of the countries, should continue to decline rapidly as health practices and medical facilities improve. Fertility will most likely remain at present high levels in the near future. Only a few countries (most notably Tunisia, Kenya, and Ghana) have announced policies aimed at the reduction of population growth, while many governments still maintain strongly pronatalist views.

United States and Canada

The population of North America—228 million in the middle of 1970—is increasing by about 1 percent per year, considerably slower than in the less developed regions. By the year 2000, under the U.N. medium projection, the total population would reach 354 million, 56 percent above the 1970 level.

The present low growth rate has resulted largely from declining fertility. In the United States the birth rate fell from 23.8 per thousand in 1960 to an alltime low of 17.4 in 1968, while the death rate has held virtually constant since 1960 at around 9.5 per thousand.

Because of the post-World War II baby boom, the number of women in the child-bearing years, ages

[1] Including Mainland China. United Arab Republic, Turkey, and Greece are included as part of the Near East and South Asia (NESA).

15-44, will grow at a faster rate than the total population in the next decade. Such a change in the age structure would result in increases in the crude birth rate if fertility remained constant at its present level.

Europe[2]

Europe's population—an estimated 455 million in the middle of 1970—is growing at slightly more than 0.7 percent, the slowest rate of any major region in the world. By 1967 the average crude birth rate in every subregion of Europe had dropped below 20 per thousand. An aging population combined with an only slightly declining mortality level are expected to result in a slight increase in the crude death rate during the next several decades.

Thus, the current population structure and low fertility rate in Europe do not presage a sizable expansion of population. According to the U.N. medium projection, the population would reach only 527 million by the year 2000, less than 20 percent greater than in 1970.

[2]Excluding the U.S.S.R.

The Soviet Union

Preliminary results from the Census of the Soviet Union conducted on January 15, 1970, showed a total population of 241,748,000. This represents an increase of 15.8 percent from the previous census conducted some 11 years earlier. Population trends have been marked by a continuing decline in the crude birth rate, which dropped from 24.9 per thousand in 1960 to 17.3 in 1968. On the other hand, the crude death rate has remained relatively stable at between 7 and 8 per thousand.

The census results also confirmed what demographers had seen as a trend in recent years, namely a high growth rate in the central Asian and some Caucasian republics with non-Russian indigenous groups and a slowdown in the rate of natural increase in the European areas.

For example, the Russian Federation (R.S.F.S.R.), the largest and most important republic, grew only 11 percent between the two Censuses. Yet the amount of growth in the Asian republics averaged close to 40 percent, with Tadzhikistan showing the highest increase of 46 percent.

The Momentum of Population Growth

Among the developing countries of the world, birth rates have remained generally rather high while mortality rates have rapidly declined, and populations have increased at a perilous rate. Instead of attempting here to predict when and at what pace fertility will decline in the less developed countries of the world, let us consider how their populations would develop under two very different types of conditions: First, if birth rates should decline rather drastically in a very short period of time and mortality would continue to decline; and second, if both fertility and mortality should remain constant at their recent levels over a long period of time.

The two-child family

A very optimistic look at the future might see the fertility of the developing countries reach the so-called replacement level where each set of new parents has two children—a daughter who would eventually "replace" her mother in the population and a son who would ' 'replace" his father. This hypothetical ideal situation is approximated, in demographic terms, when the Net Reproduction Rate (NRR) reaches a level of 1.00, or when each woman in the population has borne one surviving female child by the end of her reproductive years.

Even reaching the level of a two-child family in a relatively short period, however, would not be sufficient to produce an immediate halt to the rapid growth of a population. Until the age structure of a population has time to shift away from one with a high proportion of young people to a so-called older population, there will be more young couples having babies than older people dying, and the population will continue to grow. For the developing countries, as shown in table 1, this shift (after the NRR level of 1.00 is reached) would take about 60 years, after which their population would become stationary. During the 60-year interim, their population would increase to at least double their initial size.

In Indonesia, for example, if family size could be reduced from the current average of five or six

TABLE 1: ESTIMATED POPULATION IN SELECTED COUNTRIES, 1965 AND 1970, AND PROJECTED POPULATION FOR THREE SERIES ASSUMING NRR REACHES 1.00[1]

Country	Population estimates		Population projections		
	Year	Population	Year NRR Reaches 1.00	Year population becomes stationary	Stationary population
		Millions			*Millions*
Chile	1965	9	1980-85	2045	19
	1970	10	1990-95	2050	22
			2000-05	2060	25
Mexico	1965	42	1980-85	2040	110
	1970	50	1990-95	2050	134
			2000-05	2060	165
Ghana	1965	8	1980-85	2045	18
	1970	9	1990-95	2050	22
			2000-05	2060	27
Tunisia	1965	5	1980-85	2040	11
	1970	5	1990-95	2055	13
			2000-05	2060	16
Indonesia	1965	107	1980-85	2045	238
	1970	120	1990-95	2050	280
			2000-05	2060	336
Thailand	1965	31	1980-85	2045	77
	1970	37	1990-95	2050	94
			2000-05	2060	116
France[2]	1965	49	1980-85	2045	61
	1970	50	1990-95	2045	64
			2000-05	2055	68

[1]Fertility is held constant until 1970, then declined until the indicated year and held constant thereafter. [2]France is included as an example of how the population of a low-fertility country would change under the same hypothetical conditions.

Projections of the International Demographic Statistics Center, Population Division, U.S. Bureau of the Census.

children to an average of only two children by 1980-85 and if mortality also declined considerably between 1970 and the year 2000, the population would increase from 120 million in 1970 to 238 million before it stabilized around the year 2045. In the more probable instance that the two-child family could not be reached at least until 1990-95, the population would reach 280 million before it stabilized around the year 2050. Finally, if it should take until the period 2000-05 for the fertility level in Indonesia to reach an NRR of 1.00 (still a relatively short time to accomplish such a drastic decrease in fertility) the population would increase to 336 million before it stabilized at nearly three times its current size.

To state it another way, if Indonesia should feel that the maximum population it can support is one twice its present size, the Indonesians have only about 10 years left in which to reduce their fertility to roughly one-third its present level. If Indonesia should feel that it cannot support a population even twice its present size, it is probably already too late to stop at a smaller size.

These statements are true not only for Indonesia, but for all high-fertility countries. In fact, for Mexico, Ghana, Tunisia, and Thailand—some selected examples of countries in the less developed world—it can be seen (table 1) that population growth under the same hypothetical assumptions as described for Indonesia would result in even greater increases. In all four of these countries, even if the two-child family average could be reached in only 10 years, the population would more than double before stabilizing, and the interim growth period would last at least 60 years.

That is one possibility of what could happen in the future.

No change in fertility

Suppose instead for all of the countries named above—or in any high-fertility country—that birth rates remained at their current level for a long period

of time. Suppose further that mortality did not improve beyond its current level, with the result that the gap between fertility and mortality did not change substantially and that the population continued to grow at approximately the same pace. What then would be the population growth compared to the NRR series discussed above?

Table 2 shows the results of such projections based on the continuation of current fertility and mortality rates for the same selected countries. One of the previous series (NRR = 1.00 in 1990-95) is included for comparison. The startling fact here is that the figure that was reached around the year 2050 under the declining fertility assumption is now reached (assuming constant fertility) by the year 2010 or even sooner. In Indonesia, for example, the total population of 280 million reached in 2050 under the medium stationary-population hypothesis would be reached by the year 2010 if one assumes constant fertility and constant mortality. And by 2050, if one assumes constant fertility and mortality, the population of Indonesia would increase to nearly six times the 1970 figure, for a total population of over 600 million.

Of course, few people today will be greatly concerned over what could happen by the year 2050. The lesson to be learned from these figures, if any, is that one cannot afford to wait until 2050. Today may already be too late to begin to work toward some ideal goals and may leave just barely enough time to work toward some tolerable limits.

Specialists in various fields of study, such as the labor force and education, may be more concerned with the future development of population in certain functional age groups than with aggregate numbers. Tables 3 and 4 present implications for the labor force and school enrollment, respectively, of the population projections.

TABLE 2: COMPARATIVE POPULATION PROJECTIONS FOR SELECTED COUNTRIES, UNDER TWO FERTILITY ASSUMPTIONS, SELECTED YEARS, 1970 TO 2050

Country and fertility assumptions[1]	1970	1980	1990	2000	2010	2050
	Mil.	*Mil.*	*Mil.*	*Mil.*	*Mil.*	*Mil.*
Chile:						
Declining	10	12	15	16	18	22
Constant	10	13	16	20	26	69
Mexico:						
Declining	50	66	82	95	109	134
Constant	50	69	97	135	189	720
Ghana:						
Declining	9	11	13	15	17	22
Constant	9	11	14	18	23	63
Tunisia:						
Declining	5	6	8	9	10	13
Constant	5	7	9	12	16	55
Indonesia:						
Declining	120[2]	149[2]	178	202	229	280
Constant	118	147	182	226	280	666
Thailand:						
Declining	37	48	58	67	76	94
Constant	37	49	68	93	129	468
France[3]						
Declining	50	53	56	58	61	64
Constant	50	54	59	64	71	109

[1]Declining fertility refers to the series in which fertility begins to decline in 1970, until the NRR reaches 1.00 in the period 1990-95, and mortality also declines; see text and table 1. The constant fertility series given here holds mortality constant as well. [2]Figure lower than for declining series because in this series mortality held constant at 1960 level. [3]France is included as an example of how the population of a low-fertility country would change under the same hypothetical conditions.

Projections of the International Demographic Statistics Center, Population Division, U.S. Bureau of the Census.

TABLE 3: PROJECTED LABOR FORCE OF SELECTED COUNTRIES FOR TWO SERIES ASSUMING NRR REACHES 1.00, SELECTED YEARS 1970 TO 2020[1]

Country and year NRR = 1.00	1970	1980	1990	2000	2020
	Millions	*Millions*	*Millions*	*Millions*	*Millions*
Chile:					
1980-85	3.1	4.1	5.1	5.8	6.9
1990-95	3.1	4.1	5.2	6.3	7.7
Mexico:					
1980-85	15.9	22.6	30.9	36.1	44.7
1990-95	15.9	22.6	31.4	40.3	51.9
Ghana:					
1980-85	3.5	4.6	6.1	7.1	8.9
1990-95	3.5	4.6	6.2	7.9	10.2
Tunisia:					
1980-85	1.3	1.8	2.3	2.6	3.3
1990-95	1.3	1.8	2.3	2.9	3.8
Indonesia:					
1980-85	41.1	53.4	67.2	76.9	95.5
1990-95	41.1	53.4	68.2	84.1	107.8
Thailand:					
1980-85	18.6	25.5	34.6	39.8	49.1
1990-95	18.6	25.5	35.2	44.3	56.8
France:					
1980-85	21.6	22.7	24.7	25.5	26.9
1990-95	21.6	22.7	24.8	26.3	28.1

[1] Assuming constant labor force participation rates (economically active population as a percent of total population ages 15 to 64) as of the latest year available in the 1960's.

Labor force participation rates from *Year Book of Labour Statistics*, ILO, 1969. Population projections are estimates of the International Demographic Statistics Center, Bureau of the Census.

Projected labor force

Table 3 is based on the assumption that the total labor force will continue to account for the same proportion of the population between 15 and 64 years of age as it did during the 1960's. This proportion varies considerably among the countries shown, from less than 50 percent for Tunisia, where very few women work, to nearly 100 percent for Thailand, where the proportion of women reported as working is nearly as large as that for men. The labor force participation rates implied by the data in table 3 are as follows:

	Percent
Chile	57
Mexico	62
Ghana	77
Tunisia	48
Indonesia	62
Thailand	98
France	68

Even if fertility were to decline to the level of a two-child family by 1980-85, it would be some time before the reduced fertility level would have an appreciable effect on the growth of the labor force. In Mexico, for example, new jobs would have to be found for an additional 6.7 million persons between 1970 and 1980, 8.3 million between 1980 and 1990, and 5.2 million between 1990 and 2000 for a total of more than 20 million added jobs in 30 years.

In the more probable instance that fertility could not decline to the so-called replacement level at least until the period 1990-95, more than 24 million Mexicans would be added to the labor force by the year 2000 if participation rates remained unchanged. During the same 30-year period, new jobs would have to be found for 3.1 million Chileans, 4.4 million Ghanaians, 1.6 million Tunisians, 43.1 million Indonesians, and 25.6 million Thais, representing increases over the level of the 1970 labor force of from 100 percent to 154 percent. The 4.7 million

78-827 O - 72 - pt. 2 - 58

persons added under the same assumptions to the labor force of France, where fertility is already low, represents an increase of only 22 percent.

Projected school enrollment

In general, children begin to attend school at a younger age than they begin to work, so any change in the fertility level of a population will promote a change in school enrollment sooner than in the labor force. Table 4 gives examples of how school enrollment would increase under the medium NRR projection assumption (NRR = 1.00 in 1990-95) and under the constant fertility assumption. In each instance, it is also assumed that school enrollment rates would not change. Since these rates are still very low in some countries, and the percent enrolled would very probably increase above the initial rates, the projected enrollment may be considered a very minimum for the projection assumptions given.

Enrollment rates implied in the projections are as follows:

	Percent
Chile	61
Mexico	49
Ghana	57
Tunisia	51
Indonesia	38
Thailand	38
France	73

As table 4 shows, even if fertility were to decline to the so-called replacement level by 1990-95, additional classrooms would have to be built for at least 4.6 million Mexican children, 0.9 million Ghanaian children, 5 million Indonesian children, and so on, by the year 1990 even if there were no increase in the current proportion of children who attend

TABLE 4: PROJECTED SCHOOL ENROLLMENT OF SELECTED COUNTRIES UNDER TWO FERTILITY ASSUMPTIONS, SELECTED YEARS 1970 TO 2020[1]

Country and fertility assumption[2]	1970[3]	1980	1990	2000	2020
	Millions	*Millions*	*Millions*	*Millions*	*Millions*
Chile:					
Declining	2.1	2.6	2.8	2.7	2.8
Constant	2.1	2.6	3.4	4.3	7.0
Mexico:					
Declining	9.5	12.6	14.1	13.2	13.6
Constant	9.4	12.9	18.1	25.4	49.5
Ghana:					
Declining	1.8	2.4	2.7	2.5	2.6
Constant	1.8	2.3	2.9	3.8	6.2
Tunisia:					
Declining	1.0	1.2	1.3	1.3	1.3
Constant	1.0	1.2	1.7	2.4	4.2
Indonesia:					
Declining	17.6	20.2	22.7	21.7	22.1
Constant	17.5	19.5	24.8	30.9	47.4
Thailand:					
Declining	5.2	7.1	7.6	7.2	7.5
Constant	5.1	7.2	9.7	12.1	25.7
France:					
Declining	8.7	9.6	9.9	12.1	9.8
Constant	8.7	9.8	11.1	12.0	15.1

[1] Assuming constant rates of school enrollment (total enrollment at primary and secondary levels as a percent of total population ages 5 to 19) at 1965 level (for Indonesia, 1964). [2] Declining fertility refers to the series in which the NRR reaches 1.00 by the period 1990-95 and mortality also declines. The constant fertility series holds mortality constant as well. [3] Slight differences in the figures for 1970 may be explained by the early mortality decline in the "declining fertility" series.

School enrollment rates from UNESCO Statistical Yearbook, 1967. Population projections are estimates of the International Demographic Statistics Center, U.S. Bureau of the Census.

school. These figures represent enrollment increases (due to population growth only) of from 29 to 49 percent over 20 years for the various countries shown.

If fertility rates did not change at all during the projection period, the number of children attending school in these countries would increase by from 42 to 92 percent in only 20 years, even without an increase in the proportion of children enrolled.

Conclusions

The projections given here for a random selection of less developed countries have shown that even if fertility were to drop to very low levels in a short period of time, sizable population increases would still result before the population finally leveled off. To state it another way, if the people of a high-fertility country should desire that their population eventually stop growing, they would first drastically reduce their birth rates at least until the two-child family becomes the norm; then, some 60 years later—if the lowered fertility level is maintained without fail—their goal of a stationary population will be achieved, bearing in mind that the stationary population will still be at least twice as large as the initial population before fertility declined. If it happened that the time required to reach this replacement level was more than 10 to 15 years, then the ultimate stationary population of the country would be even larger.

COST-BENEFIT ANALYSIS OF POPULATION PROGRAMS

Mr. RIEGLE. Just one other thing and that is with respect to your yield by program. I am wondering if you have any index that would show the number of unwanted births prevented per dollar spent by program or by region. In other words, how do you make tradeoffs in terms of the dollar effectiveness of plugging portions of the money you get into one program or another?

Mr. RAVENHOLT. This is a matter we have devoted considerable energy and attention to during the last 5 years. We have a number of calculations. The agency had an exhaustive "Spring Review" of the population program 2 years ago, at which time we provided such calculations. The one thing I became aware of from trying to do this earlier was that the time frame in which one calculates inputs and outputs and births averted, has to be handled very carefully. One year is too short. Five years is more appropriate. We are sensitive to this and we are also sensitive to the fact that technology, which is a powerful determinant of program efficiency, is evolving very rapidly.

RESULTS OF POPULATION PROGRAMS

Mr. RIEGLE. What do you have available at this point in time that would express these relationships? Do you have anything for the record that would illustrate what results our unilateral or bilateral programs are achieving?

What we need is some way to boil down these illustrations and conclusions that we place some reliance on and use.

Mr. RAVENHOLT. We are doing this. I would draw your attention to these charts, showing the comparison of birth rates for Hong Kong and Taiwan for 1960, 1965, and 1970. These are age-specific fertility rates. It shows that in 1960 and 1961, the fertility pattern for Taiwan and Hong Kong is almost identical. By 1965 there is little change, with a decrease in fertility among older women in Taiwan. A likely main course for this age-specific change in fertility was the development of an IUD program in Taiwan, beginning in 1963. The IUD program emphasis has continued in Taiwan up to the present.

In Hong Kong, the pill became generally and fully available in the period 1966–68; and immediately therewith or at least thereafter fertility declined percipitously in Hong Kong. In Taiwan, where the program relied mainly upon IUD's, a considerable decrease in fertility among older women is apparent by 1970, but younger women have continued to reproduce at higher levels. In summary, the technological means of fertility control provided by a family planning program does made a considerable difference in the fertility pattern.

DOLLAR EFFECTIVENESS OF POPULATION ACTIVITIES

Mr. RIEGLE. Would you supply for the record any index which would give us some measure of dollar effectiveness or cost effectiveness program by program. I mean by major categories. This gets

very tough to measure because of the time period over which you look for results, and I am sure the problem is different from place to place.

Even if what you do end up with is a subjective scale of 1 to 10, with 10 being maximum performance per dollar spent, I would like to get some idea of what you think your relative yield is from one program to another.

However you want to express it, feel free to think about it. I think we have got to have some measure of that if we are going to really think with you about these programs.

Mr. RAVENHOLT. Happy to provide that.

(The information follows:)

FORMULATIONS/ANALYSES—DOLLAR EFFECTIVENESS

The Office of Population is in full accord with the committee that the development of reliable and useful cost-effectiveness measures is important for the proper allocation of program resources. When the AID population program began its rapid expansion in 1968, we recognized the almost total lack of data required for cost-effectiveness analysis. Consequently, we very early launched programs (a) to promote the collection of the needed data, and (b) to develop the analytical tools to estimate the comparative effectivness of alternative population programs.

With respect to the collection of data for cost-effectiveness analysis, the Office of Population is systematically supporting the following efforts:

A—We are assisting a wide range of efforts to collect reliable service statistics on family planning inputs and outputs—i.e., service statistics on program costs and number of acceptors served.

A research team from Pennsylvania State University completed an empirical study in June 1971 that has helped us sort out the cost and accounting problems involved in the evaluation of family planning activities that are financed as a part of national health programs.

Five current contracts, designed to support the development of effective evaluation of ongoing LDC family planning programs, are at the same time producing a greatly expanded flow of the service statistics needed for cost-effectiveness analysis.

The Office of Population is currently undertaking the computerization of its own program inputs of goods and personnel so that sophisticated cost-effectiveness analysis of the joint LDC–AID efforts will be possible at some future date.

B—We are supporting extensive efforts to gather measurements of fertility rates in those countries where these data are currently unreliable or nonexistent.

Through the Bureau of the Census we have been providing technical backup for demographic measurement efforts in many countries of the world. In particular, we are supplying extensive support to the U.N.-sponsored African census program that is now underway.

We have committed substantial resources to support the ambitious world fertility survey that will get underway within the next few months.

C—With the cooperation of the Bureau of the Census, we have accumulated a substantial collection of family planning service statistics and related demographic measurements. This data collection has as a primary purpose the task of assisting the Office of Population in carrying out needed cost-effectiveness analysis. The Office of Population has been proceeding at the same time to develop the analytical framework to develop reliable cost-effectiveness methodology.

During the spring review of AID's population assistance programs in May 1970, an initial effort was undertaken to estimate costs-per-birth-averted and other measures of program effectiveness. Severe data limitations restricted that effort to highly aggregated and tentative conclusions. Our estimates along these lines were recently brought up to date—see appendix A.

We are currently considering more sophisticated forms of cost-effectiveness analysis that will utilize the improved data that is now becoming available.

Cost-benefit analysis. — Analysis of specific family planning programs that receive assistance is a primary responsibility of A.I.D. Under a contract with A.I.D. a model has been developed at Pennsylvania State University to measure the performance of family planning programs on a cost-effectiveness basis, and much relevant data has been collected. A.I.D. broadened the analysis to include more input and output measures and programmed the model for computer execution. Four of the more interesting series generated by it are shown in the table below.

This model is designed to compare total programs, both over time and between countries, although it may also be used at the subnational level. It shows the general level of program success and points to areas that need further inquiry. The model has been considerably simplified because much desirable data are not available or are of questionable quality. The model does not take account of differences between the total population and program acceptors with respect to prior contraception, time since last birth, and differential fertility and sterility for other causes not related to the program.

Work is now progressing to eliminate some of the simplifying assumptions and to permit projections of input needs to reach specific demographic goals.

SELECTED MEASURES OF FAMILY PLANNING PROGRAM PERFORMANCE

Country	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970
					–Equivalent dollar expenditure per eligible couple–					
Coverage:										
Chile	---	---	---	0.17	0.31	0.79	0.75	1.22	---	---
India	0.04	0.07	0.07	.12	.22	.23	.43	.47	---	---
Korea	---	.10	.17	.32	.39	.70	.73	1.00	---	---
Malaysia	---	---	---	---	---	---	.41	.56	.64	---
Pakistan	---	---	---	---	---	.35	.56	.76	---	---
Taiwan	---	---	---	.09	.33	.29	.33	.42	.44	---
Tunisia	---	---	---	---	---	---	---	1.13	---	---
					–Percent of eligible couples contracepting via the program at end of year–					
Acceptance:										
Chile	---	---	---	1.2	4.6	7.2	8.8	12.7	---	---
India	0.4	0.5	1.1	1.6	3.0	4.4	6.3	8.1	---	---
Korea	---	.1	.7	8.1	13.2	18.8	20.4	20.1	23.0	---
Malaysia	---	---	---	---	---	---	.9	4.3	7.0	---
Pakistan	---	---	---	---	---	2.8	7.9	14.0	17.8	---
Taiwan	---	---	---	2.3	6.2	8.9	11.4	13.1	14.0	---
Tunisia	---	---	---	.3	1.8	3.1	3.4	3.9	5.0	---
					–Births averted as percent of births expected in absence of program–					
Effectiveness:										
Chile	---	---	---	---	1.3	5.2	8.1	9.8	14.0	---
India	0.2	0.4	0.5	1.0	1.5	2.8	4.1	5.9	7.5	---
Korea	---	---	.1	.6	6.2	10.5	15.2	16.2	15.7	18.1
Malaysia	---	---	---	---	---	---	---	.9	4.4	7.2
Pakistan	---	---	---	---	---	---	2.3	6.5	11.6	14.9
Taiwan	---	---	---	---	1.9	4.9	6.8	8.6	9.5	9.9
Tunisia	---	---	---	---	.3	1.9	3.2	3.5	4.0	5.1
					–Equivalent dollar expenditure per birth averted–					
Cost-effectiveness:										
Chile	---	---	---	13.99	11.03	19.08	14.30	17.76	---	---
India	11.54	16.35	10.94	12.26	10.88	8.01	8.67	10.60	---	---
Korea	---	47.43	13.90	7.79	7.66	9.36	11.70	19.57	---	---
Malaysia	---	---	---	---	---	---	113.84	33.20	32.99	---
Pakistan	---	---	---	---	---	28.67	16.62	10.68	---	---
Taiwan	---	---	---	10.04	17.30	13.76	14.07	17.20	17.81	---
Tunisia	---	---	---	---	---	---	---	58.63	---	---

Mr. HATHAWAY. Thank you very much, ladies and gentlemen. We will adjourn subject to the call of the Chair.

MONDAY, MAY 15, 1972.

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
EDWARD B. HOGAN, ACTING DEPUTY ASSISTANT ADMINISTRATOR, BUREAU FOR AFRICA, AGENCY FOR INTERNATIONAL DEVELOPMENT
GEORGE R. KENNEY, DIRECTOR, ECONOMIC POLICY STAFF, BUREAU OF AFRICAN AFFAIRS, DEPARTMENT OF STATE
EDWARD I. DONOGHUE, ACTING DIRECTOR, OFFICE OF DEVELOPMENT PLANNING, BUREAU FOR AFRICA, AGENCY FOR INTERNATIONAL DEVELOPMENT
JAMES L. GOVAN, CHIEF, PROGRAM OPERATIONS DIVISION, OFFICE OF DEVELOPMENT PLANNING, BUREAU FOR AFRICA, AGENCY FOR INTERNATIONAL DEVELOPMENT
ALLAN R. FURMAN, DEPUTY DIRECTOR, LEGISLATIVE PROGRAMS COORDINATION STAFF, OFFICE OF LEGISLATIVE AFFAIRS, AGENCY FOR INTERNATIONAL DEVELOPMENT

Mr. PASSMAN. The committee will come to order.

We shall continue our examination of the budget requests for foreign aid and assistance for fiscal year 1973.

This afternoon we will take up the budget request for the Africa area. We have as witnesses the Honorable Samuel C. Adams, Jr., Assistant Administrator, Bureau for Africa, AID, also the Honorable David D. Newsom, Assistant Secretary, Bureau of African Affairs of the Department of State, and other supporting witnesses whose names will be spread upon the record.

I would assume, Dr. Adams and Mr. Secretary, that you have statements you would like to make to the committee. We shall be pleased to hear from you at this time.

GENERAL STATEMENT OF THE ASSISTANT ADMINISTRATOR, BUREAU OF AFRICAN AFFAIRS

Mr. ADAMS. Yes, Mr. Chairman.

Mr. Chairman and distinguished members of the subcommittee, this is my third 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.

You are all aware that Africa is the poorest of the developing regions of the world. Of the 25 countries that have been identified by the United Nations as least developed, 16 of them are in Africa and several other African countries are just barely above the least developed level.

Per capita income in almost half of the African countries is less than $100 per year.

The overwhelming number of African families exist on subsistence farming and receive little or no benefits from the cash economy.

Less than one-third of the primary schoolage children are being educated and only one-tenth of those who complete primary school can find places in secondary schools.

There is only one physician for over 70,000 persons and over one-fourth of Africa's children die before they reach the age of 5.

Despite the high death rate, population growth rates average 2.5 percent per year with a range from 1.2 percent in Gabon to 3.4 percent in Kenya.

Urban populations are increasing at a rate 2 to 4 times greater than national population growth as rural people seek better education and health facilities and employment opportunities in the cities despite a continued growth in urban unemployment.

Transport systems remain woefully inadequate with most Africans still living more than a day's walk from the nearest road, and the internal transportation charges are so inordinately high as to severely handicap the redistribution of food stuffs within countries when scarcities arise in particular provinces. Freight charges at times may add up to 30 percent of cost of goods and material.

These stark facts are illustrative of the conditions in Africa which limit the opportunities of the ordinary citizen to improve the quality of his life. Their problems become more difficult as technological changes, and the productivity of the more advanced nations widen the gap between the richer and poorer nations of the world.

The United States has a real interest in reducing poverty by helping the less developed countries to help themselves develop economically and socially. Many Americans are especially concerned with the over 300 million African people. We share with all Africans their desire for the dignity of full participation in their own societies and their desire to become a prosperous and viable part of the world community. Our continued national well being, as well as the economic health of other Free World nations, will be affected by progress of African development. In concert with other donors, we must do our part to help Africans address basic problems in food production, employment, health and family planning; transform educational systems to meet the requirements of rapidly changing societies; and develop infrastructure which assists these people to share in the fruits of their development. With the help of other developed countries, we must help seek solutions to these problems, for if we do not help now, in 10 years the work of redressing these same problems will increase tremendously and much of the population of Africa will have endured needless suffering. Their opportunity for effectiveness, as partners with us, in trade, investment, as well as other areas of international cooperation will not materialize.

To enable the United States to share equitably in helping Africa address these problems, we are proposing development assistance for fiscal year 1973 totaling $173.2 million—$100 million for loans, $62.7 million for technical assistance and $10.5 million for population programs.

In last year's presentation to the committee, I stressed our decision to concentrate our assistance on a limited number of primary development problems with emphasis on the agriculture sector. The reason

for emphasizing agriculture is simple but compelling. Nearly 80 percent of the people make their livelihood in agriculture.

Improving the quality of life for the majority of ordinary Africans within the foreseeable future, then, is dependent upon increasing agricultural output and incomes. In this way, the standard of living of small farmers will be increased and higher levels of domestic resources will be generated to support sustained development. Last year, I also stated we would concentrate particularly on cereals and livestock production.

Again our major reasons for this concentration are simple and compelling:

The basic food crops consumed by Africans are cereals and livestock products.

Production of cereal and livestock products has not keep pace with increases in population and demand.

The U.S. agricultural community has clearly demonstrated a superior competence in these fields of agriculture.

We have substantially increased assistanse to African programs designed to expand the production of cereals and livestock. In fiscal year 1971 only 18 percent of our technical and capital assistance was provided to the agriculture sector. In fiscal year 1972 just over 31 percent of our program is in agriculture and we plan to reach 35 percent in fiscal year 1973.

Continued technical and capital assistance has made possible considerable progress in attacking agricultural 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 foodgrain production. In the regional program, projects are focused on research and oriented toward improving the quantity and quality of food for Africans. Under the International Institute of Tropical Agriculture project (IITA) assisted by AID, as well as American foundations, research on cereals and grain legumes is being undertaken. This project also provides training of African scientists and assist national governments in applying research results. We are also planning assistance to an international research network to assist Africans modernize livestock production and disease control. 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 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. In Kenya, for example, our assistance to a developing rural area will encompass a broad spectrum of activities ranging

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 we are expanding our programs of assistance to regional country groupings for the cooperative development of livestock production and grain stabilization. In these programs we provide the appropriate mixes of technical, capital and Public Law 480 assistance, in cooperation with other donors, which are necessary to address the full range of production, marketing, and distribution problems. For example, in the entente states our assistance has supported the development of a livestock community of five States with common animal health, customs, and other important regulations. This community is now organizing and directing the concentration of capital facilities and the introduction of improved production and marketing techniques. In the Senegal River States we are using technical, capital and Public Law 480 resources to develop integrated storage, marketing, and production systems. These activities will not only increase output, but help reduce the wide annual fluctuation in grain stocks which reduce farmer incomes and also increase the price of basic foodstuffs to consumers. In total, we will be assisting six activities of this type in West Africa.

In southern Africa we will support major agricultural development activities. In Swaziland, in cooperation with the United Kingdom, we are providing technical and capital assistance to a large agricultural production project which will improve highly productive crops and livestock land to benefit the small farmers. In Lesotho, where soil erosion is a major problem, we will use the highly developed American expertise in soil conservation to introduce conservation practices in a comprehensive agriculture production project which is to receive major capital assistance from the World Bank.

Most of the assistance which we provide in addition to our agricultural programs is concentrated in transportation, population/public health, and education/training. Our interest in the transport sector is largely focused on the development and maintenance of a system of road, rail, and water routes which service the growth of trade, especially in agriculture, throughout Africa. There are still significant gaps in the transport network, not only within particular States but across the borders linking neighboring countries. For example, in Ethiopia we will provide assistance for the construction of rural roads which will provide access to markets for farmers participating in the minimum package agricultural development activities being supported by AID and other donors. In Gabon we will participate in a major multilaterally financed railroad project to open up to world markets the immense forest resources of the country. We shall also continue our assistance to many small countries of West Africa in road maintenance through the regional rural road maintenance training project. We plan to allocate about 18 percent of our assistance program to the transport sector.

In much of Africa, educational institutions still reflect the colonial, classical approach to education. As a result, they inadequately address development requirements for the 1970's. We are, therefore, assisting a number of countries to modernize curriculums and, most

importantly, are working with them to introduce new educational techniques, especially in the areas of science and mathematics. During the 1960's large investments were made in formal education institutions and we assisted in the creation or development of about 40 postsecondary and higher level institutions. However, requirements are now shifting from institution building into projects that address the quality of education. Nearly 12 percent of our program will be used for education activities.

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, Nigeria, Kenya, and Ethiopia, we are undertaking skills training programs patterned after the opportunities industrialization center's program in the United States. These projects are designed to help train the large number of rural and urban unemployed. We are also assisting in developing institutions which provide basic middle level manpower training.

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 Arficans. We have projects—in Botswana, Lesotho, Swaziland, Ghana, 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 advisers and those of other countries as quickly as possible with their own trained people.

Population and public health activities will receive about 10 percent of the assistance AID is providing to Africa. Under the malaria control program in Ethiopia, which is related to opening up new agricultural areas, we will provide additional loan assistance. In West Africa, we will help with the development of a low cost health delivery system. A new activity in West Africa will build on the results of the highly successful smallpox/measles program in this area for which financing was completed this year.

In fiscal year 1973, we will concentrate our attention on improving health activities which address endemic diseases and maternal/child care programs 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. In Central Africa, we are financing in cooperation with other donors a major regional project which will provide assistance within the context of a comprehensive maternal/child health and preventive disease program.

Although Africa, with help, 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 in-

creases 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 has been 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 Fund for Population and the United Nations Economic Commission for Africa, we will offer demographic training for officials of African governments and will assist them to conduct demographic surveys and to analyze data.

In conclusion, I would like to touch briefly on the importance of AID cooperation with other donors to our programs in Africa. The total assistance which we will provide to Africa is a small but vital portion of the external resources African countries must receive if they are to achieve an acceptable level of development. The amount we are requesting in fiscal year 1973 represents less than 8 percent of the external assistance which is expected to go to Africa. For this assistance to be most effective our programs must be and are closely coordinated with the assistance programs of other donors.

About two-thirds of AID's funds for Africa are provided within the framework of consultative groups for Morocco, Tunisia, Ghana, Zaire, Nigeria, Ethiopia, and the East African states of Kenya, Uganda, and Tanzania. During the coming year, we will participate in the two first donor group meetings formed to provide assistance on a sector rather than a country basis. The meetings will address assistance requirements for the transport sector in Central Africa and for the livestock sector in Africa south of the Sahara.

The remainder of our assistance is provided through subregional assistance activities usually undertaken jointly with France, Great Britain, the World Bank, the European Development Fund and other donors. Examples of cooperation with other donors on specific projects include the Ethiopian minimum package agricultural project in cooperation with the World Bank, the Entente livestock project in cooperation with the French, the Yaounde population project in cooperation with the U.N., the European Economic Community, Canada and France, the Swaziland rural development project in cooperation with Great Britain and many others. These examples indicate the way in which the United States has been able to support flows of resources from other areas into the major sector of emphasis which we and the Africans see as fundamental for development in the 1970's. Through frequent consultation with other donors we plan to increase joint participation in African development activities as a method for assuring that sufficient resources are available to overcome the critical bottlenecks to development which the Africans and we will be addressing during the coming fiscal year.

Mr. PASSMAN. Thank you, Mr. Adams. Now we will have Mr. Newsom's statement.

STATEMENT OF ASSISTANT SECRETARY, BUREAU OF AFRICAN AFFAIRS

Mr. NEWSOM. Mr. Chairman and members of the committee, I am grateful for the opportunity to appear again before this committee to support the administration's request for economic assistance programs in Africa. I have just returned from the second of two extensive trips to Africa this spring which brought me into contact with many leaders of African nations and with our ambassadors. By this time, Mr. Chairman, I have visited all but two countries in Africa at least once and most of them twice or more. I also meet frequently with African leaders when they come to Washington. My recent trips have served to reinforce the views which I expressed to this committee last year.

AFRICAN PRIORITIES

There is no question in my mind that the highest priority of almost every African government is economic development. While many African governments also devote considerable attention and energy to other questions, these governments still give absolute priority to the economic progress of their own populations. And they already have some solid and impressive achievements to their credit in the development of their resources.

Developing countries in Africa still face, however, immense problems of creating a better life for their people. The President in his foreign policy message to Congress in February referred to these problems. Even the most diligent African governments are unable to keep up with the growth of demands for progress. They lack the financial resources and the trained manpower to accomplish these tasks by themselves. They are hampered in addition by narrow-based economies which do not provide the foreign exchange earnings or domestic resources that would enable them to develop at a more rapid pace.

U.S. RESPONSE

Given the priority which Africans place on development, participation by the United States in the process of stimulating and supporting economic growth is a response valued by the Africans out of proportion to the size of our contribution.

Our ability to respond in a timely, appropriate, and effective manner to meet critical development needs in Africa is due in no small part to the support which you, Mr. Chairman and members of this committee, have given, particularly during the past year, to preserve the thrust of our bilateral development effort.

The U.S. Government has come late to the African scene. We do not have the resources to do the job alone. Consequently cooperation with other donors is essential, and AID is also doing all it can to stimulate the interest of other donors in concentration on the major developmental tasks.

THE PRIVATE SECTOR

The private sector takes on increasing importance under these circumstances, but opportunities for private investment often depend on manpower training, and on the creation of adequate infrastructure in roads, communications, power, sewerage, and public health services.

Often the contribution which AID makes in these areas helps create a climate in which private interests can maximize their opportunities.

More and more private investors are looking to Africa with the help of the Departments of State and Commerce, the Export-Import Bank, and the Overseas Private Investment Corp. Close cooperation between Government and business is important to the success of these ventures. It will also help to increase the resources available for African development and incidentally help to establish an American presence in areas where we are faced with tough, well-entrenched competition.

The conditions for private investment in most of Africa are quite favorable for American investment, which is growing rather rapidly as is our trade with the continent. But what counts in the long run is the ability of these countries to sustain themselves and to grow. The importance of Africa as a market will grow concomitantly.

The developing countries of Africa already offer a growing market; their imports from all sources almost doubled in the 1960's—from $7.5 to $14.1 billion. The U.S. share in this market increased from 9 to 12 percent in this period. The United States enjoys a large and growing favorable trade balance with Africa. Compared with $340 million in 1960, in 1971 the United States exported $985 million to developing countries in Africa (excluding the United Arab Republic). U.S. imports from these countries increased at a somewhat slower pace—from $392 to $925 million. Capital equipment and food grains are important components of our exports. Coffee and coca beans accounted for half of our 1971 imports from Africa; crude petroleum another 17 percent and such raw materials as rubber, manganese, and copper comprised 11 percent.

On the practical side our economic assistance carries with it some commercial advantages. It helps to introduce U.S. goods and techniques in areas where the technology and supply system is dominated by others and competition is very difficult. As you know, practically all of the commodity purchases made by AID are from U.S. sources. It has been my observation that Africans also seek to obtain American expertise especially in those areas where our technology advancement is notable.

EXAMPLES OF AID ACTIVITIES

In Africa our economic cooperation involves Americans working with Africans toward some clearly defined objective such as training, construction, or an analysis of a development problem. This daily experience of working together is an important but oft overlooked factor of our assistance.

In fiscal year 1972 AID continued to provide a limited amount of grant funds to the self-help and development fund. In fiscal year 1972 we carried on these activities in 25 countries in Africa. The program provides additional resources to small self-help projects supported by local governments or private organizations. Though the amount of funding averaged only $65,000 per country in fiscal year 1972, we have been able to assist in the completion of a number of socially and economically beneficial projects in some of the most needy areas of the least developed countries. These projects have clearly demonstrated America's concern for the betterment of the daily life of the little man

at the village level in Africa. I have seen at first hand the dramatic results of these efforts.

Substantial American assistance to the Republic of Zaire (formerly the Democratic Republic of the Congo) during the stormy first decade of its independence was a major element in the restoration of stability and the maintenance of national unity. Conditions exist now in Zaire for an effective economic development effort. Partly as a result of the restoration of stability, American business also is beginning to invest in and thereby to contribute to growth and development in Zaire.

In West Africa, AID has funded the building and equipping of a training project to prepare Africans for various road maintenance tasks. This vital activity is being conducted at a regional center in Togo where trainees from 11 countries are learning together.

COMMUNIST ASSISTANCE

We have announced as a policy that we do not wish to continue the cold war in Africa. We welcome the constructive provision of economic resources by the Communist powers. We are no longer lured to respond to appeals from African countries by the fact or threat of Communist aid. We are more convinced than we were earlier of the African nations' ability to preserve their independence. There is less evidence than we expected some years ago to suggest that Communist political infiltration necessarily accompanies economic aid. The Communist countries, too, have their legitimate motivations for giving aid: promotion of exports and technology, securing of foreign exchange, prestige.

Nonetheless, the figure of $2 billion offered by the Soviets, Eastern Europe and the Chinese Peoples Republic in economic assistance to Africa over the past 10 years is impressive by comparison with our own. It is impressive to African nations which, for ideological reasons, have turned to us, with apparently lesser results. In assessing what we should do in a continent where we have ties and interests, we cannot ignore the effect of the efforts being made by the Soviet Union and China.

LEVEL OF AID PROGRAM

The proposed fiscal year 1973 AID development assistance program for Africa totals $173.5 million including $100 million for Development Lending and $63 million for technical assistance. We are also requesting $10.5 million for population programs. The program of $173.5 million in development assistance is an increase of $10 million over the estimated level for Africa in the current fiscal year. This assistance is closely coordinated with that provided under Public Law 480 and by the Peace Corps.

We talk a lot about burden-sharing. In Africa it is clear that the United States is bearing an important but minor share. In recent years the U.S. share (including AID, Public Law 480, long-term Export-Import Bank transactions and Peace Corps) has been about 21 percent. In 1971, however, it declined to 17 percent.

Africans want our economic assistance to help cover the gaps in their own development resources. They want our bilateral aid for political as well as economic reasons, in order to demonstrate their ex-

panded relations with the world and because of their desire to avoid total dependence on former metropolis.

They also want multilateral assistance which has been increasing rather rapidly in Africa the last few years and may continue its current trend for a while. American firms and technicians participate actively in projects financed by the World Bank Group and by the United Nations. African governments understand the magnitude and nature of our contribution to the success of these institutions. They appreciate the increasingly significant role which these organizations are playing not only in direct financing operations but also in the process of consultation and coordination of bilateral assistance. There are, for example, nine world bank consultative groups engaged in the African sphere. In addition to the country-oriented consultations, the Bank is now beginning to examine assistance problems on a sector basis and will sponsor a donor meeting on transportation problems in Central Africa. This fits in well with the new direction in which AID is moving.

AFRICAN DEVELOPMENT BANK

In the past year considerable progress has been made toward establishment of a Special Fund in the African Development Bank. Acceptance of Fund Statutes by the Bank's Board of Governors is expected in July with Fund operations to begin in 1973. About 15 outside donor countries are expected to contribute over $100 million to the Fund during the next 3 years.

We have made no commitment of funds, but we have participated actively in drafting the fund statutes. Our view in the Department is that the United States should contribute $15 million over 3 years commencing in fiscal year 1974, equal to the Canadian contribution. Before that time Treasury will be consulting with the committee on this matter. Meanwhile AID has been providing grant technical assistance to the Bank for its normal operations. With AID's help the Bank has been able to go ahead with an efficient loan program. So far the Bank has made 24 loans in 17 countries for $40.5 million on relatively hard terms. All of this capital is from the African countries themselves. The special fund will enable a transfer of resources on terms more appropriate for the poorer countries served by the Bank.

THE LEAST DEVELOPED

Africa may be looked at in two ways. It can be considered as part of the whole world of developing countries with which it shares many problems of underdevelopment. However, we find it necessary to set Africa apart for several reasons, primarily because the area contains most of the poorest lands in the world. As Dr. Hannah said to you in his opening statement of April 25:

> As we move toward new approaches in our economic assistance programs, we will pay special attention to the problems and requirements of the least developed countries. In these countries—most of which are in Africa—the basis for building effective development programs is either nonexistent or only beginning to emerge. In the future we plan to devote increased attention to the special needs of these countries.

The difficulty of servicing growing debt makes necessary the provision of loan assistance on concessional terms at least as favorable as

those which AID provides. Continuing technical assistance is of vital importance to fill the need for trained manpower. These are the best ways of transferring development resources to Africa's poorest on a government-to-government basis.

CONCLUSIONS

We should not delude ourselves, Mr. Chairman, about the extent of influence that can be gained through assistance programs. The African countries are determined to maintain their independence both with respect to Western and Eastern influences. The variety of regimes to which we provide assistance exemplifies the support we are giving to economic growth, apart from any emotional or other attachments to ideological considerations. Nevertheless, our participation in African development is deeply appreciated on that continent and has helped to preserve pro-Western or nonalined positions in almost every African country.

Mr. Chairman, there is an urgent need for America to continue its assistance to developing countries in Africa. Most of the least developed countries in the world are located there. Our African-American population provides a special justification for us to give our support to African governments and peoples. The Africans want our cooperation and assistance. We cannot hope to meet all their requests but we should continue to respond as effectively as our circumstances permit.

Thank you, Mr. Chairman.

JUSTIFICATION MATERIAL

Mr. PASSMAN. Thank you for your statements. We will insert certain justifications in the record at this point.

(The material follows:)

78-827 O - 72 - pt. 2 - 59

PROGRAM SUMMARY
(In millions of dollars)

FISCAL YEAR	Total	Agricultural & Rural Development	Population & Health	Education & Manpower Training	Industry, Transportation & Urban Dev.	Non-Project Loans	Program Development & Support
1971							
Devel. Loans	91.8	14.5	9.0 1/	3.7	28.6	36.0	-
Tech. Assist.	58.1	17.1	3.5	17.4	6.0	-	14.1
Population	7.8	-	7.8 2/	-	-	-	-
Other	18.4	-	-	.2	-	15.0	3.2
Total	176.1	31.6	20.3	21.3	34.6	51.0	17.3
1972							
Devel. Loans	93.4	36.0	-	-	36.4	21.0	-
Tech. Assist.	55.3	15.1	3.2	20.1	2.1	-	14.8
Population	10.7	-	10.7	-	-	-	-
Other	3.7	-	-	3.7	-	-	-
Total	163.1	51.1	13.9	23.8	38.5	21.0	14.8
1973							
Devel. Loans	100.0	41.0	3.0	-	26.0	30.0	-
Tech. Assist.	62.7	19.2	3.4	20.0	4.7	-	15.4
Population	10.5	-	10.5	-	-	-	-
Other	-	-	-	-	-	-	-
Total	173.2	60.2	16.9	20.0	30.7	30.0	15.4

1/ Excludes population grant programs.
2/ Funded from development loan funds.

INTRODUCTION

Development assistance in Africa must face the question of how best to help the continent's 300 million people as they attempt to meet the challenges of this decade. The African nations have made great strides in the years since independence, but the gap in the 1960's between their well-being and stage of development and that of the developed world has widened.

At the time of independence, many African countries started their quest for development with the fewest schools, the least modern agricultural base, and the virtual absence of basic infrastructure. In the past decade, these countries have given high priority to development requirements. They have adopted long-range development plans and combined resources through cooperative regional programs. However, most African countries still must struggle to achieve their potential as prosperous, modern societies in the international community.

Most of the world's least developed nations are still to be found in Africa. Although the annual GNP growth rate exceeds 5% in some countries, this progress is substantially reduced by high population growth rates. Sustained movement toward a better and more productive life for the African people will occur only if adequate resources are focused on the priority restraints on development. Although some countries have made important progress in their efforts and not all are at the same stage of development, they all still share in varying degree problems that are far-reaching and serious.

Many African countries have already identified major obstacles to their growth. They have directed their energies to overcoming them with the help of external aid from many sources. A.I.D., in an effort to maximize the benefits of its assistance, has focused on critical problems or sectors of development which pose restraints faced by much of the continent. A.I.D. is increasingly narrowing its scope of activity to work on problems which the United States has a capacity to address and which African countries have identified as important.

In agriculture, almost 80% of Africans are engaged in subsistence farming. Their low level of productivity means meager incomes for their families and severely limits the resources which can be mobilized by governments to support development. Millions of farmers must be transformed into effective commercial producers, a task requiring modern agricultural institutional base. Universities, governmental agencies, farmers' organizations, and agro-industries must be developed and expanded. Agricultural services -- credit and marketing systems, extension services, veterinary and crop research, and training -- must be expanded. Agricultural infrastructure -- irrigation, rural roads, and storage facilities -- must be constructed. As a contribution to this critical effort, in FY 1973, A.I.D. plans $60 million to

help Africans in the agriculture sector. This assistance will concentrate on livestock and food grain production, research, training technicians, and developing infrastructure.

In education, the basic problems require assistance for expanding education opportunities for all Africans, improving the quality and kind of education available, and relieving the critical shortage of trained manpower. In most African countries, less than a third of school age children are in school. The lack of technical and professional manpower in universities, ministries, and the private sector restrains achievement of greater development momentum. The need for expanding the institutional base continues, but in the 1970s the focus of aid must be on training Africans to staff and manage their institutions. Until then, foreign personnel continue to be needed to help carry-on development programs. Another problem is that job and daily living requirements of many people cannot be met through traditional approaches in education. More effort is needed to design and develop educational techniques which are more relevant to Africans at economic costs they can bear. To help address these problems, in FY 1973 A.I.D. plans $19 million to support education and manpower training programs principally through academic and training programs in the United States and Africa, and by providing technical and professional operating personnel to fill existing manpower gaps.

In the transportation sector, many countries' lack of infrastructure severely retards growth of their economies. Rural road links to stimulate agricultural trade and marketing are badly needed. River and rail facilities must be built to accelerate the pace of economic activity within countries and major regional areas, and to create new opportunities for exploiting resources which are inaccessible. As part of a multilateral effort to remove these restraints to development, in FY 1973 A.I.D. proposes to provide $26 million to expand transport facilities and services.

Expansion of health facilities and services responds to a major social and development need. The vast majority of rural Africans have practically no access to modern health care. While major campaigns to eradicate diseases like smallpox have been successful, little has been done to provide preventive health care services and education in the most rural areas. The pressure of rapid population growth rates intensifies the need for health services and also adverseley affects problems of urban migration, education, and employment. There is a growing awareness of the population problem and the need to know more about demographic factors in development. In particular, there is increased receptivity to maternal and child health care programs and a related interest in family planning information. In FY 1973 A.I.D. plans $16.9 million for population and health projects, most of it to support maternal and child health programs and the creation of rural health services.

To avoid further widening of the gap between Africa and the developed world considerable external resources will need to be devoted to major problem areas to support African efforts to develop higher incomes, more effective educational systems, more jobs and improved social services. Lack of progress in overcoming these problems, along with continuing proverty and increased frustration, can only lead to social and political unrest.

THE FY 1973 PROGRAM

In FY 1973 A.I.D. proposes $173.2 million for development loans, technical assistance and population grants to support African development programs. A.I.D. assistance is a relatively small part of a growing international aid effort. While about half of the total annual aid flow from all sources to Africa is provided by individual bilateral donors, the major international institutions, such as the World Bank, now occupy the predominant role. The importance of the European Economic Community, already important in Francophone Africa, will be extended by the United Kingdom's entry into the Common Market. UNDP participation in aid coordination is growing as a result of its new country programming approach. A number of UNDP country programs have been submitted and are under UN review. In FY 1971 the total aid to Africa, bilateral and multilateral, exclusive of Communist aid, was nearly $2 billion.

In order to utilize the flow of external aid resources effectively, the recipient African nations have developed a variety of cooperative mechanisms. Increasingly, they have recognized the need for well defined development plans to identify their priority requirements for external aid and as a basis for communicating with multi-donor groups. The smaller countries, many of which have few resources, have founded regional organizations to support collaborative approaches to problems. Cooperative institutions such as the African Development Bank, the Association of African Universities, and the West Africa Rice Development Association have emerged as important mechanisms for applying external aid to multi-nation programs.

The Consultative Groups are especially important mechanisms for aid coordination. The United States participation in World-Bank led Consultative Groups in nine countries: Ethiopia, Ghana, Morocco, Nigeria, Tunisia, Zaire, and the East Africa Community States of Kenya, Tanzania and Uganda. These Consultative Groups meet regularly, foster continuing coordination among donors, and provide a multi-donor forum in which recipient countries present their development plans and priorities. Consultative Groups are also being organized functionally and geographically for other African countries, e.g. transport for Central Africa and livestock development for Africa in the region south of the Sahara. In addition to participating in these Consultative Groups, A.I.D. meets with other international donors and cooperative countries and with African regional organizations to develop programs, for example, on livestock development, cereals production, university training, and transportation.

AGRICULTURE AND RURAL DEVELOPMENT

As Africa faces the future, with a growing population, burgeoning urban centers, and limited resources in many areas, agricultural productivity must be increased. Although no critical food shortages exist today, except in some areas of Central West Africa, growth in the agriculture sector is below potential levels. If daily life is to be improved for the vast majority of Africans greater agricultural productivity must be stimulated. Increased productivity will mean more and better food, more jobs in agriculture and related industry, and more revenue for the economies.

While major problems exist in this sector, the capacity for increased production is developing. Over the last decade, new strains of food crops have been introduced, including wheat in North Africa, rice in West Africa and corn in East Africa. The institutional base for research and educational programs has expanded. A new international agriculture research institution, located in Nigeria, will link to an emerging world-wide research network. Programs to provide support to the farmers -- seed multiplication, credit, irrigation -- are underway. Livestock development schemes including regional agreements on pricing, marketing, health and customs administration are being initiated. Countries like Kenya and Ethiopia are starting broad rural development programs which include transport, health, and education services, in order to enhance rural life, reduce the flow of people to urban areas, and stimulate increased productivity.

During FY 1973 A.I.D. assistance will continue to focus on the major problems in the area of livestock and food crop production:

(1) elimination of bottlenecks to increased production in order to increase farmer and governmental income,

(2) expansion of research in tropical agriculture, adaptation of new seeds and prevention of animal diseases,

(3) continued support for development of training institutions and trained personnel to manage and staff programs.

Livestock - One of Africa's greatest assets is its livestock but quality is poor and the supply does not meet demand. Problems of disease, shortages of feed and water, lack of adequate marketing methods and inadequate management capacity inhibit the realization of Africa's full potential for livestock production. Increased production means increased consumption levels for Africans and increased revenue from meat and meat products exports.

AFRICA

A.I.D. is assisting major livestock production programs in countries of Central West Africa and Eastern Africa and more limited programs in North and Southern Africa. Our technical and capital assistance supports integrated programs which address the broad range of problems hindering increased production.

In Central West Africa, we are assisting the Entente Council (Ivory Coast, Dahomey, Niger, Upper Volta, Togo) through its Livestock Community to develop international agreements and regional marketing facilities to promote livestock production. The Community will seek common arrangements on pricing, customs, health, and other standards. Some initial agreements have already been reached. A.I.D. will be assisting a similar regional effort involving the Lake Chad Basin Commission. The promotion of these cooperative efforts should help improve farmer earnings in this major livestock belt of Africa while meeting the growing demand for meat and meat products in the coastal areas of West Africa.

In East Africa, A.I.D. is continuing support for projects in Kenya, Tanzania, Uganda and Ethiopia to stimulate improved range management, disease control, and marketing mechanisms. In Uganda a comprehensive program to upgrade the livestock industry is underway to help diversify the agricultural economy. Progress has been achieved in clearing grazing land from diseases carried by the tsetse-fly, and increasing the quantity of livestock and the production of milk and beef. In FY 1972 A.I.D. authorized a $3 million loan to expand livestock ranches infrastructure. In Kenya, assistance is being initiated to develop range-land and water resources to increase production to meet growing domestic consumption needs and to expand exports.

A major development for the African livestock sector is the planned creation of an international livestock research institute. Assisted by a consortium of private and governmental donors, this institute will have branches in West and East Africa. The institution should eventually become the center of cooperative research programs in all aspects of livestock production in Africa as well as become a vital link in a world-wide network of research centers.

Food Crop Research and Production - The introduction of new crop varieties and cultivation techniques, improved land utilization and national marketing systems, along with adaptive research programs, are prerequisites to increasing food crop production throughout Africa. A.I.D. is concentrating its efforts primarily on food grains. During FY 1973 technical assistance funds will provide continued support for the accelerated wheat program in North Africa, the improved corn, sorghum, and millet research efforts in East and West Africa, and rice research in West Africa. A.I.D. is also contributing to the major crop research programs of the International Institute of Tropical Agriculture in Nigeria. The Institute, assisted by private and government donors, is comparable to research centers in Mexico, the Philippines, and Columbia and supports long-range research in improved and more nutritional varieties, soil and crop management, and plant protection in tropical agriculture.

The small countries of Central and West Africa (e.g. Mali and Mauritania) are among the poorest countries of the world. In this region, A.I.D. has undertaken a major program of assistance to expand food grain production.

Regional organizations are establishing grain stabilization programs to cover many of the 17 small countries of the region. Capital, technical, and P.L. 480 assistance is planned for FY 1973 to continue support for these programs. The focus is on helping these countries establish price incentives, storage and distribution facilities, and marketing mechanisms to encourage greater production.

In the same area, A.I.D. and other donors are supporting the West African Rice Development Association to encourage research on all aspects of rice production and marketing. Increasing production through better seed varieties and agronomic practices can end the need to import large amounts of rice each year.

In East Africa, A.I.D. will increase assistance to the Agriculture and Forestry Research Organization (EAAFRO) to support expanded research programs. The EAAFRO is concentrating on adaptive food grains research for the member

states of Kenya, Uganda, and Tanzania. Research may also include rice and food legumes. Its efforts support national programs in the member states, and its research will also be linked to programs of the International Institute of Tropical Agriculture (IITA).

In North Africa, large-scale production of Mexican wheat varieties is underway. While the goal of self-sufficiency has not been attained in either Tunisia or Morocco, the dependence upon wheat imports is declining. Concentrated efforts are still needed to increase the availability of technical skills and of inputs such as water and fertilizer. A new project to expand irrigated land is being initiated in Tunisia.

Increased Productive Capacity - In FY 1973 greater emphasis will be given to supporting major, innovative programs to stimulate increased output in the agriculture sector. Emphasis will be on campaigns to increase production of particular crops or in selected pilot areas. Stimulating greater output requires the availability of a broad range of resources -- water, seeds, credit, equipment, storage and marketing facilities and roads. A.I.D. will provide capital and technical assistance for these intensive programs, particularly in North and East Africa.

Agricultural sector loans are planned for three countries: Morocco, Tanzania, and Zaire. These loans will provide the commodities to support production campaigns. In Morocco, the sector loan will provide funds to assist such activities as dry land farming, livestock production, and development of grain storage facilities. In Tanzania, the loan will provide foreign exchange for the import of goods for agricultural development as well as support for agricultural credit. In Zaire, a loan will be considered to provide agricultural equipment, feeder roads, and other requirements. A sector loan to Ethiopia in FY 1972 will provide agricultural commodities and local cost support for pilot area production campaigns expected to double commercial output.

In Kenya, several technical assistance activities are designed to strengthen credit institutions, develop rural water schemes, and assist experimental rural development efforts. The latter, in the Vihiga district, includes farming, rural industries, non-formal education, feeder road development, and health and family planning. These activities are part of Kenya's efforts to increase production by one-third in five years and to provide viable alternatives to urban migration. In the Southern Africa region -- Lesotho and Swaziland -- A.I.D. also will participate in multi-donor assisted efforts to develop land and water resources in these poor agricultural societies.

EDUCATION AND MANPOWER TRAINING

Africans are seeking the capacity to manage their own development efforts and to eliminate dependence on foreign experts. Considerable progress has been made in the last decade to foster and expand the educational systems, especially at the secondary and higher education levels. Today young Africans are graduating from indigenous institutions in increasing numbers, meaning that fewer need attend undergraduate colleges in the United States under A.I.D. auspices. However, severe shortages of skilled technical and managerial manpower still necessitate the presence of large numbers of foreign personnel in operational positions in many countries. As the institutional base expands, greater attention needs to be focused on improving the quality and kind of education available. A major challenge is to develop relevant curricula and educational techniques which relate to the jobs and practical needs of Africans.

In FY 1973, the A.I.D. program in this sector will address these problems by:

(1) assisting institutions of higher education and programs of practical training to expand the skilled manpower base;

(2) expanding public service training opportunities to improve the capacity of Africans to plan and manage development programs; and

(3) providing technical and professional personnel to perform initial operational services.

Higher Education Training - A.I.D. continues to assist advanced education institutions which must supply Africa's needs for skilled manpower. In Ethiopia and the Southern Africa region, we are sharing costs of academic personnel for university faculties while African staff is being trained. The two universities--Haile Selassie I University and the University of Botswana, Lesotho, and Swaziland--are receiving technical and capital assistance from other donors. In Uganda and Nigeria, we are initiating efforts to develop and improve training of school teachers and administrators. As noted above, substantial assistance is being provided to develop agricultural faculties and schools throughout Africa.

College level education can increasingly be provided within Africa instead of sending students abroad. We are encouraging the Association of African Universities to expand its program of scholarships for college training within Africa. In FY 1972, 800 students will be supported by these scholarships. The first students enrolled in the program are now being employed by universities, ministries, and agricultural organizations. A.I.D. also provides funds for graduate and some undergraduate training in the United States. A.I.D.'s support for training young Africans is part of a larger effort contributed to by many other donors. The manpower shortage is so severe that multi-donor participation is essential if the need is to be met.

A.I.D. also is helping improve curricula at several levels of education. In FY 1973 A.I.D. will initiate curricula improvement efforts for engineering education in Tunisia and science education in the Southern Africa region. We will continue efforts to improve mathematics and science education in several countries.

Development Administration - While larger numbers of skilled personnel are needed, there is also an immediate need to upgrade and professionalize the existing cadres of public servants in Africa. A.I.D. is expanding its assistance to help train public servants and strengthen training institutions. Emphasis is on introducing modern management tools and integrated approaches to planning and management. In Nigeria, we are assisting the University of Ife to develop the capacity to train middle-level and top officials in development economics and project analysis. In Central West Africa we are supporting similar training for technicians engaged in rural development at the community level. The training includes both academic study and field work related to extension services, cooperatives, and self-help activities. In Ethiopia and Ghana, we support training to strengthen the capacity of planning and finance ministries. Skilled staff are needed in these ministries to work with problems of investment, foreign trade, taxation, and industrial development. In Liberia, we are assisting the creation of a national institute which is to become the central training, research and consultant facility for the public service.

In recent years primary objective of A.I.D. assistance has been to support regional cooperation among African states, especially the smaller countries. As these regional organizations have been formed, developing and maintaining their operational competency has become a major problem. A.I.D. is assisting the East African Community to upgrade its staff and improve its capability to perform some of the services -- storage and retrieval of data, research, and common market operations -- assigned to it by the three East African countries. A.I.D. is also assisting regional organizations in Central and West Africa to help them overcome common weaknesses in planning and management. A combination of advisors, training, and equipment is provided. A.I.D. is now exploring with countries in this region and other donors the possibility of expanding middle-level management training.

Expanding Non-Formal Training Opportunities - Formal education systems alone cannot respond to the pressing needs of African development. Frequently, formal, academic education is not needed to enhance an individual's participation in development. What is needed is functional knowledge and practical skills. We have initiated skills training projects in Nigeria and Ghana and in FY 1973 initiate similar projects in Kenya and Ethiopia. The projects are patterned after the Opportunities Industrialization Center's programs in the United States. This training seeks to provide middle-level job training for the unemployed in urban centers under

programs directed by local groups. We will also add components to our rural development projects in Ethiopia and Kenya to experiment with several approaches to non-formal education.

Continued support is planned for the African American Labor Center (AALC) which seeks to improve trade union leadership and programs. Within their programs, there is emphasis on training of workers in manual skills and upgrading semi-skilled workers.

Meeting Short-Term Manpower Needs - The training programs supported by A.I.D. and other donors will take time to produce skilled cadres of technicians. In the short-run, critical manpower needs exist which can only be met by foreign personnel. In many of the projects assisted by A.I.D., operational personnel are provided to fill positions vital to sustaining priority efforts. In some of the smaller Southern African countries, the shortage of educated, trained and experienced personnel is a most serious restraint to governmental operations. For this area in FY 1973, A.I.D. will consider a new project to provide contract personnel for key administrative and technical operations. These personnel will fill positions while training local personnel to replace them as soon as possible.

TRANSPORTATION

In FY 1973 about one fourth of our development loan request will be utilized for transport activities. In most of Africa the lack of adequate transportation facilities is a severe impediment to development. To realize the continent's potential, transportation networks must be developed which will serve the internal requirements of the countries and open up remote areas of the continent for the movement of agricultural, mineral, forest and other products for sale in international markets.

Proposed capital assistance to the development of transport facilities in FY 1973 includes participation with a consortuim of international agencies and other bilateral donors in financing the Gabon Railroad which will service the export of forest products and provide the first segment of a transport system to export rich mine deposits in the interior. In the Lake Chad Basin area A.I.D. will support engineering studies as a prerequiste for the development of regional road links in the important agricultural area south of Lake Chad which will foster regional economic development and growth of trade in the area. A Rural Road loan is also planned for Ethiopia to develop a feeder road system into potentially productive rural areas to stimulate commercial trade.

About 23% of the Nigerian Development Plan Budget is allocated for transportation. In FY 1973 A.I.D. is considering a $15 million transportation sector loan which, together with local resources, will facilitate further development identified in the Government's four-year plan. The loan would provide for improved transport infrastructure in support of expanded agriculture and livestock production. Greater rural income, as a long-term result, will have a salutary effect on the problems of unemployment, food prices, and income distribution -- all of which are key developmental issues in Nigeria.

In Southern Africa, we are planning a loan to assist in building major access roads for the Malibamatso water resources development project, which is receiving substantial support from the IBRD.

POPULATION AND HEALTH

Extending public health services is one of Africa's greatest social needs. There is also growing awareness of the problems of rapid population growth and the need to include family planning activities in health services. Existing medical facilities personnel are inadequate to serve the widely dispersed rural peoples of Africa. The severe shortage of personnel is heightened by their concentration in the urban areas, leaving most rural residents with practically no access to modern health care.

Preventive Health Care - A.I.D. is now able to terminate its successful assistance to the major campaigns against measles and smallpox in 20 countries of West Africa and is shifting greater emphasis toward broad preventive health care programs. Through utilization of the system and facilities developed under the measles/smallpox program, A.I.D. plans to initiate an activity in FY 1973 to develop

a low cost health delivery system to service the needs of the people in Central and West Africa, the poorest region of the continent. A.I.D. will also continue to assist a project in Central Africa to help health ministries upgrade the staffs of their mobile health care units and develop new techniques and training methods for rural health workers. In FY 1972 A.I.D. began assistance to develop a Center for Health Sciences as part of the University of Cameroon. The Center will help stimulate public health delivery systems and train personnel to serve rural areas. Its services include family planning and maternal and child health care.

A.I.D. will also continue other health projects which support a food fortification and nutrition program in Tunisia, a National Medical Center which is the nucleus of national health care programs in Liberia, and a malaria control program in Ethiopia.

Maternal and Child Health and Family Planning - Many African countries have recognized that maternal/child health care, combined with basic information about child spacing and limitation of family size may provide a means to address long-range population growth problems. A.I.D. has responded by substantially increasing assistance to expand maternal and child health services and to broaden them to include family planning information. African governments are feeling the impact of the youthful population caused by recent rapid population growth, particularly in the form of demands for education and job opportunities. These demands increase budgetary pressures on the meager resources of most of these countries.

A.I.D. is assisting maternal and child health programs in many countries. These projects include efforts to establish units in health ministries for these programs, establish training centers, and preparation of analyses of how to incorporate these services on a low-cost basis into national health programs. In addition to the previously mentioned University Center for Health Services in the Cameroon, other projects will continue or be initiated in Ethiopia, Ghana, Liberia, Nigeria, and Uganda.

In Tunisia, A.I.D. is participating in multi-donor support for the national family planning program. We approved a $3 million program grant to finance local costs in conjunction with IBRD assistance for constructing family planning centers. In Ghana, A.I.D. provides commodities to support the Family Planning Program and also is assisting a research project in rural areas to determine the cost-effectiveness of alternative means of extending health and family planning services.

In two countries, Kenya and Morocco, projects are underway assisting the governments to develop and test new measures for collection of population and demographic data. The information will provide a basis for planning national programs. Under a pilot regional project, smaller countries like Dahomey, Lesotho and Gambia are receiving assistance in developing maternal and child health-care services.

SELF-HELP FUND

Limited technical assistance funds will continue to be used to augment local resources for small, worthwhile projects supported by private or local organizations in African countries eligible for A.I.D. assistance. These programs range from $5,000 to $100,000 in each of up to 25 African countries.

FOREIGN ASSISTANCE ACT ECONOMIC PROGRAMS - SUMMARY OF PROGRAM BY AREA AND COUNTRY
Fiscal Years 1971, 1972 and 1973

(In thousands of dollars)

COUNTRY	TOTAL			DEVELOPMENT LOANS			TECHNICAL ASSISTANCE			POPULATION			OTHER		
	1971	1972	1973	1971	1972	1973	1971	1972	1973	1971	1972	1973	1971	1972	1973
AFRICA - TOTAL	176,141	163,074	173,209	99,622*	91,400	100,000	58,136	53,100	62,725	(7,782)**	10,674	10,484	18,181	3,700	--
Regional Programs:															
African Regional	15,514	15,239	21,855	5,602	--	--	9,912	13,305	16,975	(5,602)	1,934	5,780	--	--	--
Central & West Africa	14,734	29,900	24,085	6,000	19,900	15,000	8,734	7,500	9,000	--	2,500	85	--	--	--
East Africa	9,043	5,805	1,600	7,600	4,500	--	1,443	1,305	1,600	--	--	--	--	--	--
Southern Africa	11,141	14,435	8,200	8,700	12,000	5,000	2,221	2,135	3,200	--	--	--	220a/	300a/	--
Country Programs:															
Ethiopia	20,380	19,425	16,550	14,910	15,000	11,000	5,450	4,385	5,350	(30)	40	200	--	--	--
Ghana	18,580	17,440	32,370	16,683	15,000	30,000	1,897	1,790	1,370	(643)	650	1,000	--	--	--
Kenya	2,138	2,150	2,835	141b/	--	--	1,997	1,660	2,450	(141)	490	385	--	--	--
Liberia	5,470	4,710	3,709	222b/	--	--	5,248	4,450	3,600	(222)	260	109	--	--	--
Morocco	12,289	1,605	17,055	10,889	--	15,000	1,400	1,190	1,580	(89)	415	475	--	--	--
Nigeria	32,611	24,830	23,870	5,000	13,000	15,000	9,448	8,430	8,500	--	--	370	18,163a/	3,400a/	--
Somalia	283g/	--	--	--	--	--	283g/	--	--	--	--	--	--	--	--
Tanzania	3,061	1,900	6,400	800	--	4,000	2,261	1,900	2,400	--	--	--	--	--	--
Tunisia	12,994	17,200	3,150	10,858	11,000	--	2,096	2,250	2,150	(858)	3,950	1,000	--	--	--
Uganda	2,861	5,355	2,530	100b/	3,000	--	2,761	2,120	2,100	(100)	235	430	--	--	--
Zaire	13,150	1,380	6,950	12,000	--	5,000	1,350	1,380	1,550	--	--	400	--	--	--
Self-Help Programs:															
Botswana	63	--	--	4c/	--	--	59	--	--	(4)	--	--	--	--	--
Burundi	189	--	--	62c/	--	--	127	--	--	(62)	--	--	--	--	--
Cameroon	80	--	--	--	--	--	80	--	--	--	--	--	--	--	--
Central African Republic	100	--	--	--	--	--	100	--	--	--	--	--	--	--	--
Chad	130	--	--	--	--	--	130	--	--	--	--	--	--	--	--
Dahomey	127	--	--	27b/	--	--	100	--	--	(27)	--	--	--	--	--
Gabon	50	--	--	--	--	--	50	--	--	--	--	--	--	--	--
Gambia	23	--	--	--	--	--	23	--	--	--	--	--	--	--	--
Guinea	63	--	--	--	--	--	63	--	--	--	--	--	--	--	--
Ivory Coast	25	--	--	--	--	--	25	--	--	--	--	--	--	--	--
Lesotho	37	--	--	--	--	--	37	--	--	--	--	--	--	--	--
Malagasy	90	--	--	--	--	--	90	--	--	--	--	--	--	--	--
Malawi	100	--	--	--	--	--	100	--	--	--	--	--	--	--	--
Mali	62	--	--	2b/	--	--	60	--	--	(2)	--	--	--	--	--
Mauritania	15	--	--	--	--	--	15	--	--	--	--	--	--	--	--
Mauritius	52	--	--	2b/	--	--	50	--	--	(2)	--	--	--	--	--
Niger	100	--	--	--	--	--	100	--	--	--	--	--	--	--	--
Rwanda	25	--	--	--	--	--	25	--	--	--	--	--	--	--	--
Senegal	50	--	--	--	--	--	50	--	--	--	--	--	--	--	--
Seychelles	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
Sierre Leone	93	--	--	--	--	--	93	--	--	--	--	--	--	--	--
Swaziland	50	--	--	--	--	--	50	--	--	--	--	--	--	--	--
Togo	100	--	--	--	--	--	100	--	--	--	--	--	--	--	--
Upper Volta	98	--	--	--	--	--	98	--	--	--	--	--	--	--	--
Zambia	10	--	--	--	--	--	10	--	--	--	--	--	--	--	--
Total Self-Help	(1,732)	1,700	2,050	(97)d/	--	--	(1,635)	1,500	1,800	(97)	200	250	--	--	--

a/ Supporting Assistance.
b/ Population only.
c/ Contingency Fund.
d/ Included in Self-Help total.

* Includes development loan funded grants for population programs under Title X of the Foreign Assistance Act.
** Funded from development loan funds.

g/ Funds programmed only for necessary expenses of winding up programs terminated under Section 617 of the Foreign Assistance Act.

SUMMARY OF PROGRAM BY COUNTRY AND SECTOR

(in thousands of dollars)

TABLE II

REGION: AFRICA

COUNTRY	Total			Agricultural and Rural Development			Population and Health			Education and Manpower Training			Industry, Transportation and Urban Development			Non-Project Loans			Program Development and Support		
	1971	1972	1973	1971	1972	1973	1971	1972	1973	1971	1972	1973	1971	1972	1973	1971	1972	1973	1971	1972	1973
ETHIOPIA	20,380	19,425	16,550	7,890	16,318	9,776	5,100	88	3,200	6,277	2,109	2,705	130	-	-	-	-	-	983	910	869
GHANA	18,580	17,440	32,370	1,001	673	36	643	650	1,000	213	593	759	176	66	-	16,040	15,000	30,000	507	458	575
KENYA	2,138	2,150	2,835	1,510	1,183	1,715	141	490	385	74	-	360	-	-	-	-	-	-	413	477	375
LIBERIA	5,470	4,710	3,709	310	257	376	1,301	1,568	1,351	1,134	1,134	349	1,716	801	770	-	-	-	1,009	950	863
MOROCCO	12,289	1,605	17,055	715	502	15,880	889	415	475	125	-	-	94	59	90	10,000	-	-	466	629	610
NIGERIA	32,611	24,830	23,870	3,919	10,705	2,847	2,500	-	370	2,006	5,305	3,153	2,974	-	15,000	15,000	6,000	-	6,212	2,820	2,500
TANZANIA	3,061	1,900	6,400	1,117	1,268	6,117	800	-	-	619	368	-	270	-	-	-	-	-	255	264	283
TUNISIA	12,954	17,200	3,150	726	11,879	985	1,110	4,230	1,215	445	425	350	-	26	-	10,000	-	-	673	640	600
UGANDA	2,861	5,355	2,530	1,771	4,281	1,719	100	235	430	685	475	113	-	-	-	-	-	-	305	364	268
ZAIRE	13,350	1,380	6,950	77	5	5,223	-	-	400	813	883	1,051	12,000	-	-	-	-	-	460	492	276
CENTRAL WEST AFRICA REGIONAL	14,734	29,900	24,085	7,940	1,707	12,210	2,015	4,080	1,985	1,084	2,292	1,565	1,246	20,092	6,550	-	-	-	2,449	1,729	1,775
EAST AFRICA REGIONAL	9,043	5,805	1,600	562	342	705	-	-	-	333	797	740	7,600	4,500	-	-	-	-	548	166	155
SOUTHERN AFRICA REGIONAL	11,141	14,435	8,200	2,240	420	940	-	-	-	1,190	1,550	1,810	7,350	12,060	5,000	-	-	-	361	405	450
AFRICA REGIONAL	15,514	15,239	21,855	1,791	1,590	1,650	5,607	1,934	5,780	6,365	7,867	7,075	1,075	855	3,300	-	-	-	676	2,993	4,050
SELF HELP	1,732	1,700	2,050	-	-	-	97	200	250	-	-	-	-	-	-	-	-	-	1,635	1,500	1,800
SOMALIA REPUBLIC	283	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	283	-	-
Total	176,141	163,074	173,209	31,569	51,130	60,179	20,303	13,890	16,841	21,363	23,798	20,030	34,631	38,459	30,710	51,040	21,000	30,000	17,235	14,797	15,449

ECONOMIC AND SOCIAL DATA

REGION: AFRICA

COUNTRY	POPULATION					HEALTH			EDUCATION				
									PRIMARY AND SECONDARY STUDENTS				
	TOTAL (MID-1971)	ANNUAL GROWTH RATE	PERCENT IN URBAN AREAS		PERCENT OF LABOR FORCE IN AGRI-CULTURE	NUMBER OF PEOPLE PER DOCTOR	LIFE EXPEC-TANCY	INFANT DEATHS PER 1,000 LIVE BIRTHS	1960	1969	1960	1969	LITERACY RATE
	MILLIONS	PERCENT	1960	1970			YEARS		THOUSANDS		AS PERCENT 5-19 AGE GROUP		PERCENT
Ethiopia	25.9	2.3	6	8	88	71,800	40	162	260	612[a]	4	7[a]	5
Ghana	9.3	3.2	23	31	56	13,300	45	122	686	1,458	30	50	25
Kenya	11.6	3.4	7	10	88	7,800	48	126	808	1,411	26	33	20-25
Liberia	1.6	3.0	n.a.	9	80	13,100	42	143	57	137[b]	16	30[b]	9
Morocco	16.4	3.3	29	35	54	13,300	51	145	882	1,411[a]	20	25[a]	14
Nigeria	56.5	2.5	18	23	80	24,000	41	157	3,079	2,837[c]	20	16[c]	25
Tanzania	13.6	2.7	5	7	95	29,000	39	168	478	810	13	17	15-20
Tunisia	5.4	2.7	41	43	63	7,300	52	120	509	992[a]	38	58[a]	30
Uganda	10.1	2.9	5	8	89	8,600	47	124	600	775	26	23	20
Zaire	18.2	2.4	11	16	69	27,700	48	115	1,611	2,510[c]	34	43[c]	15-20

NOTE: Where year is not stated, data are most recent information available. Data for developing countries often represent approximate orders of magnitude rather than precise measurements, and may not be fully comparable between countries.

n.a. - Not available.

a/ - 1968. b/ - 1970. c/ - 1967. Civil war period in Nigeria.

REGION: AFRICA

COUNTRY	GROSS NATIONAL PRODUCT				AGRICULTURAL PRODUCTION		INTERNATIONAL COMMODITY TRADE				
	TOTAL GNP 1971 a/	PER CAPITA GNP 1971 a/	AVERAGE ANNUAL GROWTH RATE 1966-71		AVERAGE ANNUAL GROWTH RATE 1966-71		EXPORTS (F.O.B.)		MAIN EXPORTS	IMPORTS (C.I.F.)	
			TOTAL GNP	PER CAPITA GNP	TOTAL	PER CAPITA	1966	1971 EST.		1966	1971 EST.
	$ MILLIONS	DOLLARS	PERCENT		PERCENT		$ MILLIONS		ITEM	$ MILLIONS	
Ethiopia	1,810	70	2.3	1.5	2.6	0.4	111	125	Coffee	162	190
Ghana	2,540	272	2.6	-0.5	1.3	-1.9	268	375	Cocoa	352	510
Kenya	1,660	142	6.7	2.9	2.2	-1.2	255	300	Coffee; tea	345	530
Liberia	352 b/	231 b/	n.a.	n.a.	4.4	1.1	150	250	Iron ore; rubber	114	157
Morocco	3,515	215	6.3	2.9	8.8	5.5	428	500	Phosphates	477	690
Nigeria	5,800 b/	105 b/	n.a.	n.a.	0.4	-2.1	793	1,600	Petroleum and products	718	1,500
Tanzania	1,330	100	5.2	2.5	-0.2	-2.9	250	275	Coffee; cotton	226	375
Tunisia	1,320	246	4.6	1.8	9.9	7.0	140	200	Phosphates; petroleum	250	330
Uganda	1,323	131	4.5	1.5	1.5	-1.6	217	275	Coffee; cotton	166	240
Zaire	2,040	112	5.6	3.1	6.0	3.5	465	730 b/	Copper	337	540

n.a. - Not available.

a/ - Estimates based on 1970 prices and exchange rates. b/ - 1970.

COUNTRY	GOLD & FOREIGN EXCHANGE[a]			CENTRAL GOVERNMENT FINANCES[b]							
				EXPENDITURES						DOMESTIC REVENUES	
				TOTAL		DEFENSE EXPENDITURES					
				AMOUNT		AMOUNT		AS % OF GNP[c]			
	1969	1970	1971	1970	1971	1970	1971	1970	1971	1970	1971
	$ MILLIONS			$ MILLIONS				PERCENT		$ MILLIONS	
Ethiopia	72	71	58	236	263	45	41	2.6	2.7	186	208
Ghana	76	53	57	428	485	45	39	1.8	1.5	480	412
Kenya	170	220	171	330	418	16	20	1.0	1.2	275	331
Liberia	n.a.	n.a.	n.a.	60	62	4	4	1.1	n.a.	67	67
Morocco	114	141	176	862	908	108	121	3.2	3.4	681	696
Nigeria	135	224	432	1,274	1,373	441	300	7.6	n.a.	1,061	1,332
Tanzania	80	65	60	284	337	18	24	1.4	1.8	221	232
Tunisia	37	60	148	412	441	22	24	1.8	1.8	324	341
Uganda	52	57	44[d]	211	272	24	26	1.9	2.0	152	180
Zaire	198	185	153	714	757	105	117	5.4	5.7	631	576

n.a. - Not available.

a/ - Official reserves, gross basis, end of year. End 1971 gold is valued at $38 an ounce and foreign exchange at realigned exchange rates.

b/ - Converted at 1970 exchange rates; 1971 data are estimates.

c/ - Derived from current price data.

d/ - June.

ECONOMIC AND SOCIAL DATA

REGION: AFRICA

1A

COUNTRY	POPULATION					HEALTH			EDUCATION				
	TOTAL (MID-1971)	ANNUAL GROWTH RATE	PERCENT IN URBAN AREAS		PERCENT OF LABOR FORCE IN AGRI-CULTURE	NUMBER OF PEOPLE PER DOCTOR	LIFE EXPEC-TANCY	INFANT DEATHS PER 1,000 LIVE BIRTHS	PRIMARY AND SECONDARY STUDENTS				LITERACY RATE
									1960	1968	1960	1968	
	MILLIONS	PERCENT	1960	1970			YEARS		THOUSANDS		AS PERCENT 5-19 AGE GROUP		PERCENT
CENTRAL-WEST AFRICA													
Cameroon	5.9	2.1	14	20	84	25,300	50	110	484	937	31	50	10-15
Central African Rep	1.5	2.2	14	25	90	30,300	40	165	70	172	16	33	5-10
Chad	3.8	2.3	4	8	92	72,000	37	179	74	190	8	15	5-10
Dahomey	2.6	2.2	12	17	84	30,000	42	149	94	154[a]	14	18[a]	20
Gabon	0.5	1.2	12	21	84	5,900	37	185	60	97	43	64	12
Gambia	0.4	2.0	8	10	86	18,700	47	125	9	21	8	16	10
Guinea	4.0	2.3	8	11	85	41,600	41	216	106	209	11	15	5-10
Ivory Coast	4.3	2.8	15	21	86	17,300	41	154	250	477	24	33	20
Mali	5.2	2.5	10	12	90	37,000	40	190	70	203	4	11	5
Mauritania	1.2	2.2	2	2	90	30,000	44	155	12	28[a]	4	5[a]	1-5
Niger	4.0	3.0	3	3	96	53,400	42	148	28	87	3	7	5
Senegal	4.0	2.4	22	26	74	15,300	41	156	141	295[a]	12	22[a]	5-10
Sierra Leone	2.7	2.2	12	14	75	16,600	44	136	95	167	11	18	10
Togo	1.9	3.6	10	16	79	19,800	40	163	109	206	20	32	5-10
Upper Volta	5.2	1.7	4	5	87	85,000	37	181	60	110	4	7	5-10
SOUTHERN AFRICA													
Botswana	0.6	2.2	21	22	91	16,900	44	175	37	86[b]	19	35[b]	20
Lesotho	1.1	1.9	1	2	n.a.	26,300	41	137	139	185	43	50	n.a.
Malawi	4.6	2.5	3	5	81	44,700	41	119	288	345	23	23	22
Swaziland	0.4	2.9	3	4	60	7,700	44	168	36	72[b]	29	45[b]	36
Zambia	4.3	2.9	16	22	81	11,200	44	159	293	656	28	47	15-20

NOTE: Where year is not stated, data are most recent information available. Data for developing countries often represent approximate orders of magnitude rather than precise measurements, and may not be fully comparable between countries.

n.a. - Not available.

a/ - 1967. b/ - 1969.

ECONOMIC AND SOCIAL DATA

REGION: AFRICA

COUNTRY	GROSS NATIONAL PRODUCT		AGRICULTURAL PRODUCTION		INTERNATIONAL COMMODITY TRADE					GOLD & FOREIGN EXCHANGE[b]		
	TOTAL GNP 1970[a]	PER CAPITA GNP 1970[a]	AVERAGE ANNUAL GROWTH RATE 1966-71		EXPORTS (F.O.B.)		MAIN EXPORTS	IMPORTS (C.I.F.)				
			TOTAL	PER CAPITA	1966	1970		1966	1970	1969	1970	1971
	$ MILLIONS	DOLLARS	PERCENT		$ MILLIONS		ITEM	$ MILLIONS		$ MILLIONS		
CENTRAL-WEST AFRICA												
Cameroon	990	170	2.7	0.6	145	226	Cocoa; coffee	146	242	48	81	74
Central Afr. Rep.	200	135	n.a.	n.a.	31	31	Diamonds; cotton; coffee	35	34	1	1	0.2
Chad	259	70	n.a.	n.a.	26	28	Cotton; livestock	48	62	1	2	11
Dahomey	235	94	2.7	0.6	11	33	Palm kernels & products	33	64	8	16	25
Gabon	209	630	n.a.	n.a.	105	121	Petroleum; wood; manganese	66	80	5	8	15
Gambia	46	125	n.a.	n.a.	17[c]	16[c]	Peanuts & products	20[c]	17[c]	8	15	25
Guinea	315	80	4.5	2.9	52[d]	54[d][E]	Alumina	47	70[d][E]	6	8	10[e]
Ivory Coast	1,424	338	6.1	3.3	311	469	Coffee; wood; cocoa	258	388	71	105	90
Mali	510	100	2.1	-0.2	13	35	Livestock; cotton	36	42	1	1	2
Mauritania	180	154	n.a.	n.a.	69	90	Iron ore	23	47	4	3	8
Niger	315	82	1.0	-2.0	35	32	Peanuts ; livestock	45	58	7	19	34
Senegal	700	178	3.0	0.5	150	152	Peanuts & products	160	193	8	22	29
Sierra Leone	425[f]	160[f]	2.3	0.2	83	103	Diamonds	100	116	35	35	40
Togo	267	144	4.4	1.8	36	55	Cocoa; phosphates	47	64	26	35	41
Upper Volta	305	60	1.5	0.2	16	18	Livestock; cotton	38	47	23	36	43
SOUTHERN AFRICA												
Botswana	66	105	n.a.	n.a.	15	18[E]	Meat & products; diamonds	26	43[E]	0.5	0.5	1.0
Lesotho	94	90	n.a.	n.a.	6	5	Wool; livestock	32	32	0.5	-	0.4
Malawi	319	72	5.4	2.9	49	59	Tobacco; tea	86	99	21	29	33
Swaziland	90	215	n.a.	n.a.	54	73	Sugar; iron ore	34	62	1	-	-
Zambia	1,682	405	5.7	2.8	691	1,001	Copper	388	566	369	514	264

n.a. - Not available. E - Estimate.

a/ - Converted at 1970 exchange rates.
b/ - Official reserves, gross basis, end of year. End 1971 gold is valued at $38 an ounce and foreign exchange at realigned exchange rates.
c/ - Fiscal year ending June 30.
d/ - Fiscal year ending September 30.
e/ - September.
f/ - Fiscal year beginning April 1.
g/ - 1969.

Mr. PASSMAN. I think we should say for the record, and for the benefit of all concerned, that the total requests for aid and assistance in fiscal year 1973 is so high that it is absolutely frightening.

Foreign aid, as you know, has been fragmentized. When we put all the pieces together, the good, the bad, and that part that is in between, the grand total is $18,542,916,000. I want the record to show that as chairman of this committee, I am not assuming that some of this assistance is not good, but in order to have a complete record for those who read the hearings, we must make it all-inclusive. When you extend loans on terms of 10, 12, 15, or 20 years, it is a form of assistance. This total includes grant aid, good loans through the Export-Import Bank, and also loans made through some of the other organizations.

The one thing that is so disappointing is that this total for fiscal year 1973 is about $5 billion higher than the same package last year.

FISCAL YEAR 1973 REQUEST FOR AFRICA

Dr. Adams, you are familiar with that very factual statement made and often repeated by the AID Director, Dr. Hannah, that there is an asking price and a taking price. I would assume that you support the doctor's statement.

Mr. ADAMS. Yes, I do.

Mr. PASSMAN. Thank you.

Your asking price for fiscal year 1973 is $173,209,000.

Mr. ADAMS. Yes, sir.

Mr. PASSMAN. That is $10,135,000 over what was programed for fiscal 1972; is that correct?

Mr. ADAMS. Yes, that is correct.

Mr. PASSMAN. Would you furnish for the record a table showing the actual fiscal 1971 program, the fiscal 1972 program, and the proposed program for 1973 for each country in your area?

Mr. ADAMS. Yes, sir, we will be glad to do so.

(The table follows:)

COMPARISION OF FY 1971-1973 PROGRAMS

Country	1971	TOTAL 1972	1973
AFRICA TOTAL	176,141	163,074	173,209
Regional Programs			
Africa Regional	15,514	15,239	21,855
Central & West Africa	14,734	29,900	24,085
East Africa	9,043	5,085	1,600
Southern Africa	11,141	14,435	8,200
Country Programs			
Ethiopia	20,380	19,425	16,550
Ghana	18,580	17,440	32,370
Kenya	2,138	2,150	2,835
Liberia	5,740	4,710	3,709
Morocco	12,289	1,605	17,055
Nigeria	32,611	24,830	23,870
Somalia	283	---	---
Tanzania	3,061	1,900	6,400
Tunisia	12,954	17,200	3,150
Uganda	2,861	5,355	2,530
Zaire	13,350	1,380	6,950
Self-Help Programs			
Botswana	63	a/	a/
Burundi	189	a/	a/
Cameroon	80	a/	a/
Central African Rep.	100	a/	a/
Chad	130	a/	a/
Dahomey	127	a/	a/
Gabon	50	a/	a/
Gambia	23	a/	a/
Guinea	63	-	a/
Ivory Coast	25	a/	a/
Lesotho	37	a/	a/
Malagasy	90	-	a/
Malawi	100	a/	a/
Mali	62	a/	a/
Mauritania	15	a/	a/
Mauritius	52	a/	a/
Niger	100	a/	a/
Rwanda	25	a/	a/
Senegal	50	a/	a/
Seychelles	---	a/	a/
Sierre Leone	93	a/	a/
Swaziland	50	a/	a/
Togo	100	a/	a/
Upper Volta	98	a/	a/
Zambia	10	a/	a/
Total Self-Help	(1,732)	1,700	2,050

a/ Included in Self-Help Total

FISCAL YEAR 1972 UNEXPENDED BALANCES FOR AFRICA

Mr. PASSMAN. What is the anticipated unexpended balance for the fiscal year 1973 program countries in your area, including regional programs, as of June 30, 1972?

Mr. ADAMS. We will provide a table for the record.

(The information follows:)

UNEXPENDED BALANCE JUNE 30, 1972

Country:	(000's U.S. $)
Ethiopia	37,095
Ghana	21,396
Keyna	853
Liberia	4,181
Morocco	15,023
Nigeria	28,602
Tanzania	4,151
Tunisia	28,167
Uganda	1,904
Zaire	20,490
Central West Africa regional	26,864
East Africa regional	5,455
Southern Africa regional	13,630
Africa regional [1]	44,610
Total	44,610

[1] Includes Self-Help.

FISCAL YEAR 1972 UNOBLIGATED FUNDS FOR AFRICA

Mr. PASSMAN. What will be the unobligated funds in your area?

Mr. ADAMS. We do not anticipate any unobligated funds at the end of the fiscal year.

Mr. PASSMAN. You mean you worked it out to where you had just what you needed, right down to the last 50 cents? That is a terrific operation. We need you in the Office of Management and Budget. You are too important to be where you are now, if you have worked out a program this large to where you had all the money you needed and did not have a dime left over. You do not really know at this time whether you will have any unobligated funds or not, do you?

Mr. ADAMS. We do not anticipate having any.

Mr. PASSMAN. How do you arrive at that?

Mr. ADAMS. In terms of the staff work which has already been done.

Mr. PASSMAN. You mean you have obligated all the funds we programed for fiscal 1972?

Mr. ADAMS. No, sir. We are at the point now——

Mr. PASSMAN. How much do you have unobligated as of the last date that you have?

Mr. ADAMS. $87,306,000 obligated.

Mr. PASSMAN. What do you have unobligated as of this time?

Mr. ADAMS. $72 million, sir.

Mr. PASSMAN. That is about 45 percent of the total year's appropriation, is that correct?

Mr. ADAMS. Yes, sir. But may I mention, sir, that $43.9 million of that is for development loans. The loan papers——

Mr. PASSMAN. It does not make any difference what it is for, it follows, nevertheless, that about 45 percent of your total year's appropriation has not yet been obligated.

Mr. ADAMS. Yes, that is true, sir.

Mr. PASSMAN. It means that in the last month and a half of this fiscal year you will put 45 percent of your total year's appropriation in an obligated status.

Mr. ADAMS. Sir, the figure that I mentioned to you, $87 million, is as of March 30 rather than as of today.

Mr. PASSMAN. All right, then, for 25 percent of the remaining fiscal year, you will still have 45 percent of your year's appropriation on hand, unobligated.

Mr. ADAMS. Yes, sir, that is correct.

Mr. PASSMAN. I believe that you have a normal operation in your area, and even though the Congress did not finally approve the appropriation bill before the start of the fiscal year, you operated under a continuing resolution, did you not?

Mr. ADAMS. Yes, sir, that is correct.

Mr. PASSMAN. It simply means that under your procedures you could obligate as much in December as you could in March, as much in March as you could in June, is that correct?

Mr. ADAMS. Yes, sir, that is true.

Mr. Passman, what we have been trying to do is follow the advice and counsel of this committee, trying to improve the quality of our management.

Mr. PASSMAN. We hope you do. The point is that you have an ongoing program, with no shortage of funds. You get the funds either in a regular appropriation bill or in a continuing resolution. So, you have a smooth, ongoing operation without any interruption, is that not true?

Mr. ADAMS. That is correct.

Mr. PASSMAN. However, you obligated only 55 percent of the available funds in the first 9 months of fiscal year 1972, and you are going to obligate the remaining 45 percent in the last 3 months.

Mr. ADAMS. Yes, sir; that is correct.

Mr. PASSMAN. That is the record.

How much did you deobligate in fiscal 1972 from previously obligated projects?

Mr. ADAMS. We estimate a total of $12 million for the fiscal year, sir.

TERMINATION OF PROJECTS IN FISCAL YEAR 1973

Mr. PASSMAN. Would you please also furnish for the record a table showing the projects which will be terminated in fiscal 1973, and indicate why they were terminated?

Mr. ADAMS. Yes, sir; I will be glad to.

(The informataion follows:)

TERMINATING PROJECTS

Grant financing of the following projects is scheduled to be completed in fiscal year 1973 since we expect project objectives to be achieved. In a few cases, unanticipated developments or planned project evaluations during fiscal year 1973 may lead to a reconsideration of our plans to terminate a project and possibly result in an extension.

Ethiopia—Borana Pilot Range Development, Agricultural Advisory Services, Government Budgetary Practices.

Ghana—Public Safety.
Liberia—Public Safety, Telecommunications Management, Maternal Child Health Training.
Morocco—Development Planning Assistance.
Nigeria—Faculty of Agriculture and IART, University of Ife, Faculty of Agriculture and Non-Degree Schools, ABU.
Tanzania—Agriculture Materials and Services.
Tunisia—Agriculture Economic Research.
Uganda—Agriculture Extension.
Central/West Africa—Regional Center in Agriculture Science, Road Maintenance and Improvement, Lake Chad Basin Commission Telecommunications.
Africa Regional—Mediterranean Fruit Fly, North Africa Wheat Improvement, Population—Marketing Research.

Mr. ADAMS. May I offer a comment here, sir?

Mr. PASSMAN. Certainly.

Mr. ADAMS. We have been trying to follow the suggestions of your committee and improve the quality of our management. As a part of this, we have actually accelerated the completion of a goodly number of the projects and tried to improve the management and overall effectiveness of the program.

Mr. PASSMAN. Dr. Adams, you are a very good witness. I see you have been properly indoctrinated into this program, haven't you?

Mr. ADAMS. Yes, sir.

Mr. PASSMAN. Because the phrases you are using now, I heard 20 years ago when I came on this committee and they have been repeated often during the 18 years I have been chairman. The only difference is that you smiled this time, whereas in previous years the same thing was said without a smile.

This is an old effort, you understand, to cover weaknesses in the program.

Mr. LONG. You have to learn how to smile if you appear before this committee.

PARTICIPANT TRAINING PROGRAM FOR AFRICA

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. ADAMS. Yes, sir; we will be glad to.

(The information follows:)

	Number of participants	Average cost per participant
Fiscal year:		
1967	3,008	$4,383
1968	2,865	3,057
1969	2,516	2,988
1970	2,127	3,031
1971	2,299	3,479

Mr. PASSMAN. Following the rules of the committee, each member will consume 5 minutes before we get into the lengthy questioning on the program. I want to yield to the distinguished gentleman from Kansas, Mr. Shriver.

PRIVATE INVESTMENT ACTIVITIES IN AFRICA

Mr. SHRIVER. Thank you, Mr. Chairman.

Mr. Newsom, on page 3 of your statement you mention the activities of the State Department, the Commerce Department, the Export-Import Bank, and the Overseas Private Investment Corporation in helping private investors in Africa.

I am interested in how the efforts of all these different agencies are coordinated. If a private company was interested in investing in an African enterprise for the first time, how would he go about it?

Mr. NEWSOM. They would probably begin, Mr. Congressman, in one of two places, either with the Export-Import Bank if they had a precise project already in mind, or with the Overseas Private Investment Corporation if they were seeking guarantees and insurance and, in some cases, financing for a specific project. These are two principal agencies.

Mr. SHRIVER. How do they work together? Are they all over there in the AID agency?

Mr. NEWSOM. No. The Ex-Im and OPIC are separate agencies. OPIC was separated from AID 2 years ago.

Mr. SHRIVER. Where are their offices?

Mr. NEWSOM. The new Board of Trade Building.

Mr. SHRIVER. Do they get together often and coordinate their activities?

Mr. NEWSOM. Yes. There is very close coordination. We in the Department are increasingly interested in Overseas Private Investment, and Commerce also works closely with the two of them as the coordinating agency. AID has its own input into this by financing preinvestment feasibility studies in some areas.

RAPID GROWTH OF U.S. INVESTMENT AND TRADE IN AFRICA

Mr. SHRIVER. On page 4 you say United States investment is growing rapidly as is our trade with the African countries. I assume you have some up-to-date statistics to back up that statement.

Mr. NEWSOM. Yes; we do.

Mr. SHRIVER. Would you put that information in the record?

Mr. NEWSOM. Yes, sir.

Mr. SHRIVER. I presume that is a country-by-country breakdown.

Mr. NEWSOM. We can. It is by major area.

Mr. SHRIVER. Any way you have it.

Mr. NEWSOM. All right.

(The information follows:)

U.S. TRADE WITH AFRICA

The United States enjoys a large and growing favorable balance of trade with Africa. Both U.S. exports to Africa and imports from that continent have been increasing, but exports have been rising at a faster rate. In 1971 our favorable trade balance amounted to $395 million; exports totaled $1.6 billion and imports $1.2 billion.

In spite of Africa's growing importance as a trading partner, it still occupies a relatively small place in American foreign trade. In 1971 its markets took only 3.6 percent of total U.S. exports and it supplied only 2.6 percent of American imports.

South Africa continues to occupy a predominant place among our African trading partners. Almost 40 percent of our exports to Africa go to that country and 23 percent of imports from Africa come from South Africa. Nevertheless, as development progresses in newly independent countries of Africa they are occupying an increasingly important place among our African trading partners. South Africa's relative position is declining. Ten years ago, South Africa took almost two-thirds of our exports to Africa and supplied a like proportion of imports from that continent.

Some developing countries are becoming increasingly important markets for American capital goods. Nigeria and Morocco are good examples of this development. Each of these countries took over $100 million in American exports in 1971. They now rank second and third among our markets in Africa.

U.S. exports to Africa consist largely of capital goods. Aircraft, trucks, locomotives, earth moving equipment, mining machinery and industrial machinery are all important American exports to Africa. On the other hand, American exports of semi-manufactured and consumer goods are quite small. Exports of all consumer goods, excluding food and automobiles, are about $100 million per year.

Coffee is the largest single American import from Africa. In 1971, coffee imports amounted to $344 million and accounted for over one-fourth of all American imports from Africa. In fact, food and beverage products together accounted for one-half of all U.S. imports from Africa in 1971. Fuels and industrial raw materials and gem diamonds account for most of the balance of U.S. imports from Africa. Petroleum, manganese, rubber, copper, ferro alloys and other non-ferrous metals are examples of important U.S. imports from Africa. The only consumer good, outside of food products, which is an important U.S. import from Africa, is gem diamonds.

U.S. TRADE WITH AFRICAN COUNTRIES
(Millions of US Dollars)

	1961	1968	1969	1970	1971
1. Total Africa (excl. UAR)					
Exports	682	1,202	1,303	1,476	1,607
Imports	635	1,084	1,003	1,081	1,212
Balance	+ 47	+ 118	+ 300	+ 395	+ 395
2. Africa (excl. UAR & S. Africa)					
Exports	448	746	798	913	985
Imports	425	828	760	793	925
Balance	+ 23	- 82	+ 38	+ 120	+ 60

3. Principal Trading Partners in 1971

Country	Exports	Imports	Balance
Republic of South Africa	622	287	+ 335
Nigeria	168	130	+ 38
Morocco	102	7	+ 95
Zaire	84	43	+ 41
Algeria	82	20	+ 62
Libya	78	51	+ 27
Ghana	55	106	- 51
Liberia	43	49	- 6
Tunisia	42	5	+ 37
Kenya	41	26	+ 15
Zambia	38	7	+ 31
Angola	36	90	- 54
Ethiopia	26	61	- 35
Ivory Coast	22	83	- 61
Uganda	7	43	- 36
Others	161	204	- 43
Total	1,607	1,212	+ 395

4. Principal Commodity Trade in 1971 and 1970

Exports	1971	1970	Imports	1971	1970
Capital goods except automotive	804	696	Green coffee	344	340
[non-electrical machinery except consumer type]	[470]	[505]	Petroleum, crude	160	92
[civilian aircraft and parts]	[216]	[116]	Cocoa beans	120	117
Wheat and flour	92	82	Diamonds, gem	116	71
Automotive vehicles and parts	83	90	Rubber, crude	34	41
Food oil and oilseeds	55	36	Manganese and ferromanganese	39	33
Iron and steel products	45	37	Copper	28	36
Newsprint and other paper products	34	33			

U.S. INVESTMENT IN AFRICA

U.S. investment in Africa has increased rapidly and steadily during the past decade. At the end of 1970 the book value of U.S. investments in Africa reached $3.5 billion, a rise of 17 percent over the previous year and almost quadruple its value a decade earlier.

About one-half of U.S. investment in Africa is in two countries--Libya and South Africa. In 1969 Libya passed South Africa as the leading recipient of U.S. investment in Africa. The book value of U.S. investment in Libya in 1970 reached over a billion dollars as compared with $64 million in South Africa. Investment in South Africa has increased in recent years at about the same rate as total U.S. investment on the African continent. On the other hand the rise in Libya is a more recent phenomenon, stemming largely from the recent oil strikes there.

Petroleum accounts for 60 percent of all U.S. investment in Africa ($2.1 billion, end of 1970). The extractive industries, including mining along with petroleum, account for almost three-fourths of all U.S. investment in Africa. American investment in Africa is largely directed to obtaining from that continent fuel and raw materials for the industrial complexes of the free world. This is particularly true of U.S. investment in the developing countries in Africa. With respect to manufacturing, despite an increase of U.S. investment in developing countries in 1970 (from $80 to $100 million), they still have only one-fifth of the $530 million of U.S. investment in manufacturing in Africa. The remainder is in the Republic of South Africa. Thus only a very small portion of U.S. investment has been directed toward the industrial projects which are at the core of the development plans of the poor countries of Africa.

Recognizing this problem, U.S. Government investment promotion programs have directed special efforts to increase the flow of American capital toward industrialization and commercial projects. Under our investment guarantee programs these projects are given more favorable treatment than those in the extractive industries. Recently there has been a steady, albeit slow, rate of growth in the number of industrial and commercial activities undertaken by American firms in Africa.

US PRIVATE DIRECT INVESTMENT IN AFRICA
(Millions of US $ as of end of year--Book Value)

A. Published Official Department of Commerce Data

	1967	1968	1969	1970 Prelim	1970/67 Percent Change
ALL AREAS	59,486	64,983	71,016	78,090	+ 31.2
Developed Countries	No	43,500	47,886	53,111	
Developing Countries	Break-	18,753	20,045	21,417	
International, Unallocated	down	2,731	3,085	3,563	
AFRICA					
Liberia	174	174	172	201	+ 15.5
Libya	451	662	787	1,009	+123.7
South Africa	666	696	755	864	+ 29.7
Other Countries (incl. UAR)	982	1,142	1,267	1,404	+ 43.0
TOTAL*	2,273	2,674	2,982	3,476	+ 52.9
(Total excl. South Africa)	1,607	1,978	2,227	2,612	+ 62.5

B. Investment by Sector for Selected Years (all Africa)

	1969			1970		
	So.Af.	Other	Total	So.Af.	Other	Total
Mining & Smelting	84	343	427	90	350	440
Petroleum	158	1605	1763	172	1916	2088
Manufacturing	373	80	453	438	100	538
Other	140	199	339	163	245	408
Total*	755	2227	2982	864	2612	3475

C. Earnings - 1969 and 1970 (Prelim)

	1969			1970		
	So.Af.	Other	Total	So.Af.	Other	Total
Mining & Smelting	36	67	103	39	58	97
Petroleum	*	577	577	*	594 1/	594
Manufacturing	48	9	57	58	10	68
Other	43	28	71	44	42	86
Total	127	681	808	141	704	845

D. Reinvested Earnings (US Owners' Share)

	1969			1970		
	So.Af.	Other	Total	So.Af.	Other	Total
Mining & Smelting	1	29	30	-2	27	25
Petroleum	*	21	21	*	52	52
Manufacturing	31	7	38	30	7	37
Other	17	10	27	24	19	43
Total	49	67	116	52	105	157

E. Total, Selected Years Since 1940 (All Africa)

	Total	Percent Annual Change
1940	131	
1943	129	- 0.3
1950	287	+12.1
1960	925	+12.4
1961	1058	+14.4
1962	1271	+20.1
1963	1426	+12.2
1964	1685	+18.2
1965	1905	+13.1
1966	2074	+ 8.9
1967	2273	+ 9.6
1968	2674	+17.6
1969	2982	+11.1
1970	3476	+16.6

1/ Breakdown for Libya lists $537 million earings ($8 million reinvested) under "other" rather than petroleum.
* In "other"

Note: Discrepancies in totals are due to rounding.

US PRIVATE DIRECT INVESTMENT IN AFRICA
(Millions of US $ as of end of year--Book Value)

Published Official Department of Commerce Data

A. Comparison of Africa with Total US Investment Abroad in 1967 through 1970

	1967	1968	1969	1970 Prelim	1970/67 Percent Change
ALL AREAS	59,486	64,983	71,016	78,090	+ 31.2
Developed Countries	No	43,500	47,886	53,111	
Developing Countries	Break-	18,753	20,045	21,417	
International, Unallocated	down	2,731	3,085	3,563	
AFRICA					
Liberia	174	174	172	201	+ 15.5
Libya	451	662	787	1,009	+123.7
South Africa	666	696	755	864	+ 29.7
Other Countries (incl. UAR)	982	1,142	1,267	1,404	+ 43.0
TOTAL *	2,273	2,674	2,982	3,476	+ 52.9
(Total excl. South Africa)	1,607	1,978	2,227	2,612	+ 62.5

B. Investment by Sector for Selected Years (all Africa)

	1969			1970		
	South Africa	Other	Total	South Africa	Other	Total
Mining & Smelting	84	343	427	90	350	440
Petroleum	158	1605	1763	172	1916	2088
Manufacturing	373	80	453	438	100	538
Other	140	199	339	163	245	408
TOTAL *	755	2227	2982	864	2612	3475

* Discrepancies in totals are due to rounding.

NATIONALIZATION OF U.S. INTERESTS IN AFRICA

Mr. SHRIVER. On page 998 of last year's hearings you placed in the record a list and description of recent nationalizations in Africa affecting the U.S. interests. Would you update that information for the record and tell us right now about any new nationalizations that have taken place during the year?

Mr. NEWSOM. There have been no new nationalizations. There has been the resolution of some of those that were on the list last year. At the moment, we do not consider there are any outstanding nationalization problems.

(The information follows:)

Between November 1969 and April 1971, five countries have nationalized properties in which there were U.S. interests. There follows a brief description of U.S. interests affected by nationalization in each of these countries.

LIBYA

There are several unresolved compensation cases pertaining to U.S. ownership of petroleum distribution and marketing facilities under nationalalization 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. A hospital operated by an American church group was nationalized by the Libyan Government in November 1969. The Libyan Government has offered compensation but no payment has been made. Libya is not a recipient of AID assistance.

SOMALIA

In May 1970 the Somali Government nationalized all petroleum distribution facilities and all banks. Two U.S. oil firms had modest assets in Somalia. Likewise, an American bank had a minority interest in a British-controlled banking facility. None of these firms has requested U.S. Government assistance with respect to any claims that they might have against the Somali Government. Another U.S. company has filed a claim with the Overseas Private Investment Corporation which alleges its fish processing facility was in effect expropriated by virtue of Somali actions which had hampered company operations. Petroleum bunkering facilities owned by this company also were nationalized in May 1970. The company is at present contemplating a formal claim for compensation to the Somali Government. Somalia is not an aid recipient.

SUDAN

In 1970, nationalization measures in Sudan affected two banks in which U.S. banks had a minority interest and a U.S. company's sales and service agency. Evaluation of these properties is underway. The President of Sudan has urged his Minister of Justice to complete this task with all possible haste. 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 nationalized all rental property not wholly owner-occupied valued at over $14,000. 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. Six properties owned by American nationals were nationalized by this and previous acts. A satisfactory settlement has been reached on three of the properties while negotiations on the others continue.

UGANDA

In 1970 former President Obote announced the Government's intention to acquire 60 percent of the equity shares in 84 privately-owned oil, insurance and bus companies, banks and every important plantation and industry. Subsequent negotiations of the terms of Government participation proceeded slowly, so that at the time of the coup d'etat in January 1971, only a handful of firms had reached final agreement. On May 1, 1971, President Amin announced that the Uganda Government had decided to restrict its participation to 49 percent in four

banks, four insurance companies and three production industries, with all other enterprises which had not concluded agreements with the Government being free to operate as they had prior to the action of the Obote Government.

SELF-HELP PROGRAMS IN AFRICA

Mr. SHRIVER. On page 6, you say there have been a number of socially and economically beneficial projects funded by your self-help programs in Africa. Will you tell us about some of those?

Mr. NEWSOM. These are small projects, as you know, Congressman, which are funded out of a portion of development grant funds which are allocated for this purpose. They are administered by our Embassies in the field to support small projects where a village or a district needs materials or, in some cases, expertise in the construction of a school or bridge or access road or small dam.

Mr. SHRIVER. Would you put in the record specifically some of those that you are talking about?

Mr. NEWSOM. All right.

(The information follows:)

Comeroon.—In the town of Guzang, in West Cameroon, the major problem impeding progress was the absence of a piped water supply. Much of the town's physical energy was expended in bringing water from a source 5 miles away by manual labor. A U.S. Government self-help project supplied money for pipe, and the town's "joint council for development" organized the labor necessary to lay the pipe and install other necessary equipment to bring in a fresh water supply. The project took 2 years to complete, and now there is sufficient water to enable the populace to concentrate on other economic development projects. Cost to the U.S. Government was $5,000.

Togo.—What many villagers in Togo still need and crave is such a basic thing as water. With its self-help funds our Embassy in Lome recently supported the construction of a 300-yard long earth dam in central Togo insuring a year-round supply of water to a number of villages. The cost was considerably less than the estimate of $5,000. This is an area where, during the long dry season, prior to construction of the dam people walked 20 kilometers for a bucket of water. The dam was built with local labor and self-help funds were used for some materials for the spillway.

Sierra Leone.—One of the first self-help projects undertaken in Sierra Leone was the Ronieta Bridge. The village of Ronieta was inaccessible by road during the rainy season and the railroad branch running a few miles from the village was being phased out. With $300 of self-help money for the purchase of cement and iron rods the villagers of Ronieta under the direction of the district engineer and village chief constructed a structurally sound bridge which made Ronieta accessible to vehicular traffic year round.

Upper Volta.—With only $1,800 in self-help funds to purchase construction materials, villagers in Poa in central Upper Volta built a maternity clinic, opened on January 22 of this year. Until 1970, expectant mothers in the area had to travel more than 18 miles, often on foot, to reach the nearest maternity clinic. In that year a part of the existing medical dispensary at Poa was set aside for delivery of babies, but now expectant mothers of the district have access to an 18-bed clinic designed specifically to meet their needs for prenatal consultation, confinement, and postnatal care. Some 35 to 40 babies are born in the district every month. As an indication of the importance local residents attach to this new faciiity and of their appreciation of the American assistance, 2,000 people gathered for the inauguration of this maternity clinic.

COMMUNIST ASSISTANCE TO AFRICA

Mr. SHRIVER. I am interested in your comment on page 7 where you say, "We have announced as a policy that we do not wish to continue the cold war in Africa." You go on to say, "We are no longer lured to respond to appeals from African countries by the fact or threat of Communist aid."

Is this a new policy?

Mr. NEWSOM. This is the policy which was enunciated by the President first in his Report on Foreign Policy in 1970. It is one that we have continued to implement. I think it has benefited us by making it quite clear that we are going to respond to African needs as they are presented, and not as part of what somebody else is doing in Africa.

Mr. SHRIVER. Would you list for the record all Communist country aid in African countries for the latest year for which figures are available, by country?

Mr. NEWSOM. We will do that.

(The information follows:)

The table below gives the credits and grants extended and the technical and academic assistance provided to African countries by Communist donors.

Although our figures are probably not precise, they are accurate enough to indicate that drawings on Soviet, Eastern European, and Chinese Communist credits to African countries have been slow. The combined drawings probably amount to less than 30 percent over a 15-year period. The drawdown ratios of East European and Chinese aid are generally believed to be substantially less than that of the U.S.S.R., but sizable drawings cannot yet be expected on the relatively larger extensions of PRC aid in 1970–71. In view of the reported rapid progress on the TanZam Railroad project, there may be a marked increase in drawings on Chinese aid over the next few years.

Table 1

Communist Economic Credits and Grants[a/] Extended to Less Developed Countries
1954 - 71 and Years 1970 and 1971

Million US $

Area and Country	1954 - 1971 Total	1954 - 1971 USSR	1954 - 1971 East Europe	1954 - 1971 PRC	1970 Total	1970 USSR	1970 East Europe	1970 PRC	1971 Total	1971 USSR	1971 East Europe	1971 PRC
Total	13,178	7,615	3,369	2,194	1,091	194	188	709	1,693	862	421	410
Africa	2,894	1,236	546	1,112	589	51	84	454	590	192	103	295
Algeria	609	421	96	92	74	-	74	-	229	189	-	40
Cameroon	8	8	-	-	-	-	-	-	-	-	-	-
Central African Republic	6	2	-	4	-	-	-	-	2	2	-	-
Congo (B)	34	9	-	25	-	-	-	-	-	-	-	-
Equatorial Guinea	1	1	-	-	-	-	-	-	1	1	-	-
Ethiopia	203	102	17	84	-	-	-	-	84	-	-	84
Ghana	231	89	102	40	-	-	-	-	-	-	-	-
Guinea	256	165	25	66	10	-	-	10	-	-	-	-
Kenya	62	44	-	18	-	-	-	-	-	-	-	-
Mali	134	56	23	55	-	-	-	-	-	-	-	-
Mauritania	28	3	-	25	-	-	-	-	20	-	-	20
Morocco	123	88	35	-	44	44	-	-	-	-	-	-
Nigeria	49	7	42	-	7	7	-	-	28	-	28	-
Senegal	7	7	-	-	-	-	-	-	-	-	-	-
Sierra Leone	28	28	-	-	-	-	-	-	-	-	-	-
Somalia	204	66	6	132	-	-	-	-	110	-	-	110
Sudan	269	64	123	82	52	-	10	42	115	-	75	40
Tanzania	282	20	6	256	201	-	-	201	1	-	-	1
Tunisia	105	34	71	-	-	-	-	-	-	-	-	-
Uganda	31	16	-	15	-	-	-	-	-	-	-	-
Zambia	224	6	-	218	201	-	-	201	-	-	-	-

Communist Technical and Academic Assistance to Africa

A. Communist Economic Technicians in the LDCs[a]

	Total		USSR		East Europe		China (PRC)	
	1970	1971	1970	1971	1970	1971	1970	1971
Total	24,010	35,050	10,600	11,025	5,300	5,425	8,110	18,600
Africa	14,120	24,700	4,010	4,200	3,150	3,300	6,960	17,200
East Asia	310	225	100	150	60	75	150	-
Latin America	175	225	35	75	140	150	-	-
Near East/S.Asia	9,405	9,900	6,455	6,600	1,950	1,900	1,000	1,400

a/ Minimum estimates of persons present for a period of one month or more.

B. Technical Personnel from Less Developed Countries Receiving Training in Communist Countries[a]

	Total		USSR		East Europe		China (PRC)	
	1970	1971	1970	1971	1970	1971	1970	1971
Total	1,550	2,745	1,020	1,310	530	1,435	0	0
Africa	210	170	65	90	145	80	0	0
East Asia	15	0	0	0	15	0	0	0
Latin America	0	10	0	10	0	0	0	0
Near East/S. Asia	1,325	2,565	955	1,210	370	1,355	0	0

a/ Minimum estimates, rounded to the nearest five, as of December 1970 and December 1971.

Academic Students from Selected Less Developed Countries Being Trained in Communist Countries as of December 1971

	Persons
Total	22,350
Africa	11,050
Algeria	1,080
Botswana	15
Burundi	160
Central African Republic	160
Chad	105
Congo (B)	375
Dahomey	90
Equatorial Guinea	20
Ethiopia	250
Gambia	35
Ghana	300
Guinea	435
Ivory Coast	55
Kenya	550
Mali	380
Mauritania	65
Mauritius	85
Morocco	195
Nigeria	1,150
Rwanda	80
Senegal	140
Sierra Leone	500
Somalia	600
Sudan	1,320
Tanzania	250
Togo	80
Tunisia	315
Uganda	250
Upper Volta	45
Zaire	100
Zambia	150
Other African Countries	1,715

UNCLASSIFIED

78-827 O - 72 - pt.2 - 61

Mr. SHRIVER. You say all of these Communist countries have given $2 billion in aid to Africa over the past 10 years. You say this is impressive by comparison with our own aid.

First, tell us what forms this Communist assistance took. Was it loans? What were the loan terms, the amount of the grants, and the types of aid?

Mr. NEWSOM. We will give you that complete information for the record, Mr. Congressman, but I might just say that in general, these are extensions of credits against which countries can draw down long-term, non-interest-bearing loans.

Mr. SHRIVER. Do you have the information as to what extent they have done this?

Mr. NEWSOM. Yes, we have that.

Mr. SHRIVER. Will you put that in the record?

Mr. NEWSOM. We will, sir; yes.

(The information follows:)

FORM OF COMMUNIST ECONOMIC ASSISTANCE TO AFRICA

1. *Grants.*—Negligible (about 5 percent).

2. *Loan terms.*—With notable generous exceptions; for example, Tanzam Railway Lines; China loans are interest free, 10–15 years maturity with varying grace periods; USSR—2.5 percent intetrest, 12-year maturity; and East Europe—higher interest than U.S.S.R. with 5–8 year maturity.

3. *Training:*

a. About half of all LDC students (approximately 11,000) in academic training in Communist countries came from Africa.

b. Less than 10 percent of LDC technicians being trained in Communist countries come from Africa.

4. *Aid personnel.*—Over half of all Communist technicians and laborers working in LDC's are located in Africa.

UNCLASSIFIED

SUMMARY: Communist # Economic Assistance in CY 1970

1. 1970 Highlights

-- A record level of Communist commitments owing largely to the formal commitment by Communist China of about $400 million for the Tan-Zam railway project, the largest single project ever undertaken by a Communist donor.

-- Also as a result of above, Communist China became the second largest Communist donor to Africa in total amount provided since 1958 ($750 mil.), following only the Soviet Union ($1,040 mil.).

-- Major recipients of Communist economic assistance were Tanzania and Zambia ($200 million each -- for the railroad), Algeria ($74 million), Sudan ($58 million) and Morocco ($44 million).

- Africa accounted for

-- over half of the Communist technicians working in LDCs;

about half of the academic students studying in Communist countries,

-- about 13% of the persons from LDCs being trained in Communist countries.

2. 1970 calendar year commitments** reached a record level of nearly $600 mil., bringing the cumulative 1958-1970 total of Communist aid to Africa to more than $2.2 billion. The peak was mainly the result of formalizing the earlier 1968 Chinese commitment of an interest-free loan of $400 million for the Tan-Zam railroad. As one consequence, Africa obtained more economic assistance from the Communist bloc in 1970 than all other regions combined, 53% in contrast to the 30% of the previous 1961-64 record period.

Comprises USSR, Communist China and 6 East European countries (Bulgaria, Czeckoslovakia, East Germany, Hungary, Poland and Romania.

CY 1970

3. Among the 8 communist donors, China rose to second place (cumulatively $750 mil.) replacing the East European donors (cumulatively $443 mil.) but was still behind the Soviet Union (cumulatively $1.0 billion).

4. Largest recipients were Tanzania and Zambia. They obtained $400 million toward the 1,100-mile Tan-Zam Railroad which will probably become the largest single project ever undertaken by a Communist donor. Actual commitments of $201 million for each country represented an amount already in excess of the Soviet loans to the U.A.R. (Egypt) for the Aswam Dam. The final amount of the Chinese loan, which is repayable within 30 years beginning 1983, will be decided later. Both recipients have agreed to finance local construction costs from the sale of Chinese imports on the local market.

Other major recipients were Algeria, Sudan, and Morocco. Commitments to Algeria of $74 million from several Eastern countries were in large part for industrial and agricultural plants and enterprises under Algeria's Four-Year Development Plan. Those to Sudan of $52 million included the first commitment ever received from China in the form of a $42 million interest-free loan. Morocco obtained a $44.4 million Soviet credit for industrial imports.

Implementation. All communist countries appear to be experiencing more implementation difficulties than the Free World's bilateral donors. An enormous time-lag usually exists between obligations and expenditures after due account for large-scale activities of long-duration.

5. Terms. Most communist economic assistance takes the form of project aid. Most Soviet aid extensions are project aid with maturities of eight to twelve years at 2.5 to 3 per cent interest. East European aid terms are generally similar to those extended by the Soviet Union. The People's Republic of China, however, makes its aid available interest-free and usually repayable in commodities over twenty years or more. Grants play only a minor role in the aid programs of the communist countries.

UNCLASSIFIED

CY 1970

6. Technical and Academic Assistance

As in previous years, Africa accounted for more than half of all communist technicians in LDCs. In fact, Africa's share increased to 59% in 1970.

Communist Technicians[a/]

	Number in Africa			Africa as % All LDCs	
	1968	1969	1970	1968	1970
Total	11,100	11,575	14,120	53%	59%
USSR	3,300	3,650	4,010	34	38
China	2,700	2,975	6,960	69	86
East Europe	5,100	4,950	3,150	71	59

a/ Includes technicians and workers present more than one month and working under commercial contracts as well as under economic aid agreements, January-December.

The substantial increase in 1970 mainly resulted from the arrival of (a) several additional thousand Chinese technicians and laborers in Tanzania to help construct the Tan-Zam railroad and (b) additional Soviet technicians in Algeria and in Guinea in support of the $92 million 1969 Soviet loan to mine bauxite.

Similarly, Africa continued to account for more than 50% of all LDC students receiving academic training in Communist countries.

	African Students at End Year			Africa as % all LDC Students		
	1968	1969	1970	1968	1969	1970
Total	7,920	8,950	10,990	50%	54%	51%
USSR	6,080	6,825	n.a.	52	57	n.a.
East Europe	1,840	2,125	n.a.	46	56	n.a.
China	0	0	n.a.	0	0	n.a.

In contrast, the number of Africans receiving technical training in Communist countries is relatively small: about 440 in 1968, declining to about 175 in 1969, and to 210 in 1970. Technical personnel from all developing countries are estimated to have totaled only 2,000 in 1969 and 1,550 in 1970.

n.a. = Not available.

UNCLASSIFIED

TOTAL U.S. ASSISTANCE TO AFRICA

Mr. SHRIVER. Tell us what our total assistance efforts to Africa amounted to over the past 10 years when all sources of assistance are considered: AID, Public Law 480, Peace Corps, our contributions to multilateral aid organizations, the Export-Import Bank, and any other sources.

(The information follows:)

U.S. Assistance to Africa, 1962–71
[In millions of U.S. dollars]

AID	$1,777.7
Public Law 480	1,332.5
Peace Corps	211.1
Other bilateral	8.0
Total	3,329.3

Mr. SHRIVER. I think my time is up. Thank you, Mr. Chairman.

TERMS OF COMMUNIST ASSISTANCE

Mr. PASSMAN. Thank you, Mr. Shriver.

You said most of them were long-term, no-interest loans. Briefly, name two or three of the countries who are making that type of loan.

Mr. NEWSOM. Ethiopia, Tanzania, Zambia. You mean which Communist countries are offering them?

Mr. PASSMAN. The ones you are mentioning, long-term loans without interest.

Mr. NEWSOM. China and the Soviet Union are the two principal providers of this kind of financing. The Tan-Zam Railway is being offered, for example, on a 30-year repayment, no-interest loan, with a 5-year grace period.

Mr. PASSMAN. But it is tied in very tightly with trade programs, is it not?

Mr. NEWSOM. There is a portion of it which has to be taken in Chinese consumer goods.

Mr. PASSMAN. Let us have the record show that they tie these people down, tradewise, and they start skimming profits off the top at the time they cash the first check. Isn't this about so?

I believe you said Nationalist China has a program in Africa, is that not correct?

Mr. NEWSOM. I might add, Mr. Chairman, their program for the dollars put into it has been one of the most successful aid programs in Africa.

Mr. PASSMAN. Let us also show for the record that China is not contributing a dime and I am pro-Nationalist China. China is making its contribution out of counterpart funds that we created in China where we jointly control the fund. Is that not correct?

Mr. NEWSOM. I was under the impression that they were putting some into the fund.

Mr. PASSMAN. Some, but have I made a statement of fact, gentlemen? Let us just put it on the record.

Mr. HOGAN. Part of it comes from the counterpart fund.

Mr. PASSMAN. But the great majority of it comes out of a fund that we created with our own money and our own resources?

Mr. HOGAN. Yes, sir; over time that is correct.

Mr. PASSMAN. I am glad to get that. There are always two sides to these coins. You have to flip it over to make the record.

Dr. Long?

AID PROGRAM IN ETHIOPIA

Mr. LONG. Mr. Adams would you explain the principle of our aid program in Ethiopia?

Mr. ADAMS. Fundamentally, what we are trying to do there is to help the Ethiopian Government find a way in which it can improve the well-being of the general Ethiopian population. There are large numbers of individuals who are subsistence farmers, large numbers who have not had opportunity for educational training, suffering from major——

Mr. LONG. I am almost in the position of our chairman. I want to say in a kind way, "Please spare me the rhetoric." I went to Ethiopia last year and spent a couple of days in the rural areas, visited with the Ambassador, traveled to Asmara, and walked around Addis Ababa. I could not find out in my visits, from the AID people, what we are trying to accomplish.

Mr. ADAMS. Let me try to indicate some of the specific things.

We have been working on malaria control in a large area which was almost completely uninhabitable, which had great agricultural potential and which——

Mr. LONG. Where is that area?

Mr. ADAMS. In the northern and northwestern areas of Ethiopia.

Mr. LONG. Do you mean up in the area of Asmara?

Mr. ADAMS. No, sir. I have not visited the locale myself, but I know that it is a large area which is basically handicapped by virtue of the fact that it is malaria infected.

Mr. LONG. How long has that program been in operation?

Mr. ADAMS. A little more than 6 years, and with major effect.

Mr. LONG. I have visited many countries. The first thing I say when I arrive a country is, "Get me out of the city, into the countryside, and show me what you are doing to improve the lot of the people."

Obviously, you have an intelligent group in Ethiopia. I was impressed with the people, but I could not get them to tell me anything. The only thing I saw was the university.

Mr. ADAMS. If one looks for something which is physical——

Mr. LONG. Why didn't they show me? We traveled by plane to Asmara, and we stopped at Wallo Bella. I would have thought it possible to stop to show me this malaria program. Nobody mentioned it. I asked them again and again, "Please show me some of the things you are doing to help."

Mr. ADAMS. We are building roads to provide opportunity for increased agricultural production and——

Mr. LONG. I did not see any roads. I saw a couple of roads going in and out of Addis Ababa, and I think a road up in the vicinity of Asmara. Those were the only roads I could see. In all that vast country, all I could see were just trails and dry streams, and so on.

Mr. ADAMS. May I tell you about what my experience was when I visited?

Mr. LONG. Will you tell me where they have built any roads?

Mr. ADAMS. I cannot remember the specific geography. We can supply that for you, sir.

(The information follows:)

AID loaned Ethiopia $4 million in fiscal year 1963 for construction of two highways in the coffee-growing region of western Ethiopia. One was from Lekemti to Ghimbi in Walaga Province. The other was from Agaro, Kefa Province, to Bedelle, Ilubabor Province. They totaled 128 miles in length. We are also providing from a fiscal year 1970 loan $3.5 million to help the Imperial Highway Authority maintain their equipment and set up shops for that purpose.

Mr. LONG. Not only didn't I see any roads, but I did not see how any but the wealthiest country could provide many roads in that almost impossible terrain. I understand it cost the Italians a vast sum of money to build a road from Asmara down to the seacoast town of Massawa. I saw very few roads in Ethiopia. I would say that you could spend all the aid that we have or propose to give to Ethiopia for many decades and you could not build very many roads. You will have to do something else to help that country besides build roads.

Have you been to Ethiopia?

Mr. ADAMS. Yes, I have. I was there recently. The things we have been doing there have been principally for the people.

Mr. LONG. Where? I could not see any investment in people anywhere. The university is nice. That is what everybody showed me. Nobody could show me anything else. One day we took a ride out into the country. They finally gave up on showing me some project some distance away. We had a drink at some place and turned around and came back. We gave up on trying to reach it. I saw one sorry little pepper——

Mr. ADAMS. The pepper mill is a private investment program.

Mr. LONG. A very sorry little thing. I got the impression we were not providing any real aid there. It was not an AID project at all.

ACCOMPLISHMENTS OF AID PROGRAM IN ETHIOPIA

Mr. ADAMS. Could I cite some of the things which we have been doing?

Mr. LONG. Put it in the record.

Mr. ADAMS. I will be glad to, sir.

(The information follows:)

The United States has participated in a number of projects helping the Ethiopian people and establishing basic institutions training them to develop their country, including Haile Selassie I University. The university was inaugurated in 1961 by the linkage of six colleges as recommended by an AID-financed University of Utah team. Enrollment of full time students grew from 984 in academic year 1962 to about 5,000 at present. Our assistance was concentrated on the College of Agriculture to train extension agents to help farmers, the College of Public Health to training paramedical personnel for rural health clinics, and the Colleges of Education and Business Administration to train teachers.

Our equally major emphasis on agriculture includes "package projects", where comprehensive sets of inputs (improved seed, fertilizer, credit, etc.) are made available to small farmers in a concentrated area, such as Ada. AID also is helping Ethiopians adopt better cattle management practices, conserve water, and combat locusts. As a major bottleneck in agricultural progress is a shortage of local currency to pay for local services and commodities, AID has arranged agricultural sector loans whose proceeds are available for such costs in high-priority farm projects.

AID supports vocational training in a variety of forms, including the introduction of vocational and business courses into 16 high schools. An AID-funded

nurses training school in Eritrea graduates professional nurses. Over 4 million Ethiopians are being protected against malaria, in the control program of which I previously spoke.

In the transportation area, besides the highway construction and maintenance which I mentioned earlier, we have made loans for airport construction. AID arranged for the U.S. Bureau of Reclamation to survey the Blue Nile River Basin.

Mr. LONG. What you have told me does not correspond to what I saw when I was there. I saw a country to which we were providing a great deal of money, mostly to the military. What little improvement there was in the country was up in the Asmara area. I saw nothing in Addis Ababa or anyplace else.

I said, "Show me," and they couldn't show me.

Mr. ADAMS. We have the Boran pilot range development project, which aims at resolving the problem of livestock forage and water.

There is——

Mr. LONG. Where is that?

Mr. ADAMS. In the southern portion of Ethiopia.

Then there is the Ada district development, a rural agricultural development project which seeks to assist peasant farmers with improved seed, fertilizer, and advisory services.

There is also an agricultural sector loan which we are providing to Ethiopia.

Mr. LONG. Why couldn't they show me any of these things when I was there?

Mr. ADAMS. I am disappointed that you did not see them, sir. I saw quite a number of projects when I visited Ethiopia.

Mr. LONG. I made clear before I went that is what I wanted to see. I made clear while I was there that is what I wanted to see. I expressed my dissatisfaction.

On coming back from Kenya, we stopped in Ethiopia and visited with the Ambassador again, and they did show me the university. That is all.

Mr. ADAMS. Could I tell you the last time——

Mr. LONG. When you have a visiting Congressman out there—who probably will never be there again and who asks to be shown some projects—I think you are making a great mistake when you do not show him anything.

Mr. ADAMS. I would agree with you, because we have an impressive story to tell when one looks at what has happened to people in that setting.

Mr. LONG. I am reminded of the words from "My Fair Lady": "Words, words, words. Don't tell me. Show me."

Mr. ADAMS. I hope you will visit again to look at it.

Mr. LONG. I will make some trips to other countries, probably in Africa and elsewhere. I do not pay any attention to what you say. I have been "bolonied" beyond belief in my 10 years in Congress. If AID officials cannot show me anything in the 3 or 4 days I am visiting a country, I assume your representatives do not have anything to show.

Mr. ADAMS. I think we have something very definite to show in Ethiopia. I hope you will have a chance to go again.

Mr. LONG. You are saying it, but I do not hear you. I was there. I could look. I was "Available Long."

Mr. ADAMS. Did you talk to any of the farmers there, sir?

Mr. LONG. Of course not. They never took me out to see any farmers. I would have talked to them if I had been taken to see them.

Mr. ADAMS. I saw some very impressive examples of what was happening in terms of how the farmers themselves were experiencing an improved form of agriculture.

Mr. LONG. My experience with Ethiopia is not unique in my experience in traveling to foreign countries. I have gone to country after country and said, "Show me." I have concluded there is very little that the AID people can show you anyplace in the world, because they very seldom do. You merely see a few small projects here and there.

I have already told Dr. Hannah, and he knows how I feel.

Mr. PASSMAN. Thank you, Dr. Long.

I am on your side. Those people are rather happy and contented in Ethiopia, are they not?

Mr. ADAMS. The ones I saw, sir, were persons who have the same kinds of concern——

Mr. PASSMAN. Let's not filibuster.

Mr. ADAMS. No, sir; I do not think they are.

Mr. PASSMAN. Aren't those people generally about as contented as they have ever been?

Mr. ADAMS. I think their lot is improving, sir.

Mr. PASSMAN. You have had a going government there for how long? How many thousands of years? Isn't it about 4,000 years?

Mr. NEWSOM. About that.

Mr. PASSMAN. About 4,000 years, and ours is only about 180 years old.

Mr. LONG. They are living about the way they did 4,000 years ago.

Mr. PASSMAN. The facts are, they are happy with it. Many of your accomplishments are imaginary; are they not? Just as the Doctor said, I go out and I cannot find these projects that have done so much good. You talk to these people, and they do not know what you are talking about. I have traveled in these foreign countries and they wouldn't know AID from a hookworm. They do not know what you are talking about.

I know your programs are mainly imaginary and mythical. You could pour the wealth of America into these 127 nations where we have or have had a program, and there wouldn't be any measurable improvements. These people will have to improve their own situation.

In a nation that is 4,000 years old, you know and I know that you cannot take the wealth of this country and create a Utopia.

As far as I am concerned, I support Dr. Long. A lot of the accomplishments of your programs are completely imaginary. You say you are helping people but it is hard to pin down specific examples.

I yield to Mr. Roybal.

FISCAL YEAR 1973 PROPOSED DEVELOPMENT ASSISTANCE TO AFRICA

Mr. ROYBAL. Mr. Adams, I have never been to Africa, so I cannot criticize or commend your program. I will, perhaps, be asking elementary questions during my 5 minutes of questioning.

Mr. ADAMS. I will try to respond, sir.

Mr. ROYBAL. I see you are proposing development assistance for 1973 totaling $173.2 million.

Mr. ADAMS. Yes, sir, that is correct.

Mr. ROYBAL. Will you provide for the record exactly how this will be spent by breaking down the 3 categories that you have outlined—$100 million for loans, $62.7 million for technical assistance, and $10.5 million for population programs?

Mr. ADAMS. That we can do, sir.

Mr. ROYBAL. I would like a breakdown of just what that means and how soon you expect this money to be committed.

(The information follows:)

The information concerning the three categories of assistance is extracted from the fiscal year 1973 congressional presentation book which provides a breakdown of proposed funding by loans, grants and population funds as well as a breakdown showing how those funds are proposed for programing by sectors in each country. The funds will be obligated during the course of fiscal year 1973 as required to fund ongoing projects and as the new projects under consideration, both loan and grant, are reviewed and approved.

FISCAL YEAR 1973 PROJECTED PROGRAM FOR AFRICA

Mr. ROYBAL. My understanding is that 45 percent of last year's budget is being committed in the last 60 days of the fiscal period.

Mr. ADAMS. May I suggest that is somewhat misleading. In the case of the loans which are projected for this fiscal year, the loan papers are already developed, and all the feasibility studies have been done. What we have been trying to do is really respect the kind of advice and counsel this committee has given us, to make sure things are properly prepared before the funds are actually obligated. We actually have made feasibility studies already done so that progress in programing development for this fiscal year is considerably out ahead of the actual amount of funds available for obligation at this particular moment.

Mr. ROYBAL. I suppose, then, that you also have or will have in the next fiscal year a projected program as to how these amounts are going to be spent. I would appreciate it if you would so indicate by providing that information for the record.

Mr. ADAMS. I will be glad to.

(The information follows:)

FISCAL YEAR 1973 PROPOSED DEVELOPMENT LOAN PROGRAM

	Amoun (millions)
Country and loan:	
Ethiopia:	
Agriculture grain production and marketing	$4
Rural roads development	4
Malaria eradication	3
Total Ethiopia	11
Ghana: Program loan	30
Morocco: Agriculture sector	15
Nigeria: Transport sector	15
Tanzania: Agriculture sector	4
Zaire: Agriculture sector	5
Central/West Africa:	
Gabon railroad	5
Central Africa livestock	5
OERS grain stabilization	3
Mali livestock	1
Lake Chad roads, engineering	1
Total Central/West Africa	15
Southern Africa: Rural roads	5

DEVELOPMENT OF SORGHUM IN AFRICA

Mr. ROYBAL. You also stress the fact that you are developing a new kind of sorghum. I am interested in that only because I was wondering why not beets or something else. Why sorghum in Africa?

Mr. ADAMS. In Africa so many of the countries depend upon sorghum as the main food supply. A goodly amount of the basic food shortages happen to be in this particular feed grain. It has the possibility of satisfying their own food shortages for human consumption, but it also gives opportunity for expansion in livestock as well.

Mr. ROYBAL. Is not sorghum——

Mr. ADAMS. This is not sorghum for molasses. It is principally used in the same way as one would eat any other grain, and for stock feeding.

Mr. ROYBAL. Thank you.

NEW EDUCATIONAL TECHNIQUES FOR AFRICA

You also say on page 7 that you are working in Africa to introduce new educational techniques, especially in the areas of science and mathematics.

Mr. ADAMS. Yes, sir; that is true.

Mr. ROYBAL. Will you also supply for the record what these new educational techniques are?

Mr. ADAMS. I will be very glad to, sir. There are very exciting developments. Things are happening in this particular area.

Mr. ROYBAL. I would imagine they are exciting, and I think this committee and the Congress should know about them.

Mr. ADAMS. We will be glad to provide that for the record.

Mr. ROYBAL. Just to mention them, I believe, is not sufficient. Since I have only 5 minutes, I will ask you to supply this information for the record.

Mr. ADAMS. We will be glad to.

(The information follows:)

TECHNIQUES IN MATHEMATICS AND SCIENCE

Among the many problems confronting African education is the great disparity between student enrollment in liberal arts, humanities and mathematics and science. Among the reasons for this are inadequate teaching methods, poor student preparation in primary and secondary schools and use of nonindigenous examples in explaining course material. The effect of this is overproduction in the humanities and critical shortages of technical and scientifically training personnel.

The main thrust of these programs is to change student attitudes, skills and understanding to enable them to relate logically to their own culture and the modern world.

The techniques being used include development of curriculum materials jointly with African teachers and emphasis on new methods of teaching involving student participation and problem solving in the local environment rather than rote learning.

Mr. ROYBAL. Are you undertaking the development of new skills, and are they being patterned after the Opportunities Industrialization Centers program in the United States?

Mr. ADAMS. The U.S. program of OIC really demonstrates what happens when poor people themselves become involved in the whole effort to provide themselves with training and with skills. It shows they do not have to just depend upon government support. The OIC program involves a lot of voluntary effort and involves a lot of self-help initiative on the part of the person and the groups that desire and need the training.

We hope through this program to demonstrate as this particular activity has shown in the United States, that through self-help, development of local support, and efforts by public and private groups in the overseas situation, and people in poor countries can afford more educational opportunities than otherwise might be possible.

Mr. ROYBAL. I am enthused about the fact that you are patterning it after this program, even though I do not believe the U.S. experience has been the most successful in the world. I am still excited that its concept, at least, is being put into effect by your Agency, and I hope ultimately it will be even more successful.

Mr. ADAMS. This is a low-cost educational effort.

Mr. ROYBAL. I am very much excited about that, and I would like to ask you later on during the day some more questions with regard to it.

Mr. ADAMS. We will be glad to answer your questions.

Mr. PASSMAN. Thank you very much, Mr. Roybal.

ACCOMPLISHMENTS OF AID PROGRAMS IN AFRICA

Mr. Secretary, Dr. Adams, and other witnesses, there is nothing personal about the way I examine on these projects. If all we had to do was just go out in the field and plow this money up or pick it off trees, even though this may not be doing 10 percent of the good you imagine it is doing, I would triple what you are asking for and let you have all the fun you want to in giving it away.

But you do know we have to borrow this money, don't you?

Let us take the Peace Corps for an example. We borrowed $1 billion and gave it to the Peace Corps in the past 11 years. It may be 100 years before we ever pay a dime of it back. We may finally repudiate the public debt. Did you know it is costing our Government $60 million a year alone to pay the interest on the money we borrowed for the Peace Corps to spend?

As you know, giving away our wealth or dissipating our resources around the world is almost a new approach to our foreign policy, is it not, Mr. Secretary? It came into being a few years ago.

Mr. NEWSOM. Some years ago, yes.

Mr. PASSMAN. Since we started it, we have now given away, when we include the interest on what we paid on the money we borrowed to give away, in the neighborhood, of $212 billion, over half of the public debt.

I must insist, dedicated as you are, that 90 percent of the claimed accomplishments are just as imaginary as anything that you could possibly find. You do not think so, but I go out on these trips, and the most difficult thing in the world is to find something that our money has done for the people.

Some of the countries I have been going to for 20 years, and they look just as they looked when I first started going there. The people are just about as happy now as they were 20 years ago. They are happy now.

For instance, Thailand. Just look at the money we have given to Thailand. While we were giving them this money, they were building over a billion dollar surplus in their foreign exchange account.

We are going to be understanding. I do not want to argue with you, because you are dedicated and you are a great American, Dr. Adams.

But, you actually imagine some of the things you have said are true. You actually believe it.

As long as you believe it and you enjoy it, why should I take any pleasure away from you trying to disprove it?

Mr. ROYBAL. Will you yield for just a moment, Mr. Chairman?

Mr. PASSMAN. Certainly.

Mr. ROYBAL. As I said before, I have never been to Africa, but I have seen other AID programs in other parts of the world. I do not subscribe to the idea that nothing has been accomplished.

Mr. PASSMAN. If you are referring to what I said, I said 90 percent of some of the things they believe they have accomplished are just mythical or imaginary. I have not placed a blanket condemnation on all of it.

Mr. ROYBAL. I will rephrase what I was saying. I do not believe that the AID program has been a complete failure. I think some good has come out of it.

Mr. PASSMAN. I like what you have said if you say "some good." I will buy that.

Mr. ROYBAL. The only reason I say "some" is that I have not seen all the world. I have not seen everything that AID has done. Would it be possible for you to submit to me personally, if you do not wish to provide anything for the record, some of the success stories that you have had. Sometime in the future I would like to go there to see if they are really success stories or just imagined.

Mr. ADAMS. We will be very glad to do so.

Mr. ROYBAL. I thank you very much.

Mr. PASSMAN. Let me say again, I do not know of anything you could not find some good in, but you people have a tremendous imagination. I happen to be one of those who has studied these statistics very closely. We have had to borrow this money, and over half of the public debt that we owe today is built around our foreign aid program.

During the same time, the dollar through inflation has lost about 58 percent of its purchasing power.

We just keep on, and foreign aid requests get broader and bigger every year. There is nothing in sight that will ever bring it under control.

NEW PROJECT

Mr. PASSMAN. Would you furnish for the record a list of projects, by country, which you propose to initiate in fiscal year 1973, showing the name of the project, the fiscal year 1973 cost, the estimated cost to complete the project, and the final year of obligation?

Mr. ADAMS. Yes, sir.

(The information follows:)

PROPOSED PROJECTS TO BE INITIATED IN FISCAL YEAR 1973

[Dollar amounts in thousands]

Country and project	Fiscal year 1973 cost	Estimated cost to complete	Final year of obligation
Ethiopia:			
Grain pusles production and marketing	$540	$1,937	1976
Crop/livestock production	370	1,350	1978
Agriculture development planning	405	2,625	1979
Opportunities industrialization center	500	1,880	1977
Kenya:			
Rural water development	269	1,575	1979
National range and ranch development	528	2,377	1979
Opportunities industrialization center	360	2,000	1977
Morocco: Industrial training and manpower development	90	500	1975
Nigeria:			
Program grant	2,000	2,000	1973
Family health training	370	900	1975
Tanzania:			
Agriculture planning	489	2,334	1980
Manpower development for agriculture	196	2,500	1980
Tunisia:			
Irrigated agriculture developments	155	632	1977
Agriculture statistics and marketing	50	328	1976
Engineering education	50	1,000	1977
Uganda:			
Rural management systems and training	102	612	1975
Primary teacher training college staff development	113	743	1976
Zaire:			
National Maize research and production program	223	343	1974
Planning and management services	363	624	1976
Maternal child health	400	1,160	1978
Central/West Africa Regional:			
Livestock and meat marketing	200	799	1978
Water resources	225	1,065	1978
Central Africa grain stabilization	300	2,700	1982
Strengthening of public health delivery systems in Central West Africa	1,500	10,000	1978
Middle level management program	275	1,000	1978
Maternal/child health and family planning	85	485	1978
Southern Africa Regional:			
Botswana rural development	200	700	1976
Lesotho dry land farming improvement	340	1,700	1978
Southern Africa development personnel and training	920	7,500	1978
Africa Regional:			
International livestock development institute	500	13,200	1982
Family planning courses at health training institutes	584	3,000	1978

DEOBLIGATIONS

Mr. PASSMAN. Please also furnish for the record a table, by country, showing the projects which have had funds deobligated from them and the amount deobligated through your latest available accounting date, and your best estimate as of June 30, 1972?

Mr. ADAMS. We will provide a list of projects which have had funds deobligated from them this date.

Our best estimate is that we will have at least $4 million in technical assistance deobligations and we will have at least $8 million in loan deobligations by June 30, 1972.

(The information follows:)

TECHNICAL ASSISTANCE

Fiscal Year 1972 Net Deobligations by Project (Preliminary)

(Thousands of dollars)

Total Africa (158 projects)	$3,240
Africa Regional	152
Workshop on nutrition and child feeding	29
Economic Commission for Africa	12
Technical support	15
Various special self-help and development activities	96
Central West Regional	230
Njala University	3
OCEAC—Public Health	10
Support to regional organizations	15
Regional road maintenance	11
Technical support	141
Measles—smallpox	1
Regional Center in Agriculture Science	3
Regional School Health Training	10
Vocational training	36
East Regional	103
Nairobi veterinary faculty	4
Technical support	1
Public services training	5
Teacher education	66
Makerere Agriculture Faculty	6
Income tax administration	14
East Africa pilot training	6
East Africa community support	1
Ethiopia	747
Malaria control	3
Public health advisory service	4
Economic and financial planning	33
Technical support	15
Comprehensive secondary school	14
Agriculture advisory services	4
Borana Pilot Range Development	2
University College of Education	1
University general support	11
Educatiton advisory service	1
Promotion of private investment	9
Customs administration	32
Shashamanne farm development	668
Upward adjustment	−50
Ghana	120
Agriculture advisory services	5
Agriculture extension	30
Technical support	13
Vocational agriculture education	2
Volta Lake technical assistance	13
National Investment Bank	8
Human resources development	34
Faculty of Agriculture—University of Ghana	4
National agriculture planning	3
Infrastructure advisory services	8

Kenya	194
Range development	4
Technical support	1
Range water development	1
Crop and livestock extension	5
Training for public service	4
Agriculture support	8
Education support	11
Radio correspondence education	30
Agriculture planning	19
Rinderpest eradication	117
Upward adjustment	—6
Liberia	126
Technical support	59
Public safety	13
Rural education development	2
Monrovia School System development	26
Public Works Administration and Training	8
Air development and management training	15
Education materials development	59
Agriculture production advisory services	34
Experiment farming	2
Demographic survey	4
Upward adjustment	—96
Morocco	148
Agriculture development support	32
Technical support	7
Industrial development	5
Assistance to promotion nationale	2
Livestock and rangeland improvement	1
General training	37
Development planning assistance	64
Nigeria	409
Agriculture planning and advisory services	15
University of Nigeria	276
Industrial management	20
Agriculture education, West Nigeria	9
Aptitude testing program	10
Agriculture education—Future Agriculture Leaders	5
Agriculture development studies and evaluation	213
Agriculture engineering—West Nigeria	2
Engineering planning and advisory services	6
Food crop production	6
Rinderpest eradication	30
Relief and rehabilitation	250
Upward adjustment	—433
Somalia	205
Water system development	2
National teachers education center	38
Technical support	3
Chisimaio port	107
Public safety	18
Mogadiscio water system	3
Agriculture services	2
Civil aviation	5
Scholarship program	18

78-827 O - 72 - pt. 2 - 62

Youth training	1
Public administration	8
Southern Regional	212
Improvements in curriculum and instructional methods	9
Technical support	3
Community development	1
Agricultural development	85
Malawi Polytechnic School	2
Statistical development	1
Mass communications	11
Special development	2
Operation manpower development	21
Preinvestment survey	20
Agriculture development	44
Key personnel training	5
Upward adjustment	—5
Tanzania	162
Community development	6
Strengthening public service	19
Technical support	15
Agriculture College of Tanzania	16
Southern link road survey	4
Technical education	4
Public service staff support	24
Educational materials and advisory services	21
Special project assistance	4
Zanzibar technical college	21
Agriculture production surveys	14
Rural credit union development	8
Masai livestock and range management	2
Management and engineering services	5
Agriculture materials and services	3
Upward adjustment	—4
Tunisia	112
Food fortification and nutrition	17
General training project	35
Police training	1
Technical support	5
Consultant specialists	5
Watershed planning and management	22
Accelerated livestock production	3
Agriculture production—cereals	8
Agriculture production—poultry	9
Family planning	7
Uganda	190
Agriculture cooperatives	49
Secondary girls school	16
Agriculture extension	23
Livestock development	16
Public service training	13
Institute of Public Administration	3
Agriculture education	19
Education development	7
Self-Help Community Center	1
Agriculture administration	40
Agriculture production research	3

Zaire Republic (formerly Congo K)	130
Supervised agriculture credit	8
Technical support	50
Public safety	52
Special post-university training	20

DEVELOPMENT LOANS

Fiscal Year 1972 Net Deobligations by Project (Preliminary)

(Thousands of dollars)

Total Africa (15 loans)	$7,997
Liberia	230
Monrovia Jr.-Sr. High School	61
Monrovia Elementary School	10
Technical assistance	60
Technical assistance program	77
Project support	22
Morocco: Economic development	168
Nigeria	5,200
Western Ave.-Agege Road	2,700
Western Ave.-Agege Road Amendment	2,500
Somalia: Development Bank	1,750
Tunisia	490
Water and irrigation projects	34
Program, 664-H-033	444
Commodity imports	5
Program loan, 664-H-045	7
Uganda: Primary teacher training	9
Africa regional: East Africa Development Bank	150

PARTICIPANTS

Mr. PASSMAN. How many participants are programed for your area in fiscal year 1973, and how many of these will be going to a third country?

Mr. ADAMS. During fiscal year 1973, 2,541 participants are programed for training of which 998 will be going to a third country.

TOTAL U.S. AID TO AFRICAN 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. ADAMS. U.S. aid to Africa from all spigots through June 30, 1971, totals $4.7 billion. We will provide a table on the details.

(The table follows:)

Cumulative U.S. Aid to African Countries, through June 30, 1971

Country:	*Amount*
Algeria	$188.2
Botswana	19.7
Burundi	7.9
Cameroon	34.8
Central Africa Republic	5.5
Chad	9.6
Congo (Brazzaville)	4.3
Dahomey	12.9
Ethiopia	396.3
Gabon	7.5
Gambia, The	3.6
Ghana	241.4
Guinea	116.5
Ivory Coast	87.1
Kenya	85.0
Lesotho	11.8
Liberia	208.6
Libya	219.6
Malagasy Republic	14.9
Malawi	26.3
Mali	30.0
Mauritania	4.9
Mauritius	5.7
Morocco	725.8
Niger	19.2
Nigeria	381.4
Rwanda	8.1
Senegal	38.8
Sierre Leone	45.0
Somalia	78.2
Southern Rhodesia	1.5
Sudan	85.3
Swaziland	5.1
Tanzania	73.0
Togo	18.3
Tunisia	688.6
Uganda	42.3
Upper Volta	18.9
Zaire	481.3
Zambia	9.4
Central/West Africa Regional	24.0
East Africa Regional	31.2
Africa Regional	203.9
Total	4,721.4

DEVELOPMENT LOANS

Mr. PASSMAN. Would you furnish for the record a list of loans authorized by country thus far in fiscal year 1972?

Mr. ADAMS. Yes, sir.

(The list follows:)

	Country	Amount
Bohicon-Parakou telecommunications	Central/West Africa	$1.9
Reconstruction	Nigeria	6.0
Ahmadu Bello	Nigeria	7.0
Livestock production	Uganda	3.0
Agriculture development	Tunisia	11.0
Agricultural sector	Ethiopia	15.0
Botswana-Zambia Road	Southern Africa	12.6
Total		56.5

Mr. PASSMAN. Have you rolled over or refinanced any loans in your area during the current fiscal year?

Mr. ADAMS. No, sir.

Mr. PASSMAN. How many loans did you obligate in the last 10 days of the last fiscal year?

Mr. ADAMS. We obligated two loans in the last 10 days of fiscal year 1971. One was the Ethiopia Agriculture Loan, obligated June 28, 1971, and the other was the Nigeria Western Ave-Agege Road Loan, obligated June 23, 1971.

Mr. PASSMAN. Would you provide a list for the record of the proposed development loans by country that form the basis for your fiscal year 1973 request?

Mr. ADAMS. Yes, sir.

(The list follows:)

Proposed development loans by country/region

Ethiopia	11.0
Grain production and marketing	4.0
Rural roads	4.0
Malaria eradication	3.0
Ghana: Program assistance	30.0
Morocco: Agriculture sector	15.0
Nigeria: Transport sector	15.0
Tanzania: Agriculture sector	4.0
Zaire: Agriculture sector	5.0
Central/West Africa Regional	15.0
Mali livestock	1.0
OERS-grain stabilization	3.0
Central Africa livestock	5.0
Gabon railroad	5.0
Lake Chad roads, engineering	1.0
Southern Africa Regional: Rural roads	5.0

COMMUNIST AID IN AFRICA

Mr. PASSMAN. What countries are receiving aid from Communist countries as well as U.S. aid?

Mr. ADAMS. In fiscal year 1972 AID has programs in the following countries which will also be receiving Communist aid: Central African Republic, Chad, Ethiopia, Guinea, Mauritania, Nigeria, Tanzania.

OTHER DONOR ASSISTANCE TO AFRICA

Mr. PASSMAN. Would you provide for the record a table showing the amounts contributed by the various donor countries to the African nations for the past 5 years and where loans are involved, please provide the average terms?

Mr. ADAMS. Yes, sir. I will be happy to oblige.

(The information follows:)

OFFICIAL FREE WORLD DEVELOPMENT ASSISTANCE TO AID RECIPIENTS IN AFRICA

[Commitments, millions, 1967–71]

	Annual averages		
	1964–66	1967–69	1970
Donor:			
Total free world (excluding United States)	$1,267	$1,281	$1,465
Bilateral aid:			
France	467	455	383
United Kingdom	201	150	118
West Germany	72	82	131
Canada	25	58	108
EC (European Community)	137	123	42
Others (12–13 donors)	128	98	179
International:			
IBRD	116	140	282
IDA	37	81	135
UN Program	79	79	70
Others	5	15	17

TERMS OF FREE WORLD ASSISTANCE

Grants from most free world donors, especially major donors such as France, the United Kingdom, and the EEC, continue to comprise the major part of total assistance.

Since 1965, Africa has received many interest-free loans from Canada, Sweden, and particularly the United Kingdom. Swedish loans also carry a longer maturity period which is the same as the IDA loans: 50 years including 10 years grace. The United Kingdom has provided over $140 million in interest-free loans to Africa since 1965.

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 1973.

Mr. ADAMS. Yes, sir.

(The information follows:)

Value of Public Law 480 programs in Africa for fiscal year 1973

(Thouands of dollars)

Country:	*Amount*
Botswana	$1,350
Burundi	920
Cameroon	380
Central African Republic	210
Chad	110
Congo (Brazzaville)	1,800
Dahomey	390
Ethiopia	1,134
Gambia	980
Ghana	13,260
Guinea	4,970
Ivory Coast	1,350
Kenya	810
Lesotho	1,773
Liberia	2,390
Malagasy	510
Malawi	180
Mali	1,580
Mauritania	1,170
Mauritius	1,305
Morocco	42,000
Niger	1,575
Nigeria	630
Rwanda	360
Senegal	1,683
Seychelles	60
Sierra Leone	1,740
Somali Republic	450
Sudan	180
Tanzania	1,370
Togo	550
Tunisia	32,140
Uganda	180
Upper Volta	3,200
Zaire	3,200
Zambia	320
Total	126,210

Mr. PASSMAN. Again this year I notice that about 25 countries are programed to receive small self-help funds in fiscal year 1973. What is the average amount programed for each country?

Mr. NEWSOM. The average amount being programed per country in fiscal year 1972 is $60,000.

Mr. PASSMAN. Why does the United States bother to supply such small funds to all these countries?

Mr. NEWSOM. The self-help and development fund is used in Africa to stimulate and supplement 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.

Mr. PASSMAN. In a recent newspaper article a prominent African bishop has charged that recent actions in the United States are serious threats to relations betwen the United States and Africa. The bishop cited the U.S. underwriting of Portuguese financial expenditures on military forces and the violation of U.S. sanctions against Rhodesia. Would you please comment on this situation?

Mr. NEWSOM. The bishop concerned is Abel Muzorewa, head of Rhodesia's United Methodist Church and, since December, chairman of the Rhodesian African National Council—a group organized to oppose the United Kingdom-Rhodesian settlement proposals tentatively agreed upon in November 1971.

For a number of years the United States has supplied Portugal with a small amount of MAP assistance for NATO purposes, the value of which is now down to about $1 million annually, or about one-fourth of 1 percent of Portugal's military budget.

The bishop is probably also referring to the recent agreement between the United States and Portugal renewing our rights in the Azores. In the exchange of letters on this agreement the United States noted the availability of Export-Import Bank credits and guarantees for projects in metropolitan Portugal's $400 million development plan. The availability of these loans and credits depends upon the success of American firms in bidding competitively on these projects. This figure has nevertheless been incorrectly interpreted by some as being aid to Portugal which could presumably assist Portugal in shifting other resources to support its military programs in Africa.

With respect to Rhodesian sanctions, the bishop had reference to section 503 of the Military Procurement Authorization Act of 1971—the so-called Byrd amendment—which since January 1, permits the importation of strategic materials, notably chrome, from Rhodesia, despite U.N. Security Council sanctions against such transactions. The administration opposed and testified against this legislation when it was before the Congress last year. Nevertheless, the measure passed the Congress as an integral part of the defense authorization bill. Its passage has placed the United States in violation of its obligations under the U.N. Charter.

EDUCATION AND DEVELOPMENT

Mr. PASSMAN. On page 2, you indicate that in most African countries, less than a third of school age children are in school. How are these countries ever going to develop until their people are educated?

Mr. ADAMS. The basic need is to stretch the available resources for education, in order to increase the numbers being reached and to make education more relevant at all levels to contemporary societies and development. In many African countries between 20 percent and 30 percent of the national budget already goes for education. Since we may anticipate only moderate growth in the money available for public expenditures on education, at least in the short-term future, AID is searching for ways to provide education at lower cost. We are seeking breakthroughs in learning systems using modern communication technology which might reduce education costs and also seeking ways of exploiting nonformal education potential to provide for learning of lower cost and high relevance outside of formal school systems. Also, I might add, we include training, from academic to on-the-job learning, within

almost all of our technical assistance projects. Fortunately, even when lack of education and illiteracy are serious problems, we can still teach farmers, for example, how to use new seeds, fertilize crops, and practice new techniques. This kind of practical teaching can be conducted effectively, and it can help overcome some of the problems resultnig from inadequate formal education.

ELIMINATION OF BOTTLENECKS TO INCREASED AGRICULTURAL PRODUCTION

Mr. PASSMAN. On page 3, you state that the fiscal year 1973 AID program will continue to focus on the elimination of bottlenecks to increase production in order to increase farmer and governmental income. Would you please tell the committee what bottlenecks you are talking about?

Mr. ADAMS. The major bottlenecks we are referring to are:

(1) Inadequate production, price, and market policies;

(2) Such low returns to producers as to provide little incentive to produce beyond family needs;

(3) A transportation system not adequate to move commodities from farm to consumers;

(4) The lack of trained personnel, both technical and managerial, to implement development programs;

(5) Lack of adequate credit or a credit system to enable producers to acquire such items as improved seed varieties, fertilizers and insecticides to increase crop production;

(6) The absence or the inadequate operation of a marketing system contributing, among other things, to extreme, annual price fluctuations to both producers and consumers; and

(7) Difficulty of government in determining an effective role vis-a-vis the private sector to fully tap available resources and maximize participation in development efforts.

Such bottlenecks, or critical constraints to increased productivity, are not all ordinarily found at the same time at the same place. They must be identified and assessed before providing agricultural development assistance.

INCREASED PLANNING AND MANAGEMENT CAPACITY

Mr. PASSMAN. On page 5, you state that the AID program in fiscal year 1973 will address the expanding public service training opportunities to improve the capacity of Africans to plan and manage development programs. Shouldn't this plan lead to reduction of AID personnel overseas?

Mr. ADAMS. Yes, it will eventually lessen the need in this area for foreign nationals whether from the United States or other donors. It will also increase the effectiveness of aid efforts in the LDC's and make possible a wider variety of development activities.

SCHOLARSHIP TRAVEL COSTS

Mr. PASSMAN. On page 6, you state that AID also provides funds for graduate and some undergraduate training in the United States. Do the countries that send the people to the United States pay their international transportation costs?

Mr. ADAMS. Under both the Africa graduate scholarship program and the Africa scholarship program for undergraduates, the participating countries pay travel costs from the cooperating country to the United States and return.

AFRICAN-AMERICAN LABOR CENTER SUPPORT

Mr. PASSMAN. On page 7, you state that continuing support is planned for the African-American Labor Center which seeks to improve trade union leadership and programs. Do you think by this continued support that we are going to create the same problems in Africa between labor and management as the ones we have here in the United States?

Mr. ADAMS. I anticipate that there will be fewer problems between labor and management in Africa. African labor organizations are sponsors of such development activities as skill training, cooperation development and leadership training. The fact that the AALC program is directed to increasing labor's contribution to social and economic development accounts in large measure for the support given to the program by African national leadership, and should contribute to constructive participation by both labor and management in the development process.

HEALTH COSTS, 1973

Mr. PASSMAN. On page 7 you indicate that AID is now able to terminate its successful assistance to the major campaigns against measles and smallpox. If these programs are terminating, why don't you show a reduction in your 1973 requests?

Mr. ADAMS. The countries in Central and West Africa have achieved success in the control of measles and the eradication of smallpox, but they still have a critical need to develop their overall health infrastructure and improve their systems of delivery of health services for the 120 million people living in the area. AID and other donors assisting these countries, as well as their own Ministries of Health, are aware that solving the many major health problems on a disease by disease basis, as was done in smallpox, would be far less effective and more costly. For fiscal year 1973 we are proposing a new program to plan and assist in expanding and improving health delivery systems. This project will build on the momentum and gains achieved through the measles and smallpox project.

INCREASE IN U.S. CONTRACT TECHNICIANS

Mr. PASSMAN. On page 11, you indicate that contractor technicians will increase from 473 in fiscal year 1972 to 641 in fiscal year 1973. Would you please tell the committee the need for this large increase?

Mr. ADAMS. AID has increasingly emphasized the role of nongovernment institutions and private expertise in development. The new directions of the AID program will accelerate the trend to utilize contractor services—from universities and other private sector organizations—in carrying out development assistance projects while reducing the numbers of AID personnel. You will note on the same page that AID direct-hire personnel are being reduced from 281 in fiscal year 1972 to 235 in fiscal year 1973. AID personnel will increasingly be focused

on program management functions while relying on contractor personnel to implement projects.

As you see from table on page 11, there is an increase in contract personnel planned in almost every country and regional programs. Of the overall increase, about one-third is in the regional programs where many of the projects have recently been initiated or are proposed new projects. In these cases—primarily in Central West Africa and Southern Africa—we are recruiting technicians under personal or institutional contracts. A similar situation exists in the Ethiopia and Tanzania programs which together also account for a third of the overall increase. In both of these country programs we have recently initiated or have proposed new projects for fiscal year 1973, most of which are in the agriculture sector and will be carried out by contract personnel. The rest of the increase is scattered over the other country programs.

INCREASE IN NONCONTRACT PARTICIPANTS

Mr. PASSMAN. On the same page, you indicate that noncontract participants will increase from 740 in fiscal year 1972 to 1,096 in fiscal year 1973. Would you please explain the need for this large increase?

Mr. ADAMS. Yes, sir. Nearly 300 of the overall increase of about 350 is for two major new activities planned for fiscal year 1973. The program grant for Nigeria and the middle-level management project in the Central West Africa regional program. In Nigeria, we anticipate training up to 150 Nigerians in critical areas of manpower needs. In the Central West Africa project we will finance short-term training courses aimed at strengthening the planning and management of development projects. One other large element of the increase in noncontract funded participants is the increase of 35 participants for several new or recently initiated projects in the Southern Africa regional program.

ETHIOPIA

Mr. PASSMAN. We will first examine on Ethiopia. In last year's justifications, you indicated that the fiscal year 1972 program would be $16,899,000, but I notice in this year's justifications this program has been increased to $19,425,000. Would you please tell the committee why this amount was increased from what was justified before the committee last year?

Mr. ADAMS. The increase in funding for the program in Ethiopia resulted primarily from our decision to provide support for overall agricultural development through a sector loan covering 2 years instead of only one as earlier planned. We have authorized a $15 million agricultural sector loan to support Ethiopian efforts over the next 2 years. The increased funding for this loan was offset in part by our not funding two other loans proposed for fiscal year 1972. One of these 2 loans, for rural roads development, may be considered in fiscal year 1973.

LOW LITERACY AND DEVELOPMENT

Mr. PASSMAN. You indicate on the basic data sheet that the literacy rate in Ethiopia is 5 percent. How can you possibly expect this country to make any sort of development with such a low literacy rate?

Mr. ADAMS. The small percentage of Ethiopians who can read and write is recognized as a major handicap. Fortunately, demonstration programs can teach improved farming methods even to illiterate peasants. As one way to minimize the effect of this weakness, AID is planning to help start nonformal education activities as part of agricultural projects in Ethiopia to see if the learning process among farmers can be accelerated by innovative methods in teaching work-related skills.

HIGHWAY EQUIPMENT REPAIR FACILITIES LOAN

Mr. PASSMAN. On page 19, in connection with the highway equipment repair facility development loan, I note this loan was signed on March 24, 1970, for an amount of $3,500,000 but that only $209,000 has yet been disbursed. Would you please comment on this long delay in disbursements?

Mr. ADAMS. Yes, sir. This loan involves both technical assistance and procurement of equipment. The first step in implementing the loan required the Imperial Highway Authority (IHA) to contract with U.S. technicians for advisory services to assist in reorganizing its maintenance shops. These technicians then assisted the IHA in developing the final specifications for the procurement of shop tools and spare parts. This phase was completed in the spring of 1971, and a major share of the procurement contracts were awarded by the end of 1971. Virtually all of the equipment has either been delivered or is en route to Ethiopia. The recent U.S. dock strike caused a serious delay in deliveries.

INCREASE IN STAFF

Mr. PASSMAN. On page 20, I note that you plan to increase the number of U.S. technicians from 99 in fiscal year 1972 to 122 in fiscal year 1973. Would you please comment on this increase?

Mr. ADAMS. The planned increase of 23 in the number of U.S. technicians in Ethiopia results from a decrease of five in direct-hire AID and Pasa technicians and an increase of 28 in contract technicians. Most of the increase reflects expected arrivals of contract team technicians for four new projects planned for fiscal year 1973. Grain/Pulses Production and Marketing (six technicians), Crop/Livestock Production (four technicians), Agricultural Development Planning (six technicians) and the Opportunities Industrialization Center project (seven technicians). In addition, five technicians are scheduled for arrival under the Rural Agricultural Development project being initiated in fiscal year 1972.

PROJECT MANAGER COSTS

Mr. PASSMAN. In approximately five of your projects, you indicate that $45,000 would be needed in fiscal year 1973 for a direct hire project manager. Isn't this an awfully high amount to pay for one person?

Mr. ADAMS. The major portion of the $45,000 for each of these project managers in Ethiopia is for salaries. The project managers are senfor level personnel at the FSR–2 and FSR–3 levels whose salaries range from $25,000 to $35,000. With a 10 percent post differential in Ethiopia,

housing and educational allowances, storage and transportation costs, the estimated yearly funding for the project managers averages about $45,000.

INCREASED PROJECT COST

Mr. PASSMAN. On page 21, in connection with the Ada district development project, I note you have increased the estimated total cost of the project by $567,000 above what was estimated last year. Would you please comment on this increase?

Mr. ADAMS. Yes, sir. About $290,000 of the total increase is estimated funding for a direct hire project manager for the duration of the project through fiscal year 1978. The rest of the increase provides for a new aspect of the project—an experimental effort in nonformal education. This training will be designed to reach farmers and unemployed villagers and to help them develop skills in soil conservation, use of hand tools, and other work-related areas.

INCREASED SPAN AND COST OF UNIVERSITY PROJECT

Mr. PASSMAN. On page 26, in connection with the University General Support project, I note you plan to extend the scheduled final year of obligation by one year, to 1976, and you increased the estimated cost by $1,588,000 above what was estimated last year. I also note that you plan to increase the fiscal year 1972 program by $167,000 above what was justified last year. Would you please comment on these increases?

Mr. ADAMS. Following an intensive review of this project, we have decided to extend the project through fiscal year 1976. In addition to the extra year, the increment of $1,588,000 in the life-of-the-project cost estimate is to cover increased annual contract and participant costs. The average cost of salary-supplemented contract technicians was raised to provide an education allowance, and adjustments to salary scales to eliminate certain hardships. The increase by $167,000 in the fiscal year 1972 project total funding was primarily to meet increased participant training costs and increased salary costs.

GHANA

Mr. PASSMAN. The next country we will examine on is Ghana.

I note that you plan to double the development loan program in fiscal year 1973 over the current year. Would you please explain why this increased by such a large amount?

Mr. ADAMS. Yes, sir, I would be pleased to provide that information. It has become increasingly clear to the Ghana Government, to ourselves and to Ghana's other donors that the level of external assistance required to achieve a moderate rate of growth and development is greater than that provided in the past. This is partly because the decline in the price of cocoa makes it much more difficult for Ghana to import the equipment, spare parts and other things it needs to expand production and employment. Let me emphasize that we are not alone in recognizing these problems or trying to do something about them. Other donor assistance is also expected to increase appreciably, once reasonable progress has been made toward a solution of Ghana's debt problems.

STATUS OF DEBT PROBLEM

Mr. PASSMAN. Along that same line, in a recent article, I notice that a dispute between the West African state of Ghana, which has unilaterally repudiated $94 million of its debt, and its Western creditors appear to be headed for arbitration by an institution of the World Bank. It goes on to say that if Ghana is allowed to get away with its repudiation of debts, then a chain reaction might be set off and other countries might follow suit. Would you please explain what is being done in Ghana on this repudiation of its debt?

Mr. ADAMS. The World Bank is providing its good offices in helping the Ghana Government and the creditor countries to reach an acceptable solution to the problem. This is a first, and important, step toward reconciling differences. The next step will be negotiations between Ghana and creditors on the debt problem in the near future.

INCREASED DEVELOPMENT LOAN PROGRAM

Mr. PASSMAN. If it is repudiating its other debts at this time, why do we plan to double our development loan program in fiscal year 1973?

Mr. ADAMS. The Ghana Government is declining to honor debts where it felt that there was a clear case of breach of contract, and, in those cases, it has offered to submit disputes to arbitration. The large bulk of the debt—including all long-term foreign assistance loans—is unaffected by this action. We would not anticipate making a loan unless debt questions were resolved to the satisfaction of the U.S. Government. We are optimistic about the possibility of a settlement, and, on that basis, we are planning the $30 million program loan in fiscal year 1973.

FISCAL YEAR 1973 PUBLIC LAW 480 PROGRAM

Mr. PASSMAN. Would you please list for the record the fiscal year 1973 Public Law 480 amounts that will be provided to Ghana?

Mr. ADAMS. Yes, sir. We will be happy to oblige. We are projecting that approximately $13,260,000 will be provided to Ghana under the Public Law 480 program in fiscal year 1973. Of this total, $12 million will be title I commodities including wheat and cotton. The remaining $1,260,00 will fund the title II program which will provide nonfat dry milk, corn-soya-milk blend, bulger, wheat, and vegetable oil.

U.S SHARE OF ASSISTANCE

Mr. PASSMAN. On page 29, you state that other members of the consultant group are expected to increase their levels of aid, thus reducing the share of assistance provided by AID. We might be reducing the share, but is it not true that we're still increasing the amount?

Mr. ADAMS. Yes, sir, that is correct. The proposed level for fiscal year 1973 represents an increase over the fiscal year 1972 level.

OIC PROJECT

Mr. PASSMAN. On page 32, in connection with the Opportunities Industrialization Center project, I note you plan to increase the esti-

mated total cost of the project by $187,000 above what was estimated last year. Would you please comment on this increase?

Mr. ADAMS. Yes, sir. I will be glad to do so. During fiscal year 1972 the number of OIC International staff positions in Ghana was increased from six to 10 to enable a wider range of vocational education specialists to be in the field at a given time. Augmenting the staff necessitated an upward revision in the project's total cost.

Mr. PASSMAN. I also note that you plan to increase the Opportunities Industrialization Center project's fiscal year 1972 program by $238,000 above what was justified to the committee last year. Would you please comment on this increase?

Mr. ADAMS. In fiscal year 1971, we obligated less than we projected in last year's congressional as a result of a slower than anticipated buildup of staff. Therefore, we increased this year's funding to meet the personnel requirements. This deferred funding plus the increased funding needed for the larger staff explains the higher fiscal year 1972 obligations for the project.

KENYA

Mr. PASSMAN. The next country we will take up is Kenya. You indicate on page 36 that Kenya is one of the few African nations that have established an official family planning policy. Could you please tell the committee why so few nations have adopted an official family planning program?

Mr. ADAMS. Yes, sir, I think we have now had enough experience working in the population field in Africa to be able to answer your question in a reasonably definitive way although this would have been difficult even a few years ago. The situation as we see it is more or less as follows:

(1) The series of steps that go into making a decision to establish a national family planning policy, as you can see from experience in the United States itself includes involvement of both top governmental and grass roots leadership.

(2) The kinds of information, attitudes and opinions considered at these several levels of decisionmaking in Africa may be quite different. For instance, government leaders may be concerned primarily with the relationship between population growth rates and resources available for long-range economic and social development. At the grass roots level, on the other hand, it may be a question of survival of a sufficient number of children in each family so that the family subsistence agricultural mode of life (still by far the most common in Africa) will not be threatened by insufficient "hands" to do the work and to provide the only form of "social security" available. Thus the high infant mortality rate (still prevalent in most African countries) may be a most important factor in the decisionmaking process concerning family size limitation in rural Africa. Grass roots support for a population policy in most African countries has therefore been slow in developing. Lack of this support has no doubt played a part in limiting the number of countries which have declared for such a policy on an official governmental basis.

(3) Government leaders in only a few African countries have not, up to now, had access to reasonably accurate data concerning population growth rates, much less an analysis of relationships between these

rates and economic and social development. Only a handful of countries have had an accurate census. All of the countries which now have official population policies have had the benefit of the careful analysis of relationships between population growth rates and economic and social development referred to above.

The situation is being remedied due to U.S. and other donor support of census and demographic work being undertaken, often, under joint sponsorship of the Economic Commission for Africa and various African countries. As a consequence, each year now, a number of these countries move closer to making a decision on this matter. But, at best, it will be some years before even all the larger African countries establish official population policies.

INCREASE IN TECHNICIANS

Mr. PASSMAN. On page 38, you indicate that the number of U.S. technicians will increase from 39 in fiscal year 1972 to 51 in fiscal year 1973. Would you please tell the committee why this increase is needed?

Mr. ADAMS. Three new projects are scheduled to begin in fiscal year 1973. These three, Opportunities Industrialization Centers, National Range and Ranch Development and Rural Water Development, will require 25 U.S. contract and PASA technicians respectively. Additionally, two-ongoing projects, the Rural Development project, and the Agricultural Credit project will require four additional advisors—all under control. However, five projects will be completed at the end of fiscal year 1972 and will eliminate 17 U.S. technicians. On balance therefore, 12 more U.S. technicians will be needed in fiscal year 1973.

INCREASE IN PARTICIPANTS

Mr. PASSMAN. On the same page, you also indicate that you are going to double the number of participants in fiscal year 1973. Would you please comment on this increase?

Mr. ADAMS. The most important complement to technical assistance provided by U.S. technicians is simultaneous training of Kenyan's to implement the programs introduced by and become replacements for these Americans. In fiscal year 1973 a major component of the Population Dynamics project will be training in the United States for 15 participants, an increase of nine from fiscal year 1972. Upon return to Kenya these persons will be better prepared to help fill the large demand of the government for trained personnel to implement and publicize their family planning program. The new Opportunities Industralization Centers Project will provide short-term training in the United States for four Kenyan staff. Participant training provided under the other Kenya projects will about equal that provided in fiscal year 1972.

AGRICULTURE CREDIT PROJECT

Mr. PASSMAN. On page 39, in connection with the agriculture credit project, I note you plan to increase the estimated total cost by $500,000 above what was estimated last year, and you also plan to increase the fiscal year 1972 program by $114,000 above what was justified to the committee last year. Would you please comment on these increases?

Mr. ADAMS. Yes, Mr. Chairman. The increase of $500,000 in the estimated total cost reflects an expansion of the project to include three additional contract technicians. These new advisers will assist in improving loan operations in the rural regional and branch offices of the Kenyan Agricultural Finance Corporation. The other two technician on the project have been assisting headquarters operations. We have also added a project manager to the project. The increase of $114,000 in fiscal year 1972 funding for the project reflects 18 months' forward funding for the three new technicians and the inclusion of a limited amount of commodities. Last year we planned only 1 year of forward funding and no commodities.

NAIROBI VETERINARY FACULTY

Mr. PASSMAN. On page 40, in connection with the University of Nairobi veterinarian faculty project, I note you plan to increase the fiscal year 1972 program by $172,000 above what was justified last year. Would you please comment on this increase?

Mr. ADAMS. At the time the fiscal year 1972 presentation to the Congress was prepared, sufficient fiscal year 1971 funds were thought to be available to continue the services of the six-member Colorado State University contract team through fiscal year 1972 and for at least 9 months of fiscal year 1973. The new project objectives—emphasis on clinical studies and introducing a graduate level program—required a number of changes of personnel. These changes, along with travel and transfer expenditures, resulted in additional fiscal year 1972 contract funding to assure the Colorado State University team.

NATIONAL RANGE AND RANCH DEVELOPMENT PROJECT

Mr. PASSMAN. On page 42, in connection with the national range and ranch development project, I note you plan to extend the final year of obligation by 1 year to fiscal year 1979. Would you please explain why this project had to be extended by 1 year?

Mr. ADAMS. Initiation of this project, which was to begin in fiscal year 1972, was delayed 1 year to permit more complete analysis and evaluation of an AID pilot program in the northeast province being performed under the range development project. This analysis has been completed and incorporated into the new project proposal which is currently under review. This delay in implementation extended the project by 1 year.

LIBERIA

Mr. PASSMAN. The next country is Liberia. On page 47, you indicate that AID assistance complements and is closely integrated with programs of the UNDP and the Republic of China. Would you please tell the committee what funds the Republic of China is providing to Liberia?

Mr. ADAMS. The Republic of China's technical assistance to Liberia, which is provided through the Vanguard program, in 1972 amounts to $154,798 equivalent. The GRC is contributing 30 percent of this or $46,440. The United States in 1972 is financing 70 percent of the Vanguard program by contributing new Taiwan dollars generated from

78-827 O - 72 - pt. 2 - 63

Public Law 480 sales in the Republic of China. Although the U.S. contribution to the Vanguard program is well known, the program can properly be viewed as a Chinese technical assistance program employing Chinese technicians, supported in part by Chinese funds, and utilizing many of the innovative agricultural practices which have proven so successful in Taiwan.

THE JOHN F. KENNEDY HOSPITAL

Mr. PASSMAN. On page 48, you indicate that the John F. Kennedy Hospital was financed by AID, and you indicate that additional money will be provided to provide administrative personnel and some limited medical supplies. Isn't this classified as budget support?

Mr. ADAMS. AID has provided both capital and technical assistance to the John F. Kennedy Hospital. Capital assistance has provided for the construction of hospital and dormitory facilities through a development loan. This assistance has been completed with the opening of the hospital last year. Technical assistance is providing administrative and training advisers and medicines, hospital supplies, and equipment necessary to assure the successful management of the hospital during its initial years of operation. Commodity costs will be gradually reduced in the next few years. AID provides no funds into the Liberian Government budget for the operation of the hospital.

Mr. PASSMAN. Shouldn't we limit our aid to these institutions to capital improvement and try and stay away from budget support?

Mr. ADAMS. The construction of the Kennedy Hospital provided greatly increased medical capacity in Liberia, and the new facilities could not be utilized to their best advantage unless complemented by the technical assistance to which I have referred. AID technical assistance to the Kennedy Hospital is, of course, provided in the form of technical advisory services and commodities.

TECHNICAL ASSISTANCE PROJECTS LOAN

Mr. PASSMAN. On page 49, in connection with the technical assistance projects development loan, I note this loan agreement was signed on January 23, 1970, in an amount of $650,000, but as of the present time, no funds have been disbursed. Would you please comment on this delay in disbursements?

Mr. ADAMS. Since January 1972, disbursements under this loan have totalled $73,000. Under the terms of the loan agreement, these loan funds will be available for utilization by the Liberian Government no later than December 31, 1972. If these funds are not utilized by December 1972, they will be considered for deobligation.

TELECOMMUNCIATIONS PROJECT

Mr. PASSMAN. On page 50, in connection with the telecommunications management project, I note you plan to increase the estimated total cost by $491,000 above what was estimated last year. Would you please comment on this increase?

Mr. ADAMS. The Liberian Government has selected the U.S. firm of General Telephone & Electronics to provide technical services through

a host country contract which was signed on January 24, 1972. The increase in the total cost of the project from $1,394,000 to $1,885,000 was a result of a preliminary estimate of cost before contract negotiations were initiated and a firm budget requirement identified.

INSTITUTE OF PUBLIC ADMINISTRATION

Mr. PASSMAN. On page 52, in connection with the Institute of Public Administration project, I note you plan to increase the fiscal year 1972 program by $256,000 above what was justified to the committee last year. Would you please comment on this increase?

Mr. ADAMS. An important consideration was the revitalization of the long-moribund Civil Service Bureau which now promises to provide a key link in utilizing output of the Institute. Whereas previously we planned to begin technical services with about 1 year's funding for only three technicians, the greater emphasis which the Liberian Government is placing on improving its public services has provided a basis for a larger complement of staff assistance. Fiscal year 1972 funds provide 18 months' services of six technicians. Their number will be increased with fiscal year 1973 funding to eight. The advancement in the implementation schedule does not change the projected total cost of the project which remains at $3,870,000.

Morocco

Mr. PASSMAN. The next country we will consider is Morocco. In a newspaper article it was stated that dissatisfaction and bitterness are rising steadily in Morocco. The clamor for reforms is no longer confined to the teeming cities and the paralyzed universities, on strike for the past 5 months. It was reaching far into the Moroccan countryside. Would you please tell the committee what the current situation is in Morocco?

Mr. NEWSOM. The current situation in Morocco has both pluses and minuses. We believe that since the near-successful coup attempt against the monarchy last July, King Hassan has reestablished his authority in the country. His Government has adopted some badly needed reform measures, such as establishing a graduated income tax structure, raising minimum wage levels and increasing the pace of land reform and redistribution. Economically, the short-term situation appears encouraging with a good harvest expected this year and a large influx of tourists bringing badly needed foreign exchange into the country. Over the longer term, the principal problems facing the Government are increasing agricultural production to keep pace with population growth and reducing unemployment. The serious unemployment problem in Morocco contributed to the fairly widespread student strikes and labor demonstrations that took place early this year. This unrest has abated.

PROGRAM LOAN

Mr. PASSMAN. I note in fiscal year 1972, there was no development loan program to Morocco but in fiscal year 1973 you plan a $15 million development loan program for this country. Would you please explain this very large increase?

Mr. ADAMS. A $10 million development loan authorized for Morocco during fiscal year 1971 was not signed until April 1972 due to the combination of a temporarily unstable political situation and the lack of decisionmaking authority of the transition government. Therefore, there was no basis for the $10 million loan proposed for fiscal year 1972. The $15 million agricultural sector loan proposed for fiscal year 1973 will provide the foreign exchange necessary to import goods and finance services for continued support of Morocco's agricultural development, including grain storage facilities. The proposed loan reflects our effort to support the increased emphasis placed on development of the agricultural sector in the Moroccans' new 1973–77 5-year plan.

PUBLIC LAW 480 PROGRAM

Mr. PASSMAN. Would you please tell the committee what the Public Law 480 program will be in fiscal year 1973?

Mr. ADAMS. The proposed title I program would provide about $24 million in wheat and vegetable oil. The proposed title II program for voluntary agencies will total about $8 million including programs under the Catholic Relief Services and the American Jewish Joint Distribution Committee. Commodities proposed for the world food program and continued support for Promotion Nationale will total about $10 million.

IRRIGATION PROJECT LOAN

Mr. PASSMAN. On page 57, in connection with the irrigation project II development loan I note that this loan was signed on June 28, 1968, in an amount of $5 million, but as of this time, only $278,000 has been disbursed. Would you please comment on this long delay in disbursements?

Mr. ADAMS. Thus far the proceeds of the loan have been utilized by the Moroccan Government only for continuing engineering services and for consulting services for the preparation of production and marketing plans and seeking private investors from abroad. Meanwhile, although the construction work continued, the Moroccan Government has not yet sought reimbursement for the costs of this work under the loan because it has had some difficulty in meeting the conditions precedent to disbursement for such costs established in the loan agreement. These conditions are now in process of being met, however, and the Moroccan Government should soon be in a position to request reimbursement under the terms of the loan.

DEMOGRAPHIC RESEARCH CENTER PROJECT

Mr. PASSMAN. On page 58, in connection with the demographic research center project, I note you plan to increase the estimated total cost of this project by $400,000 over what was estimated last year and you also plan to increase the estimated fiscal year 1972 program by $155,000 above what was justified before the committee last year. Would you please comment on these increases?

Mr. ADAMS. The increased estimated costs are based on a revision of the project proposal completed in February 1972 which reflects a more thoroughly defined course of action and a more careful determination

of requirements. The original projections were made prior to the arrival of the project director in the field and final agreement on the research design for the project.

INCREASE IN PARTICIPANTS

Mr. PASSMAN. On page 58, you indicate that the number of participants will increase from 17 in fiscal year 1972 to 28 in fiscal year 1973. Would you please comment on this increase?

Mr. ADAMS. Most of the increase is in two projects—three participants planned for the new industrial training project and an increase from five to 10 participants in the cereals production project. The remaining increase of three is in the net result of slight increases and decreases in the other projects in the program.

NIGERIA

Mr. PASSMAN. The next country is Nigeria. On page 61, you make the following statement: "However, the acute shortage of able, trained administrative and technical personnel represents a major restraint on the ability of the Nigerians to effectively use the considerable resources available." If this is the case, how do you expect them to effectively utilize the $23.8 million you have programed for this country in fiscal year 1973?

Mr. ADAMS. Actually, the proposed program for fiscal year 1973 addresses that problem directly. The program grant we are considering would provide for a significant infusion of U.S. technician expertise and training in areas where the Nigerians feel serious impediments exist to more rapid development. We anticipate that this assistance will enable the Nigerians to capitalize on available capital resources by overcoming the problems resulting from lack of skilled manpower.

CALABAR-IKOM ROAD

Mr. PASSMAN. On page 63, in connection with the Calabar-Ikom Road Development Loan, I note this loan agreement was signed on November 14, 1969, in the amount of $2,800,000, but as of the present time, no funds have been disbursed. Would you please comment on this long delay in disbursement? I also note on page 63, that the first amendment was authorized on December 30, 1966, but the loan agreement was not signed until November 14, 1969. Would you please explain the long delay between the authorization of the loan and the actual signing of the agreement?

Mr. ADAMS. Yes, sir. I will respond first to the second half of your question. Execution of the first amendment to the Calabar-Ikom Road project was delayed by the civil war. It was signed at the same time as the second amendment after we had agreed with the Nigerian Government on the details for proceeding with the project. In response to the first part of your question, the second amendment provided $2,800,000 to reconstruct the first 35 miles of the road, leading from the Port of Calabar. The port was seriously damaged during the war. Since this 35-mile segment will be undertaken by the same contractor who began the project, the Government of Nigeria is first utilizing

funds available under the original loan and the first amendment, before requesting disbursement against the second amendment. Of the full amount of the loan and amendments, $17.4 million, over $13 million has been disbursed and balance committed under letters of commitment. The project is moving ahead and is scheduled for completion in May 1973.

PROGRAM INCREASES

Mr. PASSMAN. Also on page 63, in connection with the Port Harcourt School development loan, I note this loan was signed on December 29, 1964, in the amount of $1,800,000 but as of the present time, only $90,000 has been disbursed. Would you please comment on this long delay in disbursement?

Mr. ADAMS. The Port Harcourt School project was out for bids on construction when the civil war broke out in 1967. Consequently the request for bids was canceled. The funds disbursed financed the cost of final engineering prior to the civil war. The establishment of State governments in Nigeria after the war and the transfer of the responsibility for this project to the Rivers State government resulted in further delay because of the need for revised planning. The American consultant firm has completed updating the plans, and a call for construction bids is expected within 60 days.

Mr. PASSMAN. On page 64, I note that you plan to increase the number of participants from 95 in fiscal year 1972 to 222 in fiscal year 1973. Would you please explain the need for this very large increase?

Mr. ADAMS. This increase in the number of participants reflects to a large extent our preliminary estimates of the Nigerian Government's expansion of the participant program through use of the program grant. We estimate that up to 150 Nigerians may receive training under the program grant. In addition, we have stepped up the participant program under the Ahmadu Bello University faculty of agriculture project in an effort to meet training targets as we close out that project.

Mr. PASSMAN. On page 65, in connection with the faculty of agriculture and non-degree schools, Ahmadu Bello University project, I note you plan to extend the final date of obligation of this project by 1 year to fiscal year 1973 and you plan to increase the estimated total cost of the project by $929,000 above what was estimated last year. I also note that you plan to increase the fiscal year 1972 program by $150,000 above what was justified last year. Would you please comment on these increases?

Mr. ADAMS. The $929,000 is primarily, the cost of funding the project for the additional year. The increase in fiscal year 1972 costs reflects the assignment of an additional technician, a direct-hire project manager and higher personnel costs related to the contract team of 15 members.

Mr. PASSMAN. In connection with this same project, I note you plan to use $50,000 in fiscal year 1973 for one project manager. Isn't this a rather high cost per individual?

Mr. ADAMS. The individual involved here is an FSR–2, relatively senior grade. His basic salary of about $32,000 plus a differential of 15 percent, and allowances for education, housing, rest and recreation, and possible home leave bring the total to about the $50,000 level.

Mr. PASSMAN. On page 67, in connection with the Ahmadu Bello University, faculty of veterinary medicine project, I note you plan

to increase the estimated total cost of the project by $1,057,000 and also increase the fiscal year 1972 program by $425,000 above what was justified last year. Would you please comment on these increases?

Mr. ADAMS. Yes, sir, the fiscal year 1972 obligation reflects an increase in the participant training program from four to 15 participants, the addition of commodities for support of the project, and additional funding for the contract team of nine advisers which were not adequately funded through fiscal year 1972 from last year's funds. The total estimated cost of the project as presented last year was a serious underestimation of the project's cost, and appears to me to have been an error. The life of project cost through fiscal year 1978 will be approximately $3.6 million as the project is now designed.

TANZANIA

Mr. PASSMAN. The next country is Tanzania. On page 76, I note that you plan to increase the number of U.S. technicians from 35 in fiscal year 1972 to 58 in fiscal year 1973. Would you please tell the committee the need for this increase?

Mr. ADAMS. The increase in the number of U.S. technicians reflects primarily a net increase of 19 contract technicians plus one direct hire and three PASA advisers. The major additions of contract technicians include seven for the two new agriculture projects for fiscal year 1973—six for the agriculture planning project, and one for the manpower development project. For the ongoing projects, the largest increase is six technicians under the seed multiplication project to expand seed farms and certified seed production, four advisers to initiate the recently approved agriculture research project, and four marketing specialists to arrive under the agriculture marketing project. Smaller increases are planned for other projects. These increases are partially offset by six technicians scheduled to leave under terminating activities.

INCREASE IN PARTICIPANTS

Mr. PASSMAN. Also on the same page, you indicate that the number of participants will increase from 56 in fiscal year 1972 to 88 in fiscal year 1973. Would you please comment on this increase?

Mr. ADAMS. Yes, Mr. Chairman. The increase in participants for fiscal year 1973 reflects planned new participants under both ongoing and new projects in fiscal year 1973. The major portion of this increase is for 17 participants under the new manpower development for agriculture project and for four participants under the new agriculture planning project. The other 11 new participants are spread over several ongoing projects.

AGRICULTURE RESEARCH PROJECT

Mr. PASSMAN. On page 77, in connection with the agriculture research project, I note you plan to increase the fiscal year 1972 program by $301,000 above what was justified last year. Would you please comment on this increase?

Mr. ADAMS. At the time of the fiscal year 1972 congressional presentation we had planned to initiate the agriculture research project late in fiscal year 1971 based on a study of Tanzanian agriculture research needs, than in progress. We had budgeted $447,000 of fiscal year 1971 funds to cover the study and the initial funding of the research project.

Since the initial obligation of funds was planned for late in fiscal year 1971, only $64,000 was budgeted in fiscal year 1972 to cover additional participant training commodities and miscellaneous costs.

The survey was completed and discussed with the Government of Tanzania late in fiscal year 1971. However, the funds ($365,000) to cover the initial 18 months contract for four research scientists, and other project costs, was not obligated until early fiscal year 1972. The difference is simply a revised funding schedule with no change in project objectives.

PROJECT TECHNICIAN COSTS

Mr. PASSMAN. On page 79, in connection with the Masai livestock and range management project, I note you plan to request $50,000 in fiscal year 1973 for one direct-hire U.S. project manager. Isn't this a rather high cost for one individual?

Mr. ADAMS. This project manager is a senior grade individual at the FSR–2 level which is a salary of about $35,000. The post differential of 10 percent, housing allowance, educational allowance, and other support costs account for the remainder of the $50,000 costs.

TUNISIA

Mr. PASSMAN. We will now consider Tunisia. I note last year, you estimated that the fiscal year 1972 program would be $12,358,000. However, this year I note you have revised the fiscal year 1972 program level upward to $17,200,000. Would you please tell the committee why this program was increased by such a large amount above what was justified last year?

Mr. ADAMS. Yes, sir. Last year's estimate for fiscal year 1972 program represented $10 million proposed for an agriculture development loan, plus $2,358,000 for technical assistance to Tunisia. The increase of funds in the fiscal year 1972 program is primarily due to $3.5 million in additional population assistance under title X than was proposed last year. This assistance included a $3 million program grant, most of which will provide local cost support for modernization of 300 family planning centers and maternity facilities. Another $1 million increase in assistance is the result of $11 million agriculture development loan which has been authorized this year instead of the $10 million proposed last year. In addition, the technical assistance program has increased by about $350,000, primarily for ongoing projects in the agriculture sector.

PUBLIC LAW 480 PROGRAM

Mr. PASSMAN. Would you please tell the committee what the Public Law 480 program will be in fiscal year 1973?

Mr. ADAMS. The Public Law 480 program, title I and title II, in Tunisia is estimated at $32.1 million in fiscal year 1973. Title I projection for fiscal year 1973 is $19 million consisting of wheat and/or wheat flour and edible oil. The title II fiscal year 1973 project is $13.1 million which includes voluntary agencies (CARE and Catholic Relief Services), world food program, and a food-for-work program. Commodities will include wheat flour, milk, and vegetable oil.

PROGRAM LOAN

Mr. PASSMAN. On page 87, in connection with the program development loan. I note this loan was signed on December 11, 1970, in an amount of $10 million, but as of the present time only $7,000 has been disbursed. Would you please comment on this delay in disbursement?

Mr. ADAMS. Yes, sir. There were several factors tending to delay disbursement of this program: Conditions precedent to disbursement were not met until the spring of 1971. Following this, the developing world monetary crisis and unsettled conditions in international trade had a slowing effect on Tunisian import orders. Also, the U.S. east coast dock strike in the fall of last year had a further inhibiting effect. At the present time, however, virtually the entire loan has been committed in terms of irrevocable letters of credit. Disbursements as of the end of April 1972 amounted to $1,447,000.

PROGRAM ASSISTANCE GRANT

Mr. PASSMAN. On page 88, in connection with the program assistance grant project, would you please tell the committee if this program was justified last year?

Mr. ADAMS. No; this program assistance grant was not justified before this committee last year because this $3 million grant of title X funds, which was provided in conjunction with the IBRD/IDA loan of $4.8 million to Tunisia for family planning, was proposed after the close of last year's testimony.

This grant will provide the Government of Tunisia with the equivalent in dinars of $3 million, and enable the Government of Tunisia to upgrade family planning delivery services and infrastructure, especially the renovation of approximately 300 existing family planning centers, maternity and child health clinics and hospital maternity facilities.

LIVESTOCK PROJECT

Mr. PASSMAN. On page 90, in connection with the accelerated livestock production—Tunisia project, I note you plan to increase the fiscal year 1972 program by $89,000 above what was justified last year, and I also note that you estimate this project will be carried on through fiscal year 1980. Would you please explain the reason for the increase and also why this program is scheduled for such a long period of time into the future?

Mr. ADAMS. The $89,000 increase in the fiscal year 1972 accelerated livestock production project in Tunisia represents a $5,000 increase in direct-hire technician costs, $62,000 increase in USDA/PASA cost for funding of PASA technicians, and $22,000 for commodities such as agricultural equipment, seeds, and fertilizers needed to accelerate the livestock production program. This project was initially started for a 10-year period, consisting of three phases. Phase 1 will cover the first 4 years of the project and focus on the improvement of livestock management, accelerated wheat-grain production and improving forage production. The other phases will cover consecutive periods of about

3 years, focusing on the improvement of range management, improving meat process facilities and development of a viable livestock marketing program.

FAMILY PLANNING PROJECT

Mr. PASSMAN. On page 93, in connection with the family planning project, I note you plan to increase the estimated total cost by $2,962,000 above what was estimated last year. I also note that you plan to increase the fiscal year 1972 program by $500,000 above what was justified to the committee last year and if I'm not mistaken, the $500,000 listed under the category "Other costs" was not justified last year. Would you please comment on this situation?

Mr. ADAMS. The difference between $450,000 and $950,000 in fiscal year 1972 represents the purchase of U.S.-owned local currency from the U.S. Treasury to cover local costs, heretofore funded from local currencies received from Public Law 480 sales. Sales agreements are currently all on U.S. dollar credit terms. The $500,000 programed in fiscal year 1972 was used to finance a portion of local operating costs of family planning programs.

UGANDA

Mr. PASSMAN. The next country is Uganda. On page 97, in connection with the teacher training colleges development loan, I note this loan was authorized on June 27, 1969, in the amount of $3,200,000 but as of the present time, a loan agreement has not been signed, and therefore no disbursements have been made. Would you please comment on this situation?

Mr. ADAMS. Yes, sir. Shortly after this loan was authorized, the Government of Uganda reassessed its policies with respect to teacher training institutions. During this reassessment a new government assumed office, resulting in further delays in developing policies with regard to teacher training institutions. In late 1971, the new government reaffirmed its request for AID assistance in reviewing primary teacher training needs. The project is undergoing considerable revision in order to meet requirements identified as a result of the Government's reassessment.

Mr. PASSMAN. On page 102, in connection with the primary teacher training college staff development project, I note that you are requesting $53,000 in fiscal year 1973 to fund one direct hire project manager. Would you please comment on this high cost for one individual?

Mr. ADAMS. Yes, sir. The project manager scheduled for the project is a FSR–2 officer with a salary of about $35,000. A 10-percent salary differential, housing and educational allowances, and transportation constitute the other major costs.

Mr. PASSMAN. On page 98, you indicate that the number of U.S. technicians will increase from 44 in fiscal year 1972 to 51 in fiscal year 1973. Would you please comment on this situation?

Mr. ADAMS. Sir, this net increase of seven U.S. technicians reflects a decrease of four direct hire positions and an increase of 11 contract positions. Five of the 11 positions are planned for the contract team under the crop research, production and marketing project which will

begin in fiscal year 1973. Two more contract positions are for the rural management systems and training project which is also a new project planned for fiscal year 1973. The other four are contract personnel scheduled for arrival for on-going projects.

GRADUATE AGRICULTURE FACILITY

Mr. PASSMAN. On page 100, in connection with the graduate agriculture faculty project, I note you plan to increase the fiscal year 1972 program by $146,000 above what was justified last year, and if I'm not mistaken, the $10,000 listed under "Commodities and other costs" and also the $74,000 listed under U.S. technicians was not justified last year. Would you please comment on this situation?

Mr. ADAMS. Yes, sir. We will be happy to. The project objectives and composition has not changed—just the timing of funding of inputs.

In the fiscal year 1972 congressional presentation we estimated a $15,000 requirement because of previously obligated funds available—$430,000—and because of the time it would take for the contractor to recruit a team. Four technicians working at Makerere University under the Makerere agriculture faculty project (618–11–110–618) were transferred to the new project beginning July 1, 1971, but the remaining technicians were recruited by the contractor more quickly than was originally anticipated. Fiscal year 1972 contract technician costs went up accordingly and supportive commodity and other costs that had been projected for fiscal year 1973 were moved up to fiscal year 1972.

Mr. PASSMAN. Also under the same project, you indicate that $57,000 will be needed in fiscal year 1973 to fund one direct hire project manager. Isn't this a rather high cost for one individual?

Mr. ADAMS. The $57,000 for the direct hire project manager in fiscal year 1973 includes first, his salary at an FSR–2 level of about $35,000. The major remaining costs are a 10-percent salary differential, housing and educational allowances, and transportation costs.

ZAIRE

Mr. PASSMAN. We will now consider the country of Zaire. Would you please tell the committee what the public law 480 program will be in fiscal year 1973?

Mr. ADAMS. Yes, sir. The proposed public law 480 program for fiscal year 1973 in Zaire totals $3,200,000. Of this, $2,130,000 falls under title I and is for wheat flour to be imported for commercial sale. The remaining $1,070,000 is under the title II program and is intended for various foodstuffs, chiefly flour and dry milk, to be imported for distribution through Catholic Relief Services—CRS—and the Church World Services—CWS.

HOTEL CONSTRUCTION

Mr. PASSMAN. On page 107, in connection with the hotel construction development loan I note this loan was authorized on June 29, 1967, but the loan agreement was not signed until November 15, 1968. Would you please comment on this delay between the authorization and the signature of the agreement?

Mr. ADAMS. Yes, sir. In addition to the development loan, the financing package for this project included a Cooley loan, an AID extended risk guarantee, a loan by International Hotel Corporation (IHC) and a loan by the Government of Zaire. The delay in signing the loan agreement was caused by delay in finalizing the other elements of the financing package. The hotel is completed, and has been open since September 1971.

TRANSPORT LOAN

Mr. PASSMAN. Also on page 107, in connection with the commodity financing development loan, I note this loan agreement was signed on November 30, 1970, for an amount of $10 million, but as of the present time, no disbursements have been made. Would you please comment on this delay in disbursements?

Mr. ADAMS. Yes, sir. Initial disbursement of this $10 million loan for water transport was conditioned on several important undertakings by the Government of Zaire concerning the reorganization of its water transport operating agencies. In this we have followed the lead of the World Bank which is also providing major assistance to Zaire for water transport development. The conditions that were applied under these loans resulted from a UNDP–World Bank study and related to the establishment of new organizational and operating arrangements. The water transport organizations involved are large and complex and the new organizational arrangements were completed in early 1972.

CONTRACT TECHNICIANS

Mr. PASSMAN. On page 108, you indicate that contractor technicians will increase by 10 in fiscal year 1973. Would you please comment on this increase?

Mr. ADAMS. Yes, sir. The 10 contractor technicians are needed for the three new projects proposed for Zaire for fiscal year 1973. Three each are planned for the National Maize Research and Production project and the Planning and Management Services project. We also propose four technicians for the Maternal and Child Health project.

PUBLIC SAFETY—AIR CHARTERS

Mr. PASSMAN. On page 110, in connection with the public safety project, I note you are requesting $40,000 in fiscal year 1973 for air charters. Would you please tell the committee what these air charters are and why are they needed?

Mr. ADAMS. Sir, air charters are one of several items that would be funded under the $40,000 requested. The cost of the item would amount to $9,000. This expenditure would cover air transportation costs for each of four adviser public safety specialists in one of the following categories: Training, auto maintenance and repair, telecommunications, and municipal/urban policing. The countrywide deployment of large numbers of national police units requires each adviser to apportion his technical assistance and training services in accordance with the respective priorities of the deployed police units. Of the remaining $31,000 which we have requested, almost all would be used to defray salary costs of five third-country nationals employed under contract

services and a small remaining portion, about $1,000, would be for office equipment and supplies.

Central and West Africa Region

Mr. Passman. We will next take up the Central and West Africa region. I note that last year you estimated that the fiscal year 1972 program would be at a level of $14,537,000, but this year I note you have revised this program upward to $29,900,000. Would you please tell the committee why this program was increased over what was justified last year?

Mr. Adams. The difference of about $15 million is primarily the result of increased lending for regional projects in central/west Africa. We have had a number of loan proposals under consideration in this area and we cannot always determine which will be ready for action in a given period. The livestock loans we anticipated for fiscal year 1972 are slipping into fiscal year 1973, and some loans we anticipated next year will become ready for consideration in fiscal year 1972. Two major loans, the Entente Development Bank and the Parakon-Malanville Road, the latter in conjunction with the IBRD, are being reviewed this fiscal year and, if approved, will account for most of the difference of $15 million in the programs presented to the Congress. The other major portion of the increase is about $600,000 additional in technical assistance funds to extend the successful measles/smallpox project through fiscal year 1972 and almost $2 million in title X population funds to finance AID's share of construction costs of the University Center for Health Services in one authorization rather than phasing it over several years as earlier anticipated.

PEACE CORPS TECHNICIANS

Mr. Passman. On page 115, you indicate that the Peace Corps technicians also participate in a number of AID projects. Could you please tell the committee what these Peace Corps technicians do on the AID projects?

Mr. Adams. For example, sir, volunteers are working in Mali and Mauritania on AID's regional poultry project, helping to manage the broiler production centers and train Africans to be extension agents. We are also now making plans to use volunteers in the Central Africa livestock project, supervising the digging of shallow wells on cattle ranges and routes, and training extension agents in cattle sanitation and health measures and range control. We hope to use volunteers in the Entente States livestock project in gathering statistical information for the livestock common market. We are also discussing with the Peace Corps an extensive use of volunteers in the Sahelian water resources project now being planned and in the central Africa health project. We see the possibility also, of involving volunteers in the grain stabilization projects in various ways when those projects are somewhat further along.

EXTERNAL AID

Mr. Passman. Also on page 115, you state that the United States continues to be a minor partner in external aid to this region. Do you classify $24.1 million as playing a minor role in aid to this region?

Mr. ADAMS. The total free world aid to the CWR countries was $251.6 million in 1970. Our part in that total was $22.2 million, or less than 10 percent. We believe that the $24.1 million proposed program for fiscal year 1973 will be in about the same ratio. Our input, we believe, is minor only in terms of the total dollar level of assistance. I do not mean to suggest that it, therefore, is of little importance. Our assistance is provided in response to African requests for U.S. inputs, and much of it is directly related to activities which are designed as multidonor activities.

PUBLIC LAW 480 PROGRAM IN FISCAL YEAR 1973

Mr. PASSMAN. Would you please tell the committee what the Public Law 480 program will be in fiscal year 1973?

Mr. ADAMS. We estimate that the total Public Law 480 program in the CWR area will total $21.7 million in fiscal year 1973, of which $16.7 million will be under title II in 15 countries and $5 million title I in two—Guinea and Sierra Leone. The total of $16.7 for title II includes our Public Law 480 inputs into the grain stabilization programs in Niger, Upper Volta, Mali, Senegal, and Mauritania.

MALI-HIGHER TEACHER TRAINING COLLEGE

Mr. PASSMAN. On page 121, in connection with the teachers training development loan in Mali, I note this loan agreement was signed on December 4, 1963, in an amount of $1,245,000, but as of the present time, only $190,000 has been disbursed. Would you please comment on this long delay in disbursements?

Mr. ADAMS. Yes, sir. This project has unfortunately been plagued by a series of delays. Preliminary and final design required much more time than anticipated. When bids were taken in early 1967, the lowest bid was substantially in excess of available funds. The bid was rejected, and the project was redesigned to achieve a lower cost. After completion of this design, a new Malian Government assumed office and decided that, instead of constructing a new building, an existing building which had become available could be converted for the project. The Government then requested AID to agree to the financing of a modified facility. AID agreed, and a new design was required. Bids are now being evaluated for the construction of this modified facility.

INCREASED FUNDING—MEASLES/SMALLPOX PROJECT

Mr. PASSMAN. On page 123, in connection with the measles control/smallpox eradication project, I note you plan to increase the estimated total cost of this project by $654,000 above what was estimated last year, and you also plan to increase the fiscal year 1972 program by $650,000 above what was justified to the committee last year. Would you please comment on these increases?

Mr. ADAMS. The increase of approximately $650,000 for fiscal year 1972 and the total estimated cost of the project, which exceeds slightly over $30 million, is to carry the project through calendar year 1972. The funds will extend the services of the U.S. Public Health Service Center for Disease Control, through December. This final extension is

based on a recent evaluation of the project and consultation with other donors. The additional assistance will provide further development of the surveillance system, especially for smallpox, and conclude transfer of the measles control program to the ministries of health in the 20 participating countries of the region.

PARTICIPANT TRAINING INCREASE

Mr. PASSMAN. On page 123, I note that you plan to increase the number of participants from 21 in fiscal year 1972 to 263 in fiscal year 1973. Would you please comment on this large increase?

Mr. ADAMS. The major increase is for the new project, middle-level manpower training. This project is focused on short-term training courses principally aimed at improving management of externally assisted development programs. We expect 150 participants to be trained during fiscal year 1973. Most of the remaining increase, about 60 participants for study either in the United States or Africa, will be for the new and expanded activities in the health field. The other participants will be trained within the other projects in the agriculture and education sectors.

WEST AFRICA RICE DEVELOPMENT ASSOCIATION

Mr. PASSMAN. On page 125, in connection with the west Africa rice production and marketing project, I note you plan to increase the fiscal year 1972 program by $200,000 above what was justified last year, and if I'm not mistaken the $120,000 under other costs was not justified last year. Would you please comment on this situation?

Mr. ADAMS. Yes, sir. We had originally planned on providing up to $500,000 a year to support this regional program, but had estimated that other donor support for the West Africa Rice Development Association (WARDA) would enable us to reduct our fiscal year 1972 input to $300,000. However, the UNDP/SF, and France, United Kingdom, Canada, and Netherlands' Governments were not able to move as quickly as anticipated in providing or pledging funds. Therefore, to assure a solid financial basis for initiation of WARDA in September 1971, we did increase our pledge to $500,000. You will note that in fiscal year 1973 we plan to reduce obligations to $200,000. As for the $120,000 other costs in fiscal year 1972, two-thirds of that amount were authorized on a one time basis to help cover WARDA's executive secretariat's costs for the first year of operations. The organization's members will be assessed to cover such cost beginning in 1973. The balance of other costs in fiscal year 1972 are projected to help meet local cost requirements of WARDA's first rice research and development projects.

MAJOR CEREALS

Mr. PASSMAN. On page 129, in connection with the major cereals research-west Africa project, I note you plan to increase the estimated total cost of this project by $701,000 and you also plan to increase the fiscal year 1972 program by $185,000 above what was justified last year. Would you please comment on these increases?

Mr. ADAMS. I'll answer the second part of your question first. About half of the increase in the fiscal year 1972 obligations is due to pro-

viding logistic support for field trial officers through this year and part of fiscal year 1973. Other donors are providing salaries for field trial staff. We also expanded the participant training element, added a direct-hire manager, and provided additional support for PASA personnel.

The substantial increase of $700,000 in the estimated total cost of the project is based on our restructuring of the program as a result of our experience to date. For instance, the African governments have greatly increased their requests for training of technicians to work in the field. This fits into our plans to optimize training of local staff. Nearly a third of the increased cost, about $230,000, is for the increased training effort. The expansion by one of the PASA team, to initiate research in pulses, and added PASA support costs account for another third. The remaining increased cost is for the project manager and the planned support of pilot projects in seed multiplication based on results of field trials. Activities under this project closely complement the efforts we are assisting under the grain stabilization project.

REGIONAL ROAD MAINTENANCE

Mr. PASSMAN. On page 136, in connection with the regional road maintenance and improvement project, I note you plan to extend the final obligation date by 2 years to fiscal year 1975, and also increase the estimated total cost of this project by $798,000 over what was estimated last year. You also indicate that the fiscal year 1972 program will increase by $665,000 above what was justified last year and if I'm not mistaken the $310,000 listed under commodities was not justified last year. Would you please comment on this situation?

Mr. ADAMS. When funds were granted in fiscal year 1972, we emphasized as a priority objective that the Entente Fund work out a positive plan for the Africanization of the Center, in terms of increasing the numbers of African instructors and administrative personnel and gradually increasing greater African financial input to the Center. The Center had assigned a few African instructors and administrators, but not rapidly enough, in our opinion. However, to give them reasonable leeway in developing an African capability to staff and finance the project and to ease the pressures created by an AID phaseout of its support, we agreed to extend our financial support for the project for an additional 2 years, to 1975, while gradually reducing our financial and technical support in a practicable phaseout.

Additional fiscal year 1972 funds were required to fully staff and extend the Philco-Ford contract and to purchase commodities (trucks, tractors, bulldozers, et cetera) for the second mobile training unit. The first mobile unit began operating in October 1971, on the Togo/Dahomey border giving on-the-job training for road personnel of those two countries. Specifications for equipment for the second team are now being put together.

The increase in the estimated total cost of the project is due to the additional funds needed in fiscal year 1972 for the Philco-Ford contract and commodities and for extension of the project an additional 2 years to intensify efforts to develop a full African staff for the Center.

SUPPORT FOR REGIONAL ORGANIZATIONS

Mr. PASSMAN. On page 137, in connection with the support for Regional Organizations project, I note you plan to extend the final date of obligation on this project by 6 years to 1980, and you also plan to increase the estimated total cost by $1,840,000 above what was estimated last year. I also note you plan to increase the fiscal year 1972 program by $190,000 above what was justified last year. Would you please comment on this situation?

Mr. ADAMS. As you know, sir, we attempt to carry out our regional projects through existing organizations that have the support of the African countries involved. The Africans themselves show an increasing acceptance of the idea of regional projects and cooperation, with the result that the organizations shown under this project have indicated during the past year that they want to participate much more actively in economic planning and development projects for their countries. They have asked us to help by providing long-term advisers for various specific projects as well as for general planning. Previously, except for a full-time adviser to the Entente Fund, we proposed only short-term advisers to some of these organizations. Now, however, we feel that we ought to be in a position to respond to their requests for help in longer range planning, mostly in fields related to agriculture and are therefore planning expanded technical services over the next 6 years including: full-time U.S. advisers to the Entente Fund, Niger River Commission and the Regional Livestock Coordinating Unit, to the Liptako-Gourma Authority for a period of 4 years and short-term consultants on specific agricultural problems to these various organizations over a period of 6 years.

EAST AFRICA REGIONAL PROGRAM

Mr. PASSMAN. We will next take up the East Africa region. I note last year you estimated that the fiscal year 1972 program would be $1,745,000, but this year I note you have increased this fiscal year 1972 projection to $5,805,000. Would you please tell the committee the need for this large increase above what was justified last year?

Mr. ADAMS. Yes, sir. The major difference in total funding is the addition of a development loan for $4,500,000 to provide additional funding required for the Dar es Salaam–Morogoro section of the Tanzania–Zambia Highway. This should not have been included in the East Africa regional program which for fiscal year 1972 is estimated at $1.3 million, all for technical assistance. The loan should have been included with the list of Africa-wide regional loans on page 162, where the previous loans for this road project have been listed.

This loan amendment, which supplements the previous Africa regional loans, will cover the cost of additional materials required to construct this section of the road to an improved design which will handle the heavy traffic load in the region. You will note the technical assistance program for East Africa regional has been reduced. This is primarily because during the course of the year, the Examinations Council project was dropped since the East African community has decided not to expand their examination program at this time.

78-827 O - 72 - pt. 2 - 64

PARTICIPANT INCREASE

Mr. PASSMAN. On page 144, I note you plan to increase the number of participants from 55 in fiscal year 1972 to 97 in fiscal year 1973. Would you please comment on this increase?

Mr. ADAMS. This increase in participants is a result of planned new participants for the East African Community Staffing and Management project. The major part of the increase is for 31 new participants who will be receiving local scholarships at various East African universities.

MAJOR CEREALS AND LEGUME IMPROVEMENT PROJECT

Mr. PASSMAN. On page 144, in connection with the major cereals and legume improvement project, I note you plan to extend the final year of obligation on this project by 1 year to fiscal year 1972, and increase the estimated total cost by $251,000 above what was estimated last year. I also note that you predicted last year that no obligations would be made in fiscal year 1972, but this year you list that $252,000 was obligated in the current fiscal year. Would you please comment on this situation?

Mr. ADAMS. Yes, sir. The final year of obligation for this project has been extended by 1 year. As we indicated in last year's presentation, we proposed to merge this activity into a new project focused on food crop research with personnel from the cereals and legumes project being transferred to this new activity. The new project is planned to continue and expand crop research already initiated, introduce new crop research, and provide increased assistance for the development of East African institutions. The new proposal has taken longer to plan than anticipated; however, the proposal is now developed and under review and should start in fiscal year 1973. Because of this delay the cereals and legumes project has been extended for an additional year.

SOUTHERN AFRICA REGIONAL PROGRAM

Mr. PASSMAN. The next area we will examine will be the Southern Africa regional program for which the fiscal year 1973 estimate is $8,200,000, a decrease of $6,235,000 below the current fiscal year program.

I note that last year you estimated the fiscal year 1972 program would be $9,400,000, but this year you estimate that the fiscal year 1972 program will increase to $14,435,000. Would you please tell the committee the need for this large increase above what was justified last year?

Mr. ADAMS. The increase does not reflect a substantive expansion of the proposed program into new areas: it represents an increase in the estimated cost of the Botswana/Zambia Road project for which we expect to authorize a loan of about $6 million. The previous estimate was based on a preliminary economic feasibility study conducted approximately 2 years ago. The current estimate was prepared recently by the engineering firm who is designing the road. It reflects not only a substantial inflation of prices but also an upgrading of

road standards to conform to the current transport plans of the government and includes essential components such as maintenance equipment and training.

FISCAL YEAR 1973 PUBLIC LAW 480 PROGRAM

Mr. PASSMAN. Would you please tell the committee what the Public Law 480 program will be for this region in fiscal year 1973?

Mr. ADAMS. The proposed fiscal year 1973 Public Law 480 program for this region as shown by country in the summary tables, section G, page G–20 of the Development and Humanitarian Assistance Fiscal Year 1973 Program Presentation to the Congress is in error. The figure shown for Botswana should read $1,350,000 rather than $9,450,000. With this correction the sum for this region is $3,953,000, all in title II, which represents projected programs for Botswana, Lesotho, Malawi, and Zambia.

MALAGASY—RAILROAD IMPROVEMENTS

Mr. PASSMAN. On page 150, in connection with the Railroad and Bridge Construction Development Loan, I note this loan agreement was signed on March 10, 1970, for an amount of $300,000, but as of the present time, no disbursements have been made. Would you please comment on this long delay in disbursements?

Mr. ADAMS. Yes, sir. The $300,000 loan referred to represents an amendment to the original loan of $2.7 million for this project which would assist in realinement of a portion of the major rail link between Malagasy's capital city and principal port. When bids were received in late 1968 for the project's construction, the lowest bid was in excess of the amount of funds available. The $300,000 loan amendment was authorized to cover the total estimated cost. As the construction proceeds, funds available under the original loan are being drawn down first. Nearly $2 million of the original loan has been disbursed. The $300,000 available under the amendment will be utilized after the funds under the original loan are exhausted.

PARTICIPANT TRAINING PROGRAMING

Mr. PASSMAN. On page 152, you indicate that the number of participants will increase from 14 in fiscal year 1972, to 46 in fiscal year 1973. Would you please comment on this large increase?

Mr. ADAMS. Yes, sir. The program in Southern Africa is relatively new. Nearly all of the increase is for the new projects we are initiating in fiscal year 1972 and fiscal year 1973. The largest group, about 12 will be for the new development personnel and training project which is designed to meet critical manpower needs in the countries of the Southern Africa regional program.

RURAL DEVELOPMENT PROJECT—SWAZILAND

Mr. PASSMAN. On page 153, in connection with the Swaziland rural development project, I note you plan to extend the final date of obligation on this project by 2 years to 1977, and increase the estimated total

cost by $900,000 above what was estimated last year. I also note that you plan to increase the fiscal year 1972 program by $115,000 above what was justified last year. Would you please comment on this situation?

Mr. ADAMS. Yes, sir. As was indicated in last year's presentation, the project design was still in a preliminary stage at that time and was still being discussed with the Swaziland Government. The project, as now designed and agreed to, will require 6 years to complete, although the major part will still be completed in 4. In addition to the extension in duration, the increase in total cost resulted from the addition of an AID project manager and an agriculture planning adviser to the project personnel as well as financial support for a functional rural literacy program not anticipated in the preliminary design. As to the increase in fiscal year 1972 funding, this simply represents the additional first year requirements to finance the two added technicians and increase first year project technician support costs due to the stepped up schedule for their arrival.

RURAL DEVELOPMENT PROJECT—BOTSWANA

Mr. PASSMAN. On page 154, in connection with the Botswana rural development project, I note you plan to extend the final obligation date by 1 year to fiscal year 1976. I also note that you are requesting $120,000 in fiscal year 1973, for initial funding to provide two contract specialists in livestock range management. Would you please comment on this rather large cost per individual?

Mr. ADAMS. Certainly. As was indicated in last year's congressional presentation, the feasibility and design study was still being carried out at that time. Although this first study has now been completed, the project is still in the design stage and AID's planned inputs are not yet firm. The extension of the final obligation date by 1 year simply reflects the delay in the starting date of the project.

As to the proposed funding for the two contract technicians, the amount shown is to cover a minimum of 18 months of service of each man or a total of 3 man-years.

SOMALI REPUBLIC—DEVELOPMENT BANK LOAN

Mr. PASSMAN. On page 161, in connection with the development bank loan, I note you signed this loan on September 18, 1967, in the amount of $2 million, but as of the present time, only $60,000 has been disbursed. Would you please comment on this long delay in disbursement?

Mr. ADAMS. Yes, sir. Contrary to initial expectations, the Somali Development Bank encountered great difficulty in utilizing the proceeds of the loan which were to be available for development of private enterprise. Several projects which were in the planning stage at the time the loan was authorized, failed to materialize. Letters of commitment for $250,000 to cover several small projects have been issued. Because of the slow utilization of the Loan, AID, on January 23, 1972, deobligated the remaining $1,750,000 uncommitted balance of the loan.

Mr. PASSMAN. On page 162, in connection with the Coffee Diversification Fund development loan, I note you authorized this loan on May 28, 1970, for an amount of $2,500,000, but as of the present time, no loan agreement has been signed, and therefore no disbursements have been made. Would you please comment on this delay in signature of the agreement?

Mr. ADAMS. Yes, sir. This loan, for the Coffee Diversification Fund of the International Coffee Organization, was authorized as part of a U.S. commitment made in connection with the establishment of the Fund. We have had extensive discussion with officials of the Fund concerning the terms of the loan agreement and a draft of the document embodying the results of those discussions has been submitted to the Fund. The agreement will be presented shortly to the Assembly of the Fund. We should know within the next month or two whether the Fund is prepared to sign the agreement.

AID SUPPORT FOR THE INTERNATIONAL INSTITUTE OF TROPICAL AGRICULTURE

Mr. PASSMAN. On page 165, in connection with the Soil and Crop Management International Institute of Tropical Agriculture project, I note that you are requesting $750,000 in fiscal year 1973, to finance one-quarter of the Institute's operating budget. Why do we get into providing budget support to these organizations or institutions?

Mr. ADAMS. The International Institute of Tropical Agriculture (IITA), as its name implies, is international in all ways including funding support as well as scientific staff and applicability of its research findings. Financing circumstances for such an international donor effort is significantly different than that for LDC country institutions where making budget support a local country contribution is often feasible as well as desirable. In addition to AID, other major contributors to IITA, are: The Ford Foundation, the Rockefeller Foundation, the Government of Canada, and the Government of West Germany. We have supported this type of institution because it endeavors to provide scientific solutions to agronomic problems applicable to broad geographic areas. IITA draws upon the management and evaluation skills of the Ford and Rockefeller Foundations, and is a mechanism for providing support for research linked with U.S. institutions and focused on problems of small farmers.

AFRICAN GRADUATE FELLOWSHIP PROGRAM

Mr. PASSMAN. On page 167, in connection with the African graduate fellowship program project, I note you plan to increase the estimated total cost by about $3 million above what was estimated last year and you also plan to increase the fiscal year 1972 program by $271,000 above what was justified last year. Would you please comment on these increases?

Mr. ADAMS. Total project costs have increased from $8,615,000 to an estimated $11,438,000 due to an increase in the number of new students assisted from 50 to 90 per year. The increase in new starts reflects the availability of more scholarships offered by the participating U.S. universities and colleges, and the continuing African need for ad-

vanced training in development-critical sectors and for training of university faculty.

The increase in fiscal year 1972 program costs from $930,000 to $1,201,000 is the result of the 40 additional participants, increased maintenance costs, and some extensions of participants already enrolled. Consequently, the estimated number of students funded in academic year 1972–73 has increased from 279 to 343.

AAI EDUCATION AND TRAINING PROJECT

Mr. PASSMAN. On page 169, in connection with the African-American Institute education and training activities project, I note you plan to increase the estimated total cost by $1,377,000 above what was estimated last year and you also plan to increase the fiscal year 1972 program by $326,000 above what was justified last year. Would you please comment on these increases?

Mr. ADAMS. The increase in the estimated total costs reflects rising costs in the United States and abroad, administration of a larger AFGRAD program and a continuation of field support to the African higher education program-scholarships (INTERAF) in Africa. We had planned last year that the African-American Institute would end its role of administrative support for the INTERAF program in fiscal year 1972, after the Association of African Universities was given full administrative responsibility for this project effective July 1, 1971. Because of organizational delays encountered by AAU in developing their program administrative structure, the AAI was authorized to provide limited administrative support to the AAU in Africa during fiscal year 1972.

The increase of $326,000 in the fiscal year 1972 program reflects an extension of forward funding after the end of the fiscal year from 9 months to 12 months and an increase in expenditure estimates for academic year 1972–73 from $540,000 to $730,000. This increase was stimulated by an expanded AFGRAD program.

FISCAL YEAR 1973 REQUEST FOR AFRICAN DEVELOPMENT BANK

Mr. PASSMAN. On page 172, in connection with the African Development Bank, I note you plan to program $2 million in fiscal year 1973 for this institution. Would you please tell the committee what this $2 million will be used for in fiscal year 1973.

Mr. ADAMS. Yes, sir. The $2 million proposed grant funding for the African Development Bank will be used primarily for feasibility studies and design work for capital projects. The activities which may be funded include second stages of studies already initiated such as the Fort Lamy storm and sanitary sewer system master plan in Chad and the Accra-Adidjan highway design, and new studies and project designs such as a water supply study in Rwanda and several road studies in Central West Africa.

Mr. PASSMAN. Last year there was some indication that the United States might join this (AFDB) development bank and therefore be called on to make contributions to the ordinary capital as we do in the other international financial institutions. Has there been any recent

discussion of the United States joining this development bank and therefore being required to make regular contributions to the institution?

Mr. NEWSOM. There have been no indications that the United States might join the African Development Bank. We have been discussing contributing to and participating in a special soft-loan fund of the bank along with other potential contributors. Only African states are members of the bank and provide all of its ordinary capital.

INCREASE IN POPULATION COUNCIL PROJECT REQUEST

Mr. PASSMAN. On page 174, in connection with the Regional Population Planning-Population Council project, I note you plan to increase the estimated total cost of this project by $2,300,000 above what was estimated last year. Would you please comment on this large increase?

Mr. ADAMS. Yes, sir; I will be happy to explain this increase, which reflects the growing African demand for population assistance. The Population Council began work under this grant in fiscal year 1969. Since then the Council has, in a commendable way, developed excellent relationships with a number of institutions and universities in Africa, and these relationships have led to rapidly awakening institutional interest in the population problem in Africa. This has resulted in an increased number of requests to the Population Council for assistance in carrying out some 22 additional projects in the next 5 years. This increase will cover the cost of these additional projects through June 30, 1975.

Mr. PASSMAN. Mr. Shriver?

TOTAL ECONOMIC AID

Mr. SHRIVER. Thank you. Please provide for the record a breakdown of bilateral economic assistance in all forms to Africa from the former metropoles for the past 3 years. You might tell us now if this aid has been increasing or decreasing.

Mr. ADAMS. The general trend of European assistance to African countries has been upward. We will submit a table showing the commitments of the four former metropoles in 3 recent years:

(The table follows:)

3 YEARS' BILATERAL COMMITMENTS OF OFFICIAL DEVELOPMENT ASSISTANCE TO AFRICAN COUNTRIES BY FORMER METROPOLES [1]

[In millions of U.S. dollars]

	1968	1969	1970
United Kingdom	142.0	[2] 142.0	[2] 145.6
France	510.0	[2] 440.0	[2] 665.1
Italy	99.6	58.4	[2] 21.4
Belgium	0	0	[2] 78.4
Total	751.6	640.4	910.5

[1] Not including commitments to UAR or to European Development Fund.
[2] Preliminary.

Source: DAC reports.

Mr. SHRIVER. You say on page 9 that you expect multilateral assistance to Africa to continue its rapid-increase trend for a while. What do you anticipate in this regard?

Mr. NEWSOM. We anticipate a continuing rise in the proportion of assistance going to Africa from the multilateral agencies. First we anticipate that the World Bank group will continue to increase its share of lending in Africa and that the program for the third IDA replenishment will be carried out. We foresee, however, a leveling off of multilateral lending at some point since the recipient countries are going to continue to desire that a portion of their resources come from bilateral programs.

MULTILATERAL CONTRIBUTIONS

Mr. SHRIVER. You also say the African governments understand the magniture and nature of our contribution to the success of these multilateral efforts. How are our contributions identified as coming from us? Do the people know this?

Mr. NEWSOM. U.S. contributions to the capital of the international financial institutions and to the United Nations and specialized agencies as well as borrowings in the U.S. capital market by the World Bank group are reported regularly in documentation issued by these organizations. The facts concerning provision of U.S. funds are brought regularly to the attention of African governments by our Ambassadors there. From time to time our media services supply information on this subject to the general public in Africa.

AFRICAN DEVELOPMENT BANK

Mr. SHRIVER. On page 10 you say the Treasury Department will be consulting with our committee before any commitment is made on the part of the United States for contributions to the Special Fund of the African Development Bank. This is good and this is unusual. Tell us more about this prior consultation.

Mr. NEWSOM. In discussions with the African Development Bank and with other potential donors, some of which have already pledged specific amounts for the African Development Fund, we have been very precise about the need for prior congressional consultation before any commitment of funds can be made. The U.S. Treasury representative who headed our delegation to the donor group meeting in Paris last month made it clear to all present that Treasury consultation with appropriate congressional committees would have to take place before a decision is made to seek funds.

Mr. SHRIVER. Would you furnish for the record a list of the 24 loans made so far by the African Development Bank? Include a brief description of each loan.

Mr. ADAMS. Yes, sir. We'll be glad to do that.

(The list follows:)

African Development Bank
Loans Approved as of December 31, 1971

Borrower	Project	Date of Signature	Loan Value
Kenya	Construction and servicing of two international roads.	8/8/67	$ 2,300,000
Tunisia	Designing and development of four irrigation sectors in the Madjerda Valley	8/2/68	2,750,000
Uganda	Technical studies of water supply and sewerage systems in urban centers	9/6/69	300,000
Public Utilities Authority, Liberia	Purchase and installation of a second gas turbine	2/25/70	1,350,000
Malawi	Tedzani Valley--laying out of electric power network	3/9/70	3,000,000
Gourma Valley Water Company, Sierra Leone	Extension of the water distribution system	5/27/70	1,500,000
Development Bank of Mali	To enable the Bank to acquire equity in the ITEMA Company	7/6/70	540,000
Government of Morocco	Upgrading and extension of electric power lines in Jereda-Zaer	7/28/70	2,800,000
Uganda	To finance water distribution system in 18 towns	8/29/70	3,000,000
Pan-African Paper Mills Co., East Africa	To provide part of the operating capital of the company.	9/23/70	1,450,000

Borrower	Project	Date of Signature	Loan Value
Niger	Improvement and extension of the telecommunications system	5/6/71	$ 1,000,000
National Development Bank of Upper Volta	A line of credit to finance various foreign exchange costs for industrial projects	--	2,000,000
East Africa Development Bank, Uganda	Loan of credit to finance population projects	--	2,000,000
Air Afrique	To participate with other lenders in the purchase of two DC-10 aircraft	--	5,000,000
Chad	To provide foreign exchange for the Tchador Project	--	431,000
Sudan	Construction of 3 cattle quarantine stations for cattle exports	12/9/71	800,000
Nigerian Sugar Co., Ltd., Bacita	To provide foreign exchange for the purchase and construction of expanded plant	--	1,600,000
Rural Development Corp. of Zambia	To provide foreign exchange for an agricultural project	12/2/71	700,000
Algerian Development Bank	Line of credit to provide foreign exchange	--	3,000,000
Tanzanian-Italian Petroleum Refining Co., Ltd.	Providing foreign exchange for the equipping and installation of a new pipeline	--	3,000,000
Ivoirian Fertilizer Company	Construction of a fertilizer plant in Ivory Coast	--	360,000
Kenya	not available	12/9/71	3,000,000
Sudan	not available	12/9/71	2,800,000
Somalia	not available	12/13/71	1,000,000
TOTAL of 24 Loans Approved:			$45,681,000

OPPORTUNTIES INDUSTRIALIZATION CENTER PROGRAM

Mr. SHRIVER. Dr. Adams, before I get into questions on your statement, I want to congratulate you on being awarded the annual Ralph Bunche Award in February for your contributions to developing nations. I understand this award is presented by the private Opportunities Industrialization Centers of America. This organization is mentioned in connection with criteria used in some of your activities in Africa. Would you tell us about the programs of this organization?

Mr. ADAMS. The Opportunities Industrialization Center was started in Philadelphia in 1964 to train unemployed for available employment. Their program is built upon a mobilization of local self-help, employer, and community effort to shape and conduct attitudinal and vocational training and assure subsequent employment. This program has achieved substantial success in many American cities and has won support from government as well as private business. In 1969 the concept of the OIC was incorporated in the OIC International which later started training programs in Ghana and Nigeria and is developing programs in Ethiopia and Kenya. The overseas programs are being instituted by local OIC organizations which OIC International helps get started. Local industry and community leaders are being encouraged to assume increasing responsibility for the direction and support of these unique training programs.

LEAST DEVELOPED COUNTRIES

Mr. SHRIVER. In your statement you say the United Nations has identified 25 countries as "least developed," 16 of which are in Africa. Would you provide that list for the record? What were the criteria for this list?

Mr. ADAMS. Yes, sir. We will be happy to oblige.

(The list follows:)

THE LEAST DEVELOPED COUNTRIES [1]

16 IN AFRICA

Botswana*	Malawi
Burundi	Niger
Chad	Rwanda
Dahomey	Somalia
Ethiopia	Sudan*
Guinea	Tanzania
Lesotho*	Uganda*
Mali	Upper Volta

7 IN ASIA AND THE FAR EAST

Afghanistan*	Nepal*
Bhutan	Sikkim*
Laos	Western Somoa
Maldives	

1 IN LATIN AMERICA

Haiti*

1 IN THE MIDDLE EAST

Yemen*

[1] Most of the countries satisfy the following criteria established in 1971 by the Committee for Development Planning (CDP) using information provided by the Center for Development Planning, Projections and Policies of the UN Secretariat: (1) per capita gross domestic product per annum of $100 or less; (2) manufacturing representing 10 percent or less of GDP; and (3) literate population (age 15 plus) representing 20 percent or less of the total adult populage (age 15 plus).

*The asterisked countries are countries added by the CDP which met two of the criteria and were close to a third criterion. This list has been adopted by the Trade and Development Council of UNCTAD and by the UN General Assembly.

U.S. EXPORTS OF WHEAT AND LIVESTOCK PRODUCTS TO AFRICA AND AFRICAN COMPETITION FOR U.S. AGRICULTURAL EXPORTS

Mr. SHRIVER. You are proposing to use 35 percent of your program funds for agriculture, some of which will be used for increased wheat production and livestock production. Does the United States export wheat and/or livestock products to any African countries?

In general, what are your feelings about providing bilateral assistance to countries in which the end results of our aid will be increased competition for U.S. exports?

Mr. ADAMS. During fiscal year 1971 the United States exported to African countries $20.5 million of animal and animal products and $47.9 million in wheat and wheat flour. We will submit a table showing the details of these exports.

(The table follows:)

U.S. agricultural exports—Animal and animal products—fiscal year 1971

Country:	
Morocco	3,506,000
Algeria	3,250,000
Tunisia	1,357,000
Ghana	4,322,000
Nigeria	3,496,000
Republic of South Africa	4,618,000
Total	20,549,000

Source, U.S. Foreign Agricultural Trade, fiscal year 1971, table 11, page 122.

U.S. AGRICULTURAL EXPORTS—WHEAT AND WHEAT FLOUR—AFRICA

[In thousands metric tons]

	Public Law 480, title I and II [1] [2] [3]	Total all exports [4]
Country (major importing):		
Algeria	0	318
Ghana	45	33
Guinea	5	10
Morocco	222	599
Nigeria	15	290
Sierra Leone	5	27
Tunisia	178	204
Zaire	20	26
Others	39	98
Total	529	1,605

[1] Title I, Public Law 480: Total amount shipped through June 30, 1971, by country and commodity, December 1971, EMS/Public Law 480/International Organization Division.
[2] 1971 annual report on Public Law 480, AID.
[3] Wheat totals includes unmilled wheat, wheat flour, and bulgar
[4] World Agricultural Production and Trade, statistical report, USDA, FAS, August 1971, p. 5.

Note: Value of exports: Source: U.S. Foreign Agricultural Trade, statistical report, fiscal year 1971, pp. 113–120.

Mr. ADAMS. The question of providing bilateral assistance to LDCs who may produce agricultural commodities in competition with U.S. exports is a reasonable concern to U.S. agriculture. The answer to this question for the African context is likely different than for other geographical regions of the world. We in the Africa Bureau are faced with a declining per capita supply of foodstuffs and an increasing population growth rate. A review of the basic supply and demand

statistics for the continent as a whole shows that despite substantial efforts to increase agricultural production population growth is outdistancing supply. In fact between 1969 and 1970 alone, per capita production decreased about 3 percent.

Nutritionists are becoming increasingly concerned that the protein gap will become even more serious than the present calorie deficiency gap. Adequate and consistent supplies of livestock and livestock products are generally not available in population centers throughout Africa. Assistance is being provided to increase the production of wheat, corn, and sorghums as well as livestock to improve the nutritional levels of the African masses. While some African countries have been able to increase their exports of food crops others are importing increasing quantities. Very few importing countries have the necessary foreign exchange to commercially import increasing food requirements. African countries must necessarily maximize the production of commodities for which they are seemingly best adapted to produce in order to meet foreign exchange requirements. Without a reasonably balanced developmental program the governments of these developing countries cannot help to attain the stability necessary for development investment nor can they maintain even their present standard of living much less improve it. While some export commodities may well be generated as a function of this development process there is little indication that Africa as a whole will be a significant effectual competitor of the United States on the world market in agricultural commodities for many years to come. Few countries which are receiving aid have the foreign exchange either now or in the foreseeable future to be a serious consumer of U.S. commercial foodstuffs. On the other hand, foreign exchange generated from those LDCs exporting competitive commodities has been and will likely continue to be utilized in procuring essential nonagricultural commodities for development purposes.

CLASSICAL VERSUS PRACTICAL EDUCATION

Mr. SHRIVER. On page 7, you mention the need to reform African education to move away from the classical approach to a more practical approach. On my other subcommittee, we have been told that the American education system needs a similar reform—a move toward "career education." Is this what you have in mind for Africa?

Mr. ADAMS. There is a general movement in the field of education toward a more practical approach. My reference to the need for African education to move away from the classical approach to a more practical approach may be similar to the move in American education toward career education." However, the difference is basically in the type of practical education needed to meet the particular needs of a given people or given country. African countries have their own particular development needs which should be reflected in their education programs. In our education projects, and particularly the critical training elements within almost all of our technical assistance projects, we are emphasizing practical training. To reach some of the people who leave the formal education system early, we are encouraging development of nonformal education programs and also expanding our community-action-oriented vocational training programs for the urban unemployed.

AFRICAN POPULATION PRESSURES AND GOVERNMENT COOPERATION IN FAMILY PLANNING

Mr. SHRIVER. On page 10, you mention your efforts to help African Governments to "understand" the need for family planning. Isn't it a fact that most of these countries are not overpopulated? What kind of cooperation are you getting from these countries in this regard?

Mr. ADAMS. With respect to your first question, sir, it is true that while many countries in Africa have vast sparsely populated areas, the amount of arable land is limited because of climatic and topographic problems and endemic disease hazards. Consequently, figures on average population density per square kilometer mean little unless taken in context with potential land productivity. It is important to realize that, although there is undisputed overcrowding in some of Africa's major cities, the general problem is not one of population size but of population increase. The estimated annual average rate of natural increase for the continent is 2.6 percent, which means that the population will double in about 27 years. When this fact is taken in context with (*a*) Food supply, (*b*) annual increase of gross national product, (*c*) employment opportunities, (*d*) possibilities for provision of social services such as education and health, and (*e*) the already high dependency ratio (directly related to percentage of population under age of 15), it becomes clear that such a rate of population increase would cause an almost insuperable burden on reasonable levels of social and economic development.

Regarding African country cooperation, in 1966 when AID population assistance to African countries began, there were no countries with official population policies and very few programs of any type in this field. Now that AID and other donor-assisted family planning activities exist in a majority of countries, four countries have national family planning programs and a number of other Governments have initiated maternal child health-family planning projects. At two recent meetings, the first African Population Conference and the ECA-sponsored meeting of non-U.N. organizations concerned in population activities in Africa, Government representatives expressed strong support for the importance of getting more accurate data on demographic dynamics and also for the concept that family planning is an essential and normal part of maternal and child health services.

SOURCES OF EXTERNAL ASSISTANCE TO AFRICA

Mr. SHRIVER. Also on page 10, you say your request represents only 8 percent of the external assistance for Africa for fiscal 1973. Are you talking about bilateral assistance only? Tell us where the other 92 percent will come from?

Mr. ADAMS. AID provides about 7 to 8 percent of total free-world assistance to Africa. According to our data, the U.S. overall input, which includes other programs such as Public Law 480, is about 17 percent of the total free-world input. About a third of the remaining 83 percent is provided by France and the European Economic Community, including the European Investment Bank. About 25 to 30 percent of the total free world comes from international multilateral institutions such as the IBRD, AID, and the U.N. The remainder

comes from a number of bilateral donors, including the United Kingdom, Canada, and others.

FOREIGN AID POLICY DISCUSSIONS

Mr. SHRIVER. Dr. Adams, according to an AID press release dated March 21, 1972, you led a delegation of U.S. officials to talks with European agencies about assistance policies and strategies in Africa. Tell us about those meetings and any policy changes which resulted from them.

Mr. ADAMS. In March, I had the pleasure of meeting with representatives of the French Foreign Air Agency (FAC) and the European Development Fund (FED). The primary purpose of the meetings was to exchange views on broad areas of mutual interest in regard to development problems in Africa, and also to discuss specific activities which are being undertaken by our agencies in Africa.

A second purpose of these meetings was th opportunity which it afforded me to explain some of the new directions which AID will be undertaking in the future. In Dr. Hannah's testimony before the committee, he explained in detail these new directions and how we are orienting our thinking and programs in order to obtain maximum impact on economic and social problems confronting the LDC's. I am pleased to report that both the FED and the FAC were in basic agreement with us in regard to the directions of our program.

A major item of discussion at these meetings was our plans for two upcoming sector meetings to be held in early fiscal year 1973. The first meeting will be hosted by the IBRD on the subject of transportation in central Africa, and another meeting to be hosted by the FED will concern itself with livestock development in sub-Sahara Africa. It was agreed at our meeting that we would keep each other informed as to our plans and preparation for these meetings. Since returning to Washington, D.C., we have been in touch with the IBRD concerning the transportation meeting.

We find these consultations most helpful in assuring that our inputs into an area are not duplicating other assistance, and that these coordinated efforts aim at primary development problems.

AHMADU BELLO UNIVERSITY FACULTY OF AGRICULTURE

Mr. SHRIVER. On page 65 of the justifications, you describe the final funding request for the agricultural faculty project in Nigeria for which Kansas State University has been the primary contractor. Tell us about the accomplishments of this project.

Mr. ADAMS. Kansas State University opened the project in 1962 with only six undergraduate students and a very poor base from which to draw others. To date, there have been 261 graduates, most of whom are now working in agriculture in the talent-poor north. While upgrading the faculty and the caliber of students, it is anticipated that enrollment will exceed 250 by the end of this decade. The contribution of this project is particularly significant when it is realized that almost all of the people in northern Nigeria depend directly on agriculture for their livelihood, and that the Faculty of Agriculture developed by Kansas State University is the only source of advanced agricultural teaching in that vast area.

AHMADU BELLO UNIVERSITY FACULTY OF VETERINARY MEDICINE

Mr. SHRIVER. On page 67 you request $586,000 to continue the veterinary medicine faculty development project which is also run by Kansas State University. Tell us more about that project.

Mr. ADAMS. I have already mentioned that northern Nigeria is heavily dependent on agriculture and that includes livestock. The great bulk of Nigeria's meat supply is raised in the north and shipped south to markets. At the present time the Kansas State University project provides a very high percentage of all Nigerian veterinarians employed in the north—nearly 90 percent of each year's graduating class of over 20 go to work immediately for state agencies—and trains several each year for other West African countries. At the present rate of expansion it is anticipated that the Veterinary Medicine School at Ahmadu Bello University will meet most of Nigeria's requirements for veterinarians by the end of this decade.

MIDDLE-LEVEL MANPOWER TRAINING PROGRAM

Mr. SHRIVER. On page 6 of the justifications you say you are considering the expansion of middle-level management training in Central and West Africa. What kind of expansion do you have in mind?

Mr. ADAMS. That comment is primarily a reference to the middle-level manpower training project—a short-term, seminar-type training program in project design and execution for the staff of governments and regional organizations in the Central/West Africa area. The training is being designed to develop skills of planning, analysis, and evaluation of development activities for staff which has responsibility for managing a rising level of external assistance. Beginning in fiscal year 1973, we have tentatively scheduled six seminars for about 25 participants in each seminar.

Mr. PASSMAN. Mr. Robinson?

COMPETITION FROM AFRICAN COUNTRIES FOR U.S. AGRICULTURAL PRODUCTS

Mr. ROBINSON. Thank you. In our agricultural assistance to the underdeveloped African nations, I assume we are dealing with countries which are not significant commercial importers of our agricultural products and cannot be expected to become such in the foreseeable future. In helping these countries to help themselves in food and fiber production, however, is any thought being given to the extent to which we may be generating future competition for our own domestic agricultural surpluses in markets which these countries might be able to supply after developing their own production potentials?

Mr. ADAMS. In 1971 African countries imported agricultural commodities from the United States worth $213 million. The indexes of

agricultural production show that Africa is experiencing a decline in per capita food production, currently at a rate of 2 percent or more per year. AID's agricultural programs in Africa are aimed at increasing production of locally consumed food crops, improving the protein quality of the cereal food grain and the nutritional balance of the diet. Africa's food needs coupled with rapid population growth are such that it will be a long time before Africa can even reach self-sufficiency. It is highly unlikely that African food production will present us with any competition for overseas markets in the foreseeable future.

AID—PEACE CORPS COORDINATION

Mr. ROBINSON. In the provision of technical assistance, would you outline the mechanics of coordination with the Peace Corps? How is duplication of effort avoided?

Mr. ADAMS. The agency's policy is to promote cooperation with the Peace Corps in carrying out economic and social development activities. Several years ago, in 1967, AID Administrator, Mr. William S. Gaud, directed our mission directors to designate a responsible officer for liaison with the Peace Corps, and the Director of the Peace Corps issued a similar directive to his representatives in the field. The purpose of these directives is to avoid duplication of efforts by assuring that we and the Peace Corps have consultations on projects of mutual interest. In AID/W, a liaison officer in each geographic region is responsible for assuring coordination of Bureau and Peace Corps activities. I participate in the approval process for all Peace Corps projects in Africa. These procedures have been adequate, and we have enjoyed a cooperative relationship with the Peace Corps.

ACCEPTABIITY OF POPULATION GROWTH ASSISTANCE

Mr. ROBINSON. What has been the experience as to acceptance of assistance directed to the problem of population growth? Is it a domestic political issue within any of the affected countries?

Mr. ADAMS. I think it is fair to say that our experience in Africa varies a great deal. As I indicated in my response to the other questions on this subject, there are sensitivities which must be recognized in providing assistance in this field. Some African countries accept it wholeheartedly, some to a limited degree and others not at all. In all but a handful of countries there is strong evidence to suggest that the subject is or is believed to have potential significance as a domestic political issue.

Mr. PASSMAN. I thank you very much, Dr. Adams.

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

Thank you, Mr. Congressman.

Mr. PASSMAN. The committee is adjourned.

78-827 O - 72 - pt. 2 - 65

WEDNESDAY, MAY 17, 1972.

LATIN AMERICA

WITNESSES

HERMAN KLEINE, ASSISTANT ADMINISTRATOR AND DEPUTY U.S. COORDINATOR, ALLIANCE FOR PROGRESS, BUREAU FOR LATIN AMERICA, AGENCY FOR INTERNATIONAL DEVELOPMENT
CHARLES A. MEYER, ASSISTANT SECRETARY OF STATE AND INTER-AMERICAN AFFAIRS AND U.S. COORDINATOR, ALLIANCE FOR PROGRESS, DEPARTMENT OF STATE
JACK I. HELLER, DIRECTOR, OFFICE OF DEVELOPMENT PROGRAMS, BUREAU OF LATIN AMERICA, AGENCY FOR INTERNATIONAL DEVELOPMENT
ARTHUR H. BOEHME, JR., DEPUTY DIRECTOR, OFFICE OF DEVELOPMENT PROGRAMS, BUREAU OF LATIN AMERICA, AGENCY FOR INTERNATIONAL DEVELOPMENT
ALLISON B. HERRICK, SPECIAL ASSISTANT, OFFICE OF DEVELOPMENT PROGRAMS, BUREAU OF LATIN AMERICA, AGENCY FOR INTERNATIONAL DEVELOPMENT
ALLAN R. FURMAN, DEPUTY DIRECTOR, OFFICE OF LEGISLATIVE AFFAIRS, AGENCY FOR INTERNATIONAL DEVELOPMENT
MICHAEL GROGAN, OFFICE OF LEGISLATIVE AFFAIRS, AGENCY FOR INTERNATIONAL DEVELOPMENT

Mr. PASSMAN. The committee will come to order.

We shall continue our examination of the budget requests for Foreign Aid and Assistance for fiscal year 1973. We shall take up this afternoon the Latin America area.

We have as witnesses the Honorable Herman Kleine, Assistant Administrator and Deputy U.S. Coordinator, Alliance for Progress, AID and the Honorable Charles A. Meyer, Assistant Secretary of State and Inter-American Affairs and U.S. Coordinator, Alliance for Progress, Department of State, accompanied by supporting witnesses whose names will be spread upon the record.

I would assume, Mr. Kleine and Mr. Secretary, that each of you has a statement you would like to make to the committee. After you have made your statements, we will have some questions we want to ask.

STATEMENT OF ASSISTANT SECRETARY OF STATE FOR INTER-AMERICAN AFFAIRS

Mr. MEYER. Mr. Chairman, I have had the honor of testifying for the past 3 years.

During 3 years, it has been my responsibility—and my method of operation—to challenge myself and others with whom I am an associated to be objective in our recommendations to the Congress.

We continuously analyze the interests of the United States in relationship to foreign economic assistance under the Alliance for Progress. And in that process of analysis, we repeatedly return to a clear focus on the importance to us of the Americas.

The realities that we keep coming back to are these:

Geographic proximity;

The special ties of tradition and potential for friendship deriving, despite significant differences, from our common European heritage;

The cumulative effect the countries of the area can have on world order and our world position;

Very substantial trade and investment;

The existence of well-established regional institutions and accords.

From these factors flow a set of political, economic, and strategic interests which, taken together, demand our most earnest attention. It is of the greatest importance to the United States that hemispheric relations not deteriorate into hostility and bitterness. In practical terms, our failure to sustain a constructive dialog with the rest of the Americans could be very costly to us, in dollars and cents, to be sure, but also in our ability to influence events, both in the hemisphere and in the world. Perhaps an even greater price would be paid in our loss of national confidence and purpose. If we are unable to function as an effective, mature, and responsible great power in our relations in our own hemisphere, how will the rest of the world see us—and how will we see ourselves?

We will continue to depend for the foreseeable future on Latin America and the English-speaking Caribbean for critical raw materials. We have invested some $15 billion—about 70 percent of our investment in less-developed countries—in the Americas. And there are large numbers of U.S. citizens who live in, visit, or have economic ties in the area.

Underscoring the importance of these interests is the fact that some 30 years hence, there will be 600 million Latin Americans, more than twice as many as the 270 million today.

Materially, their standard of living is roughly one-tenth of ours, a gap which stubbornly remains constant. Real per capita income in Latin America grew by about $100 during the 1960's; in the United States it grew by $1,000. Their average educational level is three grades; our is 12. Seventy of every 1,000 of their babies die in their first year; 20 of every 1,000 of our babies die in their first year.

In the last decade, Americans have developed a heightened appreciation of the awesome dimensions and consequences of poverty, be it on farms or in urban ghettos. Americans, no matter whether they live in cities, suburbs, small towns, or on the farm, have come to realize that their own lives are directly and adversely affected by both rural and urban poverty. I submit that what is true of our neighbors in our own country will ultimately be true of our neighbors in the hemisphere. Our individual and national well-being will be importantly influenced by the degree to which Latin America's development aspirations are realized. So will our self-esteem: our own view—and the view of others throughout the world—of the responsibleness and compassion with which we exercise our great natonal power.

Development will occur in Latin America. It will occur because the Latin American masses are awake to the possibilities of change, because traditional institutions are breaking out of the molds of apathy and self-interest, because development issues dominate Latin American politics. What is at stake in our foreign economic assistance appropriations process is the pace and quality of development, and the degree to which we as a nation and a neighbor are identified with the quest for a better and more dignified life.

Latin America's need for external resources is abundantly apparent. It can be seen in the net capital low figures, which increasingly are

influenced adversely by Latin America's growing debt burden. It can be seen in the rapid growth of Latin America's imports, in itself confirmation of the encouraging overall growth performance of the past several years. But the need for external resources and know-how can also be seen in the staggering problems which afflict Latin America: unemployment, inequitable income distribution, explosive urban growth, sluggish agricultural development.

Latin America's increasing ability to use development assistance is apparent from the striking progress which occurred in education in the 1960's, progress which would not have been possible without external financial and technical assistance. I believe that the education revolution of the sixties in Latin America can be repeated in other sectors in the seventies.

In the long run, if we fail to respond adequately to Latin America's need for help as it seeks solutions to its grave problems, we shall be failing not only Latin America but ourselves. We must be fully aware that not only Latin America's well-being but our own is at stake. In the short run, we shall be reinforcing the oft-heard criticism that the United States is ignoring Latin America, that we have come to the conclusion that Latin America is not really important to us, that the mature partnership is a smokescreen for disengagement.

While the mature partnership approach to our relations in the hemisphere was formulated by President Nixon, it is a logical—I would say almost inevitable—outgrowth of our experience in Latin America in the 1960's. The mature partnership has not replaced the Alliance for Progress; it adjusted the Alliance to conform to the reality of the hemisphere in 1969, a reality which was quite different from what we perceived in 1961, if for no other reason than that, in 1969, we had the benefit of 8 years of profound, eye-opening hindsight. In 1969, it was apparent that Latin America was increasingly absorbed in defining its own goals, in establishing its own identity, in seeking full expression of its independence. These preoccupations continue, perhaps even more strongly, today. The dominant role of the United States at the outset of the Alliance is simply no longer feasible—nor desirable.

But I have always considered that what is really important about the Alliance for Progress is not the degree of U.S. influence but the unprecedented commitment of the nations of the hemisphere to accelerate economic and social development, a commitment born of a marriage of pragmatism and idealism. In this sense, not only is the Alliance for Progress alive today; it is also one of the foundations of our policy toward Latin America.

But it profits us little to talk about our commitment to Latin American development if the resources we make available to help accelerate the process are insufficient to the need. There is a gap between the importance we attach to Latin America and our performance, and this gap is undermining not only the credibility of our commitment, but also the credibility of our avowed purposes in the hemisphere.

Whether we consider our relations with Latin America in the short run or the long run, there are compelling reasons to augment our development assistance. It is my most earnest hope that we will do so.

Mr. PASSMAN. Thank you, Mr. Meyer. Now we will hear from Mr. Kleine.

STATEMENT OF ASSISTANT ADMINISTRATOR FOR LATIN AMERICA AGENCY FOR INTERNATIONAL DEVELOPMENT

Mr. KLEINE. Mr. Chairman, I am pleased to appear before your distinguished committee today. Assistant Secretary Meyer has outlined aspects of the foreign policy context within which the proposed assistance program has taken shape. I am glad to have this opportunity to review with you the proposed program in specific tems.

For fiscal year 1973, we are seeking funds to conduct a program comprising $295 million in lending authority, $80 million in technical assistance grants and $14.4 million for population programs. This proposed program addresses essential problems where our U.S. bilateral inputs promise to have forceful developmental impact. Measured by the needs of the hemisphere, it is small; yet, when measured by impact, it is significant.

The program is aimed at the common man. Improving agricultural opportunity and access to education are the major concerns. We have learned that, even with continued economic growth, the benefits of change will largely elude the common man unless far more is done with the specific object of assuring his access to education, employment, and agricultural apportunity.

There have been major improvements throughout the hemisphere in the last decade in bringing modern know-how to bear on the problems of development. Viewed, however, against the backdrop of the complex problems which remain, the need for know-how, for modern management, and for research, remains great. The bilateral assistance program is a singularly appropriate instrument for engaging the enormous talent, varied skills, and know-how of our country in the service of Latin American development.

As experience has accumulated, many governments in the hemisphere have come to recognize that the basic problems of more efficiently, equitably, and widely distributing opportunity will require far more comprehensive, ambitious, and coordinated policies and programs than had been foreseen in the past. Piecemeal approaches to education reform or agrarian poverty can have only limited results. For example, efforts to devise and manage the delivery of mass education at reasonable cost will require putting into operation a wide range of synchronized policy and institutional measures: demographic analysis, curriculum research and design, teacher compensation and placement policies, improved school design and construction, better site selection methods, better physical plant maintenance, materials supply, inventory and procurement systems, and improved budgeting and accounting procedures. Continuing research and experimentation are required.

U.S. assistance efforts are increasingly being geared to supporting these comprehensive attacks on basic problems. Through the technical assistance grant programs we are helping countries with training, research, and assistance in the gathering and analysis of data and preparation of plans—to set the stage for constructing across-the-board or "sector" programs. Once these programs are devised and their building blocks set in place through budgetary and other necessary country actions, AID is providing additional support through its lending programs, and where appropriate, through continued technical assistance. These assistance efforts draw widely on U.S. univer-

sities, foundations, the private sector, and Government-wide research, training, and advisory facilities.

In our fiscal year 1973 lending program, we foresee allocating some $114 million for sector loans compared with $10 million in fiscal year 1967. In deciding where, when, and how to use our resources, we work within a framework structured by U.S. foreign policy objectives and concerns, by the development priorities of the various recipients, their resource mobilization capacities, and by their willingness to help themselves to undertake effective programs. We work in close collaboration with other donors, both bilateral and multilateral.

More than half of our proposed program will be concentrated in agriculture and education. Health and population will be given more emphasis. Urban problems, as well, require and will be given increased attention as governments face the unsolved problems of unemployment and welfare for the lowest income groups.

Further, consistent with country requirements and priorities, we shall continue to give significant attention, particularly in cooperation with other assistance agencies, to the development of capital markets, to tourism, and to the stimulation of Latin American exports.

We are also planning to support activities of regional economic integration entities such as the Caribbean and Central American Development Banks and the Andean Development Corp.

A. PROGRESS AND PROBLEMS

During the 1960's the regional GNP growth rate averaged 5.5 percent. During the past 4 years it ranged between 6.3 and 7 percent. Yet, rapidly increasing population, unrelenting urban growth and ever-growing numbers of unemployed increasingly undermine the benefits of the real progress which has been made. While average GNP for the region rose over 80 percent between 1960 and 1971, the per capita GNP grew by less than 34 percent. In 1971, an estimated 50 percent of the people in Latin America, over 130 million persons, had incomes under $150; half of these had incomes of less than $100.

Inequitable income distribution patterns and large scale unemployment persist. Inadequate health, education and community services, coupled with limited economic opportunities, increasingly encourage rural exodus to cities unprepared to accommodate more people, thus further intensifying the hemisphere's urban problems.

Increased agricultural production and better distribution of food are essential to improved nutrition, farmer income, and rural employment opportunites. Food production in Latin America increased some 35 percent between 1962 and 1971. Yet population growth diluted the per capita increase to a mere 6 percent for the 10-year period. Furthermore, much of the increased production and profitability took place on middle- to large-sized farms. No breakthrough has yet meaningfully increased the small farmer's standard of living; he remains on the margin or, often, moves to the cities. It is clear that rural development, based upon significant policy changes and more efficient public and private agricultural institutions organized to reach the masses of rural people, is urgently required. AID support to research, to training, and to sectoral country programs is directed towards meeting these requirements.

The common man must also have broader access to education and specialized training in the skills needed for development before he can participate in, contribute to, and share in his country's growth. Considerable assistance in education in the 1960's supported an impressive expansion. On the primary level, more than 275,000 classrooms were built, the number of teachers almost doubled, and enrollment increased by 71 percent—from 24 to 41 million students. Secondary enrollment rose 195 percent—from 3.0 to 9.5 million—and post-secondary enrollment increased from 0.5 million to 1.4 million, or 168 percent. Central government education expenditures as a percent of total expenditures rose from 9 percent in 1961 to 14 percent in 1970.

Yet, these real improvements have also been considerably diluted by population growth. For example, primary enrollments will have to increase at a rate 50 percent higher than in the sixties just to prevent an increase in the number of children for whom there are not any places. Curriculum, too, is a problem. It must be modified to become more relevant to different patterns of specialized knowledge and skills required by today's, and future, manpower needs.

The great educational challenge for the 1970's is to achieve, in widely-varying country circumstances, higher quality education, at greatly reduced unit costs, which permits extending the benefits of learning throughout the population. Achieving this goal is fundamental to assuring that the future benefits of growth and change are enjoyed by the common man.

In the array of critical development problems which hold down the common man's hopes for a better life are many problems for which no pre-tested, packaged solutions are available. Traditional approaches and mere resource transfers alone will not suffice. It is this array of problems with which we are most concerned, problems whose solutions require new, more effective and widely diffused technologies, and better organized and managed resource allocations. In agriculture, a productive life for the small farmer needs to be found. New technologies, for example, for growing, processing and marketing of foods, are essential to boost production and improve nutrition. In education new approaches and systems need to be introduced or expanded. More productive employment opportunities need to be created in both rural and urban areas. Also, population growth rates should come down. Similarly, the process of unrelenting urbanization, with attendant shortages of housing and municipal services, massive unemployment and major health problems, urgently requires that better solutions be devised and mounted.

There are many sine qua non's to meaningful progress in the hemisphere in meeting these challenges in the years ahead. Sustained economic growth is one of them. A strong disposition on the part of the peoples and governments of the hemisphere to tackle vigorously these problems is another. Adequate domestic and external resource availabilities is yet another. Finally, and perhaps most difficult, is the need for concepts, skills, and technologies adequate to the complexity of the tough problems which remain.

While modest, relative to these problems, the bilateral program for fiscal year 1973 emphasizes, more than ever before, assistance geared to assisting countries address these pressing human needs. It is aimed at problems we believe must be overcome if the common man in the hemisphere is to have a better opportunity for a better life.

B. DEVELOPMENT LENDING

For fiscal year 1973, we propose a total loan program of $295 million. Of this amount $118.5 million or 40 percent of the program is allocated to agricultural and rural development activities. The proposed loans will serve a variety of purposes such as the importation of machinery, fertilizer and other agricultural inputs, rural electrification, farm-to-market roads and agricultural cooperatives. Nearly half of this amount is for agricultural sector loans in Colombia, Panama, and Central America. Another $117.5, or nearly 40 percent, is earmarked for projects in the urban/industrial sector. Included are loans for industrial development banks, credit unions, savings and loan institutions, tourism, capital markets development, and low cost housing.

The total lending program proposed for fiscal year 1973, by field of activity, is distributed as follows:

Category	Amount	Percent of total program
Agriculture and rural development	$118.5	40.2
Urban/industrial development	117.5	39.8
Education and manpower	42.5	14.4
Health and sanitation	16.5	5.6
Total	295.0	100.0

Our program continues to be concentrated geographically, with 25.8 percent earmarked for Colombia and 26.6 percent for countries and regional organizations in Central America.

We continue to channel a high percentage of our resources into sector loans. About 40 percent of our programs for both fiscal year 1972 and fiscal year 1973 is projected for such loans. This compares with an average of 27.4 percent over the preceding four fiscal years.

The sector loans proposed for fiscal year 1973 are:

	Millions
Bolivia: Education	$6.5
Colombia:	
Agriculture/rural development	18.0
Education	10.0
Industry/urban development	42.0
Health	5.0
El Salvador: Agriculture/rural development	12.0
Honduras: Agriculture/rural development	10.0
Panama: Agricultural/rural development	10.0
Total	113.5

Some examples of already operating sector loan programs will illustrate the variety of activities and goals we envisage for the fiscal year 1973 loans now being planned.

In Guatemala, a recently developed rural sector development program is aimed at improving the incomes of highland Indians and small farmers. Five basic grains and seven other crops are stressed. Low-cost loans are offered for fertilizer and improved seeds, and newly-trained agricultural agents are working with small farmers and producer cooperatives to modernize their operations. The Guatemalan Government guarantees a minimum price for the increased output. For the first time, thousands of subsistence farmers are being brought

into the commercial economy through a comprehensive program that also assures continued reasonable food prices to the consumer.

An agricultural sector loan in Costa Rica will support diversified, low cost agriculture geared to both home consumption and export marketing.

In education, our sectoral lending experience has been mainly in Colombia. Our most recent sector loan will enable the government to expand education on all levels, while giving particular emphasis to rural primary education in accordance with the government's goal of providing five years of elementary education to all children of school age, with preferential attention to the poorest groups.

Also in Colombia, we are supporting the government's goal of more balanced regional and urban development. We will help finance industrialization and public services required to stimulate more rapid economic development of medium-sized cities. Progress achieved in the medium-sized cities will enable them to attract and employ a larger proportion of rural-urban migrants than at present, and thus eventually relieve some of the extreme demographic pressure on the four major cities. In addition, we will help finance the improvement of housing, and the extension of basic infrastructure services such as water, sewerage and paving to low income areas in Colombia's four major cities.

C. TECHNICAL ASSISTANCE

Alliance grant funded technical assistance programs totaling $80 million are proposed for fiscal year 1973.

Sixty-two percent of the proposed program is concentrated in agriculture and education, and as I have already indicated, stresses sectoral analysis and utilization of regional institutions as mechanisms for better assuring that our assistance more directly reaches the underprivileged segments of the Latin American populace.

1. Agriculture

Country Programs.—Assistance to agriculture and rural development is scheduled to receive 21 percent of the proposed alliance technical assistance, or $16.5 million, in fiscal year 1973. This assistance is increasingly being provided within the context of sectoral analyses. In the development of sector analyses, problems are identified, described, and ranked according to their relative importance, and the impact of alternative strategies on various goals, such as increased production, employment, and more equitable income distribution, is estimated. Attention is also given to the use of indicators and management information systems so that progress can be monitored, problems and shortfalls identified, effects measured, and efficiency of programs and policies examined in a timely and periodic manner, facilitating midcourse correlations.

Grant financed sector studies in agriculture are at various stages in Panama, El Salvador, and Honduras. In many countries, as in Bolivia, Peru, Guyana, Guatemala, El Salvador, and Brazil, AID bilateral grant projects are directed toward increasing production of grains, soybeans, and rice, the primary crops of small and medium-sized farms throughout the hemisphere.

In El Salvador, as a part of the government's long-term agricultural sector development strategy, AID-financed technical assistance—in

conjunction with loan programs—will support supervised credit activities to small and medium farms, as well as the Ministry of Agriculture's agricultural extension service and research capability. The government's objective is to diversify existing cropping patterns and further bring the mass of subsistence farmers into the monetary system.

For many countries, increases in productivity are often thwarted by marketing inefficiencies. AID will continue addressing these problems through research, training and advisory services.

Regional Program.—To attack agricultural problems that are common to many countries, assistance is best made available on a regional basis. Among institutions of regional scope is the International Center for Tropical Agriculture (CIAT) at Cali, Colombia. CIAT focuses on Latin American lowland tropical agriculture, including rice, corn, food legumes, tropical root crops, and swine and cattle production. Beginning its operations in 1968, CIAT's research programs are now well underway. Indeed, between 400,000 and 500,000 hectares of its new rice varieties have already been sown.

Other donors to CIAT, in addition to AID include the Rockefeller, Ford, and Kellogg Foundations. Rockefeller and Ford each contribute an amount equal to AID's. Kellogg's share is somewhat smaller. Recently, the Canadian Government and the Government of the Netherlands have also become CIAT donors.

Another regionwide activity is in soil fertility analysis. North Carolina State University has been collaborating with institutions in 16 Latin American Countries to create soils laboratories where none existed before, or to upgrade quantitatively and qualitatively those already in operation. Among the significant results attained to date is the establishment of at least one public or private soils laboratory in each of the 16 cooperating countries (in Brazil alone there are now 35 laboratories).

Other regional agricultural activities include the Inter-American agricultural marketing project; the Castelar Agriculture Graduate School project which serves Argentina, Uruguay, Paraguay and Bolivia; and the cooperative programs of Credit Union National Association (CUNA); the Cooperative League of the U.S.A. (CLUSA); and the Organization of Cooperatives of America (OCA).

Cooperatives play a particularly important part in mobilizing the resources required for rural development and in assisting small farmers to make use of production inputs, credit, and improved marketing facilities. Credit union membership in Latin America has increased to well over 1 million families. Nearly $500 million in loans has been mobilized by the credit union movement alone. In fiscal year 1973 AID will continue to provide technical management advisory services to cooperatives and credit union federations in management improvement, mobilization of agricultural production credit, and educational programs. These AID efforts are being focused increasingly upon cooperative mechanisms geared to the needs of low-income small farmers.

2. Education and manpower development

Assistance to education and manpower training will receive over two-fifths of alliance technical assistance, or $33.3 million, in fiscal year 1973. AID assistance to Latin American countries has helped spark a truly impressive expansion of national education systems, as

suggested by the figures I cited earlier. Yet, because of spiraling population growth, there still remain large segments of the schoolage population outside the school system. Also, education systems remain inefficient. An estimated 70 percent of the primary students and some 65 percent of secondary students drop out before graduation.

Recognizing the need for new kinds of solutions for these major problems, AID began in the late 1960's to provide major technical assistance support for comprehensive analyses of education requirements. These country analyses have permitted AID to approve education sector loans to Brazil, Colombia, Panama, Paraguay and Chile since 1967. These loans, plus special earmarkings of larger amounts of funds by each government, have provided support, not only to the traditional expansion activities of school construction and teacher training, but also to school system management, curriculum innovation, and experimentation, aimed at improving the quality of instruction while reducing costs.

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 a country's capacity to analyze and solve important problems.

AID will also continue to support important existing activities such as upgrading the curricula, faculties and administration of key universities and ministries of education, improving management techniques and exploring and experimenting with alternative techniques of education and education technologies.

The need for skilled managers in the public and private sectors requires training beyond that given in the formal general education system. Therefore, AID will continue to provide advisory services and training in tax collection, financial management, business administration and development planning.

The training of labor union leaders continues to be an important part of U.S. support for education and manpower development programs. Through an agreement with the American Institute of Free Labor Development (AIFLD), education programs aimed at strengthening free democratic trade unions now operate in 19 countires. AIFLD has provided trade union training for 1,128 trade union leaders at its institute at Front Royal, Va. In Latin America 187,000 unionists have participated in labor education programs. Through the International Trade Secretariats, AIFLD also coordinates a technical assistance program in Latin America to offer local and national education seminars.

Public Safety programs in 13 countries are designed to assist them, strengthen civil police institutions. Training for about 300 Latin American police officers at the International Police Academy in Washington, D.C., is scheduled in fiscal year 1973.

A regional education sector support project supports education sector analysis and planning at the country level, with a particular focus on the design of innovative approaches which will result in lower per-unit costs and higher quality education. Under this support project, Florida State University has devised a set of guidelines for the most effective design and construction of schools and classrooms, and has been working with Latin American educators in formulating experimental education programs for their respective countries.

One of the major shortcomings of Latin American education at all levels is the scarcity of adequate printed and audiovisual teaching materials. This is a reflection of the fact that the publishing industry in Latin America has not entered this area in a major way and that, on the other side of the coin, the demand for educational materials has not been sufficiently strong to warrant the substantial commitment of publisher resources. The Regional Technical Aids Center (RTAC) with offices in Mexico City and Buenos Aires, Argentina, is attempting to meet the materials deficiency.

Since its inception in 1957, RTAC has sponsored Spanish versions of 1.5 million copies of more than 900 commercial book titles; 9 million copies of 2,100 noncommercial pamphlet titles; and 9,600 prints of 1,100 educational film titles. iWthout RTAC sponsorship, through publisher subcontracts, Latin American publishers would either not have printed these titles or printed far fewer. On the demand side, more than 100 nonprofit university bookstores serving over 300,000 students have been established on university campuses throughout Latin America. The bookstore program has served to introduce or expand the use of the textbook in the university classroom as a substitute for informal lecture notes. Film libraries have also been created in five countries.

The Latin American scholarship program of American universities (LASPAU) continues to make significant headway in helping to meet the critical shortage of university professors and scholars in Latin America in key developmental areas. As you know, under the LASPAU undertaking, North American universities defray the tuition costs of LASPAU scholars. AID provides student maintenance and administrative expenses. Latin American universities and the LASPAU student himself contribute travel and English-language training costs.

Since the inception of the program in 1966, more than 1,200 LAS PAU scholars representing 128 Latin American universities have attended 175 U.S. colleges and universities in 38 different States of the the United States. Of the 535 scholars presently studying toward master's or Ph. D. degrees, 60 percent are enrolled in science and technology and the remainder in business administration, agriculture, education, and the social sciences. As of February 1, 1972, 357 LASPAU scholars had successfully completed their degree programs.

3. Industrial and urban development

Latin American countries are intent upon increasing their domestic capacities for financing their development efforts. This increased investment requires greater foreign exchange earnings and better mobilization of domestic savings. Thus, almost without exception, countries giving priority to sound financial and monetary management, increased taxes, and to export development, tourism and the development of capital markets.

At a recent inter-American meeting on export development, the U.S. delegation reiterated an earlier offer of assistance made by President Nixon to be helpful in this area. The United States expressed readiness to support, through bilateral and multilateral channels, increased technical and financial assistance to promote Latin American trade expansion. In implementing this offer, AID is providing assistance to the OAS Inter-American Export Development Center (CIPE), the Caribbean Development Bank, the Andean Development Bank, the Central

American Bank for Economic Integration (CABEI), and Central American regional organizations in helping promising export undertakings in nontraditional products. AID export promotion advisers are engaged in a number of bilateral country programs (for example, Guatemala, Honduras, Panama, Paraguay, and Uruguay) while technical assistance for export diversification and expansion is provided to other countries in the context of agricultural development projects (for example, El Salvador, Nicaragua, and the Dominican Republic). Additionally, an AID technician assigned to the U.S. Department of Commerce's Regional Trade Development Center (RTDC) in Buenos Aires will use the Center as a training laboratory in imparting export promotion techniques to representatives of the region's private and public sectors. Plans for expanded or new country programs are also under study.

The United States has also provided assistance to strengthen national tourism programs, principally through the OAS, with the cooperation of the U.S. Travel Office. These efforts, geared to the 1972 "Tourism Year of the Americas", will continue in fiscal year 1973. Similarly, we will continue to provide support to the OAS capital markets program—an effort growing out of President Nixon's 1971 offer of U.S. assistance. We will also continue, through our lending and technical assistance programs, to furnish support to strengthening savings and loan systems, housing and rural cooperatives and national credit unions, all of which offer significant opportunities for marshaling of savings.

D. Population

U.S. support of population and health programs increasingly is being channeled through international and private organizations. Thus, while funding in support of these programs will increase from $16.4 million in 1972 to $33 million in 1973, bilateral technical assistance in population will be reduced from $6.9 million in fiscal year 1972 to $5.9 million in fiscal year 1973.

AID-funded population activities will continue to focus on: (1) improvement of health delivery systems, (2) expansion of the information and education components, and (3) development of adequate demographic and social data.

Programs of health and family planning delivery systems receive direct AID support in 12 Latin American countries. As contrasted with a decade ago when no Latin American countries supported public family planning programs, there are today 13 countries in which the governments support such programs. A number of innovative projects are being financed through our regional program in an effort to discover the most effective motivational approaches, materials, and mass media programs. For example, research activities will be undertaken in selected countries to design educational programs, identify target audiences and test various approaches to motivation programs.

Because other international organizations are active in the health field in Latin America, notably the Pan American Health Organization and the Inter-American Development Bank, AID has emphasized assistance to population activities. However, AID also undertakes health programs in coordination with these organizations. Programs include control or eradication of communicable disease, through projects aimed at malaria eradication as well as improvement of environ-

mental sanitation, including provision of drinking water, sewerage and other basic services.

AID is also helping to improve nutrition. Traditionally, the major AID input has been high protein foods under Public Law 480, title II. These activities will continue. In addition, for example, a proposed loan for Panama will bring health education and improved nutrition to rural communities by assisting local health committees or cooperatives in projects such as simple water systems and village garden projects. Sector wide programs, such as the rural health program in Guatemala, will aim at providing integrated health services throughout the country. A proposed public health loan to Colombia will seek to expand rural health facilities, training, and water supply, and to improve the production of medicines and vaccines.

E. Assistance to the OAS

Secretary Rogers, before the OAS General Assembly last month, referred to the key role of the Organization of American States in forging what he called a "truly inter-American policy." Our proposed fiscal year 1973 program earmarks 20 percent of Alliance for Progress technical assistance grant funds for transfers to OAS programs.

These programs reach 23 countries of the hemisphere. The Special Development Assistance Fund (SDAF) has financed (through June 30, 1971) nearly 12,000 fellowships to inter-American training centers. The SDAF also provides instructional and administrative staff to the centers. SDAF social development programs are seeking to improve urban conditions and address the pressing and complex problems of underemployment and income maldistribution.

With SDAF support, Latin American institutions are improving their capabilities to conduct cadastral surveys as the basis of land tax systems and better use of land resources. Since 1963, technical assistance and training, aimed at more efficient and equitable tax administration, have been provided to 14 OAS members and to regional organizations. Our proposed fiscal year 1973 program request includes $5,145,000 as the U.S. share of SDAF support.

We are also supporting the OAS Special Multilateral Fund (SMF). Its education and science programs furnish fellowships and provide support for research and libraries. Food technology research supported by the SMF is aimed at developing techniques which will permit more efficient use of local raw materials and more nutritious products. SMF technical education programs support teaching, management, and research for vocational training programs. Programs for training some 600 professors in the use of educational technology is underway; $8,900,000 is earmarked in our proposed fiscal year 1973 program for support of SMF programs.

F. Program Efficiency

I am glad to be able to report that the tightened management and concentration of our program activities which I spoke with you about last year has progressed further during the past 12 months. Total U.S. program personnel serving overseas in Latin America, including AID, other U.S. agency and contract employees is declining from a 1971 level of 870 to an estimated fiscal year 1972 end of year level of 853. For the end of fiscal year 1973 our estimate is 824.

The installation of our project monitoring and evaluation system, completed during the last fiscal year, has yielded substantial results in terms of screening project goals in relation to strategies, costs relative to achievements and alternative approaches. This system has improved the technical and managerial soundness of our program.

In summary, our program proposal for fiscal year 1973 reflects our shifts in priorities and methods. Yet, it is a natural extension of our past activities. It is consistent with today's needs and those of the future, as we can foresee them. In concert with the substantial programs of other donors, it can significantly assist Latin America address her immense problems. It is a program for which I urge your support.

Thank you, Mr. Chairman.

JUSTIFICATION MATERIAL

Mr. PASSMAN. Thank you for your statements. We will insert certain justifications in the record at this point.

(The material follows:)

PROGRAM SUMMARY
(In millions of dollars)

FISCAL YEAR	Total	Agricultural & Rural Development	Population & Health	Education & Manpower Training	Industry, Transportation & Urban Dev.	Non-Project Loans	Program Development & Support
1971							
Devel. Loans	232.5 1/	90.6	9.0 1/	37.0	85.9	10.0	-
Tech. Assist.	80.6 3/	17.0	.6	35.1	7.7	-	20.2
Population	15.2 2/	-	15.2 2/	-	-	-	-
Other	2.8 4/	-	1.8	-	.5	-	.5
Total	331.2	107.6	26.6	72.1	94.1	10.0	20.7
1972							
Devel. Loans	232.9	53.5	2.4	33.0	132.0	12.0	-
Tech. Assist.	78.8	15.3	1.9	33.4	7.1	-	21.1
Population	12.1	-	12.1	-	-	-	-
Other	2.0 5/	-	-	-	2.0	-	-
Total	325.8	68.8	16.4	66.4	141.1	12.0	21.1
1973							
Devel. Loans	295.0	118.5	16.5	42.5	117.5	-	-
Tech. Assist.	80.0	16.5	2.1	33.3	7.0	-	21.1
Population	14.4	-	14.4	-	-	-	-
Other							
Total	389.4	135.0	33.0	75.8	124.5	-	21.1

/1 Excludes population grant programs.
/2 Funded from development loan funds.
/3 Includes $509,000 for Argentina (of which $50,000 in Agriculture, $84,000 in education, and $375,000 in program development) and $368,000 in non-Alliance Technical Assistance for a grant to Organization of American States.
/4 Supporting Assistance, of which $2,782,000 for Haiti and $45,000 for Guatemala.
/5 Contingency fund for Bolivia.

Substantial economic growth was recorded in Latin America during the last decade. Agricultural production continued to increase, although inadequately; industrial expansion and modernization moved forward; and education and health services were expanded significantly. This considerable growth has not, however, been adequate in itself nor sufficiently well distributed in most countries to extend the benefits of progress to the common man. Rapidly increasing population, unrelenting urban growth, and ever growing numbers of unemployed and underemployed people increasingly undermine the benefits they derive from the real progress which has been made. While the growth process has been established and the intellectual, physical, institutional and financial foundations of accelerated process have been laid, it is evident that the problem remains formidable in complexity and dimension.

The context within which development progress in the Americas is occurring is one of rapid, pervasive change. Virtually all of the traditional political, social, economic and demographic structures and relationships are in transition. Almost everywhere there is recognition that progress toward a more just and abundant economic and social order is the most urgent and important priority of national life. Also, there is consensus that the quality, pace and depth of such development depend upon the vigor, wisdom and adequacy of national efforts.

Although the Latin American countries have demonstrated increased self-confidence and self-reliance in managing the course of their development, they still want the United States to remain an active participant in hemispheric progress. The need for foreign exchange for development continues to outstrip the hemisphere's earning capacity. Expansion of U.S. and other world markets for Latin American exports and a sustained flow of capital, both private and public, are essential to promote growth. Moreover, despite the growth of managerial, technical and scientific capabilities, help is needed to solve the complex problems which persist. Solutions to the problems of population growth, urban migration, education and agriculture will continue to require U.S. knowledge, skills, and financial resources.

The FY 1973 assistance program reflects continued reliance upon the multilateral lending institutions for major capital resource transfers. In 1964 A.I.D. bilateral lending, at a level of $477 million, represented 56 percent of the total commitments by A.I.D., the World Bank and the Inter-American Development Bank (IDB). In 1971 A.I.D. bilateral lending accounted for a 15 percent share, and by 1973 the share will be about 10 percent. Even so, A.I.D. bilateral assistance programs will remain the basic means of transferring U.S. knowledge and skills to the hemisphere.

78-827 O - 72 - pt. 2 - 66

LATIN AMERICA

The proposed FY 1973 activities embody two concepts that are essential to program design and implementation in the rapidly changing Latin America of the 1970's.

-- First, the proposed activities have been selected in close collaboration with our Latin American partners. The Latin Americans do not want solutions "made in the United States," nor do they believe that the cost of development efforts still required in the years ahead should be underwritten entirely by the United States. Instead, they want and need our collaboration and support as they undertake the major share of their own development and determine their own priorities and answers.

-- Second, the proposed program is designed to be carried out within a multilateral framework. Many of the activities proposed will be carried forward in conjunction with or in support of programs of international, regional, and subregional agencies. Considerable attention is given to coordination in program design and implementation. To this end A.I.D. participates in World Bank-led Consultative Groups on assistance to Peru and Colombia; takes part in country reviews conducted by the Inter-American Committee on the Alliance for Progress (CIAP); invites CIAP staff into its internal deliberations on proposed lending; and regularly shares information and analyses with other assistance agencies. Simultaneously A.I.D. is helping to strengthen this framework through, for example, provision of funds to CIAP for improving the system of preparation and follow-up of country assistance reviews.

A.I.D. stresses support of strong regional institutions. The proposed FY 1973 program continues to earmark a significant share -- 18 percent -- of grant funds for transfers to programs of the Organization of American States (OAS), and will provide both capital and technical assistance to subregional development agencies. Over $100 million has been provided to these agencies at concessional interest rates to help them initiate operations and establish themselves on a strong financial footing. A.I.D. believes that one of the most important objectives of this assistance is to ensure that they can count on further financing from other sources.

Progress and Problems

The impressive achievements of the last decade provide a base for accelerated progress during the next decade. During the 1960's the regional growth rate in Gross National Product (GNP) averaged 5.5 percent, varying from 3.2 to 7.6 percent per year. During the past four years it has ranged between 6.3 and 7.0 percent. Increases in food production have enabled about half of the countries to provide a better nutritional level for their people, although food production has not kept pace with population growth in other countries. Expanded education and health services have increased the ability of many rural and urban residents to participate in development activities.

There are, however, continuing disparities in rates of progress within any given country and among the countries of the region. In most, a large proportion of the population is still barely above the subsistence level. Moreover, continued high population growth rates have eroded much of the benefits of economic growth. Thus, while the GNP of the region rose over 80 percent between 1960 and 1971 per capita GNP grew by less than half that rate, by only 34 percent. Although the regional per capita GNP was about $530 in 1971, per capita income for an estimated 50 percent of the people actually was under $150 each. About one-quarter, or over 66 million people, had an annual income of less than $100. Although data are incomplete, it is clear that income distribution patterns remain inequitable.

Large segments of the Latin American population are unemployed and cannot meet their basic needs. In many countries productivity in agriculture is persistently low. Moreover, disparities in income levels as well as in health, education and community services encourage the rural exodus to the cities which in turn exacerbates urban unemployment and other problems.

Increased agricultural production and improved distribution of food products are required in order to provide higher levels

of nutrition and improved farmer incomes, increased revenues for investment and expanded foreign exchange earnings. Also, the common man must have broader access to education and specialized training in the skills needed for development before he can participate in, contribute to and share fully in his country's growth. Further extension of health services, particularly in rural areas, is essential. Finally, the greatest problem for the future is to find the means to create additional opportunities for productive employment in both rural and urban areas.

The FY 1973 Program

The proposed program of $389.4 million includes $80 million in Technical Assistance, $295 million in Development Loans and $14.4 million in Population funds. The major areas of concentration for grant funds are education and manpower training, agricultural and rural development, and population. The lending program, in addition to supporting coordinated national efforts in agriculture, education and health, will provide capital for public and private investment through regional and national organizations and for urban development. The complex problems affecting urban residents are addressed directly, through assistance to urban planning and housing, as well as indirectly through education and training, efforts to raise rural incomes, and family planning.

Increasingly in recent years the program for Latin America has become "people oriented." Rather than placing priority on growth and macroeconomic change per se, the emphasis of the program has shifted toward devising, and supporting, the means to assure that the benefits of growth and change are more evenly distributed. This new emphasis reflects the view that while growth and broad economic improvements are indispensable, growth alone has not assured, and cannot assure, distribution of development benefits to the common citizen. It further assumes that further introduction of new concepts, innovative technologies and streamlined management methods is required now to accelerate and distribute the benefits of development.

To the extent feasible, assistance programs and activities are being formed and implemented within the context of sectoral analyses and strategies. The sector approach is comprehensive. It supplements the more traditional macroeconomic and technical analysis with an investigation of the social and cultural aspects of the development process. Through the sector analysis A.I.D. is providing an important and unique complement to the programs of other assistance donors.

The results of a sector analysis, carried out by cooperating country personnel assisted by A.I.D. specialists, are used to determine the allocation of domestic and external resources. A detailed analysis identifies the range of variables within a given sector, such as agriculture or education, and between that sector and other parts of the economy. By tracing the impact of alternative investments on such goals as export growth, production increases and generation of employment, an estimated optimum resource allocation can be arrived at.

In countries where the sector approach is being adopted, U.S. lending and technical assistance are being integrated into overall efforts to increase the efficiency of the country's systems of agriculture, education or urban development and to promote a wider sharing in their benefits. Analyses in agriculture have been completed or are underway in Colombia, Panama and four countries of Central America, and an overall analysis is being developed for Central America as a whole. In the latter part of FY 1972 sector analysis in education will be continued in Colombia, Panama, and Paraguay and will be undertaken in El Salvador.

In Colombia U.S. loans have been made within the context of a sector approach since 1968. For FY 1972 and FY 1973 a series of interrelated loans planned for the fields of agriculture, education, capital markets and urban development will address the complex of development problems. For example, sector lending will be used in urban areas to assist a combined municipal and federal government program designed to increase employment opportunities in smaller population centers so as to reduce migration to the large cities. While this loan is used to create small borrower supervised credit, the capital markets loan will provide seed capital for a savings and loan system and support the government's plan to establish employment services in industrialized urban centers.

LATIN AMERICA

AGRICULTURAL AND RURAL DEVELOPMENT

Primary emphasis in agricultural assistance programs in the 1960's was directed toward increasing productivity of food crops. With the introduction of additional credit at lower terms, increased availability of fertilizers, better seeds, steadily improving techniques for water and land use, expanded transport and market facilities, and generally a more scientific approach to agricultural management, some production gains have taken place. Total Latin American food production increased some 35% between 1962 and 1971 with per capita food production up about 6% for the same period. Part of this increased production was due to new lands; however, a significant part was due to greater use of modern inputs as indicated by a 140% increase in fertilizer consumption. Total yields of certain crops in particular countries increased dramatically. For example, corn production increased by some 41% in Brazil, 76% in El Salvador, 62% in Chile, and 36% in Guatemala, and rice increased about 79%, 212% and 100% respectively in El Salvador, Nicaragua and Uruguay.

Even so, most of the increases in agricultural production, considered on a hemispheric basis, were absorbed by commensurate population increases or decreases in the unit value of export crops such as coffee, cacao and rubber. Moreover, and critically important, much of the increased production and increases in profitability came from large and middle-sized farms. No major breakthrough has increased smaller farmers's standards of living or employment opportunities. The quality of life of the great mass of rural population has tended to remain at extremely low levels. Failures to utilize available technology, bottlenecks and constraints in both marketing and credit, adverse pricing policies, and organizational and management deficiencies of key rural institutions are among a wide range of factors contributing to these disappointing aspects of agriculture sector performance. As a result, significant numbers of small farmers are remaining on the margin of development progress in the rural areas or are moving to the cities, where employment opportunities are limited.

While certain activities, such as extension, research, and credit, geared to production increases for specific crops in certain regions, have been beneficial, in some instances dramatically so, it is clear that more meaningful progress will require new approaches to rural development. Continuous comprehensive analysis and planning, significant policy changes, and more effective and efficient public and private agricultural institutions organized to reach the masses of rural people are needed. If the small farmer is to be benefited, he must not only be informed of and learn to use improved seeds, fertilizers, and credit, but also have access to sufficient credit and an efficient marketing system. And he must receive reasonable prices for his increased output. Thus, for effective planning all factors must be considered, including total availability of resources, effectiveness of investment in different commodities, price and demand, and land ownership. Fortunately governmental policies and programs in many countries are increasingly being undertaken within the systematic and comprehensive framework needed to address these complex variables.

A major constraint in the rural sector has been the lack of adequate numbers of trained personnel and efficient institutions to both develop and implement policies and programs. However, considerable progress in correcting these deficiences is evident in many countries. Thousands of technicians, managers and policy-makers have been trained during the past decade and A.I.D. has been instrumental in helping develop agricultural schools and universities throughout Latin America. These now serve as technical centers for producing increasing numbers of research and extension staff as well as farm managers, planners and private sector agricultural specialists.

Assistance to agriculture and rural development is programmed to receive 40 percent of A.I.D. Alliance Loans, or $118.5 million, and 21 percent of Alliance Technical Assistance, or $16.7 million in FY 1973. This assistance is increasingly being provided on the basis of sectoral analyses. Some of these analyses that have been prepared indicate that domestic and export food and fibre requirements can be attained with accompanying significant increases in rural employment and redistribution of income. In these instances the goals for production, employment and income distribution are not necessarily in conflict. In Colombia, for example, detailed analysis

indicated that a given amount of credit for one commodity would have over thirty times the impact on employment as the same amount applied to another commodity. Similarly, it has been possible to estimate whether one policy option or another would benefit a greater proportion of small farmers or low income consumers.

Agricultural sector loans are underway in Colombia, Costa Rica, and Guatemala. Sector studies in agriculture of varying complexity are at various stages in Panama, El Salvador and Honduras. A.I.D. is financing the participation of U.S. universities participating in these and other related activities. In FY 1973 support will also be continued to such important international research institutions as the International Center for Tropical Agriculture (CIAT) in Colombia and the Center for Corn and Wheat Improvement (CIMMYT) in Mexico as well as to various countries to enable them to participate with these Centers in adapting and applying their findings to local needs and conditions. In particular countries A.I.D. projects are directed toward increasing production of grains, soybeans and rice, the primary production crops of small and medium-sized farms throughout the hemisphere.

In Guatemala a recently formulated rural development program is aimed at improving the incomes of highland Indians and other small farmers. Five basic grains and seven other crops are stressed. Loans are available for fertilizer and improved seeds, and newly trained agricultural agents are working with small farmers and producer cooperatives to modernize their operations. The Guatemalan government guarantees a minimum price for the increased output. For the first time, thousands of subsistance farmers are being brought into the commercial economy through a comprehensive program that also assures continued reasonable food prices to the consumer.

A similar program in Costa Rica has helped to bring together the several public institutions concerned with agricultural development into a national and regional system of agricultural planning and services. The system, in which small farmers have a voice individually and through cooperatives, assures that a growing number of small farmers will have access to the technical assistance, credit, and equitable marketing arrangements they need.

In El Salvador, as a part of the government's long-term agricultural sector development strategy, A.I.D.-financed technical assistance and loans will continue to provide credit for capital improvements to small and medium farms and to improve the Ministry of Agriculture's extension service and research capacity. The government hopes to diversify existing cropping patterns and bring the mass of subsistence farmers into the monetary economy.

In Bolivia, A.I.D. loans will support rural self-help development programs planned and carried out by local institutions. Funds will be loaned to local governments to support public works improvements and to import equipment for construction of secondary electric distribution lines for isolated rural areas, a high priority activity in the government's development strategy.

Increased production needs to be complemented by the development of more efficient wholesale and retail outlets. Marketing problems are being attacked by increased evaluation of present marketing institutions in order to introduce refinements without destroying the favorable aspects of existing systems. In Colombia, Brazil, Costa Rica and Guatemala, reforms of existing public marketing systems are presently being attempted with loans for training, facilities and working capital.

Cooperatives play a particularly important part in mobilizing the resources required for rural development and in assisting small farmers to make use of production inputs, credit and marketing facilities. Credit union membership in Latin America has increased to well over one million families. Nearly $500 million in loans has been mobilized by the credit union movement alone. In FY 1973 A.I.D. will continue to provide technical management advisory services to cooperatives and credit union federations in management improvement, mobilization of agricultural production credit and educational programs. Increased emphasis is being accorded to application of the cooperative mechanism to the needs of low-income

small farmers and to helping rural people work together in the solution of their own problems.

Education and Manpower Training

During the 1960's A.I.D. provided considerable assistance to the Latin American countries in what has proven to be an impressive expansion of their education systems. Over 275,000 classrooms at the primary level were constructed in 18 Latin American republics, and the number of teachers increased from about 727,000 to some 1,400,000. Primary school enrollment rose from approximately 24,288,000 to an estimated 41,573,000 -- a 71 percent increase. Secondary school enrollment rose from about 3,081,000 to about 9,466,000 -- a 195 percent increase. Enrollment in post-secondary schools rose from some 520,000 to some 1,395,000 -- a 168 percent increase. Central government expenditures on education as a percent of total central government expenditures rose from 9 percent in 1961 to an estimated 14 percent in 1970 -- as a percentage of GNP, such expenditures increased from 1.6 percent to 2.3 percent.

Unfortunately, these great increases in enrollment have been partly offset by population growth. To prevent an increase in the number of school age children not enrolled, primary school enrollment will have to grow by 50 percent over the level of the 1960's. Further, the education systems remain inefficient with an estimated 70 percent of the primary students and some 65 percent of students at the secondary level dropping out before graduation. Finally, the content of education continues in many instances to be inappropriate in terms of today's manpower needs that call for different patterns of specialized knowledge and skills among the graduates of secondary and post-secondary institutions.

Recognizing the needs of Latin American countries for new kinds of solutions for these major problems, A.I.D. began in the late 1960's to provide major support for comprehensive analyses of their requirements or education, and to provide education sector loans to address problems of efficiency, quality and accessibility in the education systems. Education sector loans to Brazil, Colombia, Panama and Paraguay have provided support, not only for expansion of school construction and teacher training activities but for a continuing process of analysis to identify bottlenecks and costly inefficiencies, to the improvement of information management procedures, training for better management and monitoring, and experimental methods to lower the unit costs of education.

In order to carry out this effort to reduce unit costs, Latin American officials spend varying periods of time at a U.S. university where they can draw on available expertise in designing experiments or pilot projects to be carried out in their own countries.

Alternatives being explored include year-round schooling, educational television and radio programmed instruction, non-formal, out-of-school instruction, and the use of simpler, less expensive instructional materials and school construction. In El Salvador, a systematic process of school reform built around educational television (ETV) was initiated in 1968 with assistance from A.I.D. and the World Bank. The first three-year phase of the program is now completed. More than 40,000 seventh, eighth and ninth grade children are being taught by retrained teachers using a modernized curriculum incorporating ETV. In Colombia a third education sector loan of $20 million was made in FY 1972 combined with at least equal resources from the Colombian government. This loan will assist the government to carry out a major reform of the administrative organization of the educational system, to improve data management and educational planning, to redesign primary level programs in rural areas to make them more relevant to rural problems and the needs of rural populations, to reorganize the secondary school curriculum through the creation of 19 large experimental comprehensive high schools, to make higher education more responsive to the developmental needs of the country, and to train teachers.

Assistance to education and manpower training will receive 14 percent of A.I.D. Alliance Loans, or $42.5 million, and over two-fifths of Alliance Technical Assistance, or $33.4 million in FY 1973.

In addition to the combined technical assistance and lending programs in specific countries, such as Bolivia, Ecuador and Guatemala and the regional teacher training and textbook

programs, A.I.D. is helping to support activities of multilateral organizations in education, science and technology. The United States will continue to provide its share of the OAS Special Multilateral Fund for education and science. Activities supported by this program include the strengthening of regional centers through fellowships, visiting educators and researchers, laboratory equipment and library support. A.I.D. proposes to provide approximately $8.9 million to this Fund in FY 1973.

The need for skilled managers in the public and private sectors requires training beyond that given in the formal general education system. A.I.D. will continue to provide advisory services and training in tax collection, financial management, business administration and development planning. The Central American Institute of Business Administration (INCAE) with loan funds authorized in FY 1972, will improve the quality of training given to business and government leaders in Central American countries. Other activities will improve the statistical bases for planning and allocation of development resources in Guatemala and Honduras.

The training of labor union leaders continues to be an important part of U.S. programs. Through an agreement with the American Institute of Free Labor Development (AIFLD), trade union education programs now operate in 19 countries. These programs are aimed at strengthening the free democratic trade union forces in Latin America. AIFLD has provided trade union training for 1,128 trade union leaders at its institute at Front Royal, Virginia, and courses in labor economics at Georgetown University for 89 others. In Latin America 187,000 unionists have participated in labor education programs. Through the International Trade Secretariats, AIFLD also sponsors a technical assistance program in Latin America to offer local and national education seminars, affiliate local unions with national federations, and organize unorganized workers. AIFLD also administers a Regional Revolving Loan Fund through which loans are made to unions to foster the improvement of skills and support employment and income generating projects.

Public safety programs in 13 countries are designed to assist them strengthen civil police institutions. About 300 police officers are trained annually at the International Police Academy in Washington, D.C. About 40 U.S. advisors are assigned to work with police institutions in the hemisphere. In addition to their efforts to promote the use of professional police methods, these advisors may be also be made available for assistance in the enforcement of laws concerning narcotics growth, trafficking and smuggling.

POPULATION AND HEALTH

The population growth rates of several Latin American countries are the highest in the world. The average annual rate of growth for the region is slightly under 3 percent, but in more than half the Latin American A.I.D. recipient countries it exceeds 3 percent per year. Although recent censuses indicate that population continues to grow at disturbingly high rates, the rate of growth itself appears to be decelerating in some countries. Nevertheless, the increase in absolute numbers of people continues to dilute the benefits of economic growth and reduces the resources available for further development. Many Latin Americans are not able to share higher incomes, more widespread education, expanded health services and a better environment to the extent that they should. Resources that might otherwise be invested for further economic growth must be applied to provide basic services for the increasing population, especially in the urban areas.

Assistance to Latin American countries in the fields of health and population is coordinated among donor organizations. A.I.D. and a number of private and public organizations share their analyses of problems and jointly determine their respective roles in response to the needs and desires of the recipient countries. The international and private organizations are expanding their operations, and governments are gradually assuming the costs of programs initiated by external donors. In the Dominican Republic, for example, A.I.D. made a loan in FY 1968 for construction of a network of health facilities. The government is now using its own resources to expand the national health service.

The proposed A.I.D. population and health program for FY 1973 includes $16.5 million in Alliance Loans, $2.1 million in Alliance Grants, and $14.4 million in Population funds.

Much of the Population funding is used for closely integrated programs of health and family planning, such as the maternal and child care programs in Central America. Alliance grant and loan funds will be provided for other kinds of health activities.

In Ecuador, grant funds will be used to improve protein and caloric intake among women and children in a project operating through the public school system. In Brazil, an A.I.D. food fortification project includes research, testing and distribution of enriched foods. In addition, a pilot low-cost health delivery system in the Brazilian Northeast is planned. In Haiti, a malaria eradication project is underway in coordination with the Pan American Health Organization and UNICEF.

Proposed loans in the health field will help provide integrated health services for rural communities in Guatemala, and will improve public health capabilities in Colombia through expansion of health facilities, training, improved water supplies, and improved production of medicine and vaccines. In Panama, proposed loans will bring integrated health awareness and improved nutrition to rural communities by assisting local health committees or cooperatives in projects such as simple water systems, medical supplies, and village garden projects. In Guyana, loan funds will be provided to extend potable water services in the eastern coastal area.

The technical assistance program in Population will include three fundamental activities: 1) provision of basic health services within an integrated system including family planning, expansion of clinics, training of doctors and paramedics, and supply of medicines and equipment; 2) expansion of programs to increase awareness and use of health and family planning services; and 3) demonstration of the importance of population dynamics in all sectoral planning.

Improvement of Health and Family Planning Delivery Systems: Special emphasis is placed on provision of family planning clinical services and strengthening of traditional health service facilities. A.I.D. will collaborate with international organizations, among them the World Bank, the Inter-American Development Bank, and the Pan American Health Organization (PAHO).

In FY 1973 PAHO will assist Ministries of Health to train the manpower required to implement the growing number of governmental maternal and child health and family planning programs. PAHO also expects to work with governments which seek to integrate family planning into their maternal health programs. In Paraguay and other countries nutrition education is also integrated into the maternal child health program.

Private organizations active in Latin America will receive regional grant funds. Among these are:

-- International Planned Parenthood Federation, with affiliates in most Latin American countries, which promotes the establishment of national planned parenthood associations;

-- Pathfinder Fund, which helps to establish family planning information and service programs;

-- Population Council, which provides support for post-partum family planning education programs in Venezuela, Honduras, and Colombia; and

-- Pan American Federation of Associations of Medical Schools, which trains doctors to establish community medicine programs that utilize paramedical personnel to expand family planning services.

Family Planning Awareness and Education: Many health and family planning programs are planned and started on the assumption that if supplies, personnel and services are available, people will seek the services and follow the advice given. However, administrators of family planning programs recognize that this assumption is overly optimistic. Ancillary education, information and communications programs are needed. During FY 1973 A.I.D. will continue to:

(1) support research in selected countries to design education programs, identify target audiences and use the most effective channels for motivation programs;

(2) refine techniques for better identifying factors influencing personal decisions to practice family planning;

(3) provide information materials for Latin American organizations engaged in population communication work and test newly developed visual materials designed to reach functional illiterates; and

(4) examine the feasibility, and if appropriate, support the establishment of information centers to gather, study, and disseminate information on population problems to groups of leaders from the private and public sectors in order to increase their participation in and support of population programs in their countries.

Demographic Information: Adequate demographic and social data must be developed in order to define more clearly the nature of the population problem, provide the means for more precise planning in all social and economic matters and evaluate progress in the development effort. During FY 1972 and FY 1973, A.I.D. will:

(1) assist Latin American centers to develop manpower statistics and other demographic data and data analysis;

(2) support programs to analyze preliminary 1970-1972 census data to identify change factors;

(3) use every possible forum to insure that the population factor is part of short- and long-range planning; and

(4) support bilaterally or through regional arrangements the modernization of government statistical systems in Latin America, to permit the generation of adequate data in areas such as income distribution, population growth rates, employment, unemployment and underemployment.

Throughout Latin America a half dozen centers are active in a variety of specialized activities that have developed in response to national and regional needs. Examples are the Community Medicine Training Center in Cali, Colombia; the demographic training center (CELADE) in Chile with a subcenter in Costa Rica; and the Tri-national Research Center (Chile-Argentina-Uruguay) for cooperation in biomedical research. Evaluation units for family planning programs have been established, with the participation of Columbia University, in El Salvador, Costa Rica and Ecuador.

INDUSTRIAL AND URBAN DEVELOPMENT

Latin American countries are intent upon financing larger increments of their own development by increasing foreign exchange earnings and mobilizing domestic savings. Thus they are assigning high priority to export development, tourism and the development of capital markets to support expanded private investment. The United States has supported these initiatives through institutions of the Organization of American States such as the Inter-American Export Promotion Center (CIPE) at Bogota, through loans to regional banks such as the Caribbean Development Bank and the Central American Bank for Economic Integration, and through direct bilateral assistance to a number of countries including Colombia, Guatemala, Honduras, Nicaragua, Paraguay and Uruguay.

A.I.D. will continue to support CIPE in its market information, export promotion and technical assistance activities and, in response to many requests for expanded assistance from individual countries, will explore a number of additional bilateral export promotion activities. Recently the United States has reiterated offers to help in coordinating with other multilateral and bilateral donors to participate in specific activities.

Through the Organization of American States (OAS) the United States has provided assistance to strengthen national tourism programs. The U.S. Travel Office is offering advisory assistance to the OAS Tourism Development Office on the 1972 "Tourism Year of the Americas" program to stimulate increased tourism to and within Latin America. The Central American Tourism Organization is active in coordinating public and private efforts to improve facilities and services in this region of increasing attractiveness to tourists. For FY 1973, A.I.D. plans to make a $15 million loan to the Central American Bank for Economic Integration. The Bank will make

loans to Central American governments to finance projects considered essential for tourism development--water and sewer systems, roads, electric power, airport and port facilities.

Latin American countries have expressed strong interest in development of capital markets. President Nixon's 1970 offer of $5 million to support their development efforts responds to this interest. In FY 1973 A.I.D. plans to provide the fourth $1 million payment of this pledge to be used in part for capital market studies and technical assistance in specific countries and in part to finance symposia at which participating representatives will be able to share experiences, identify problems and plan remedial measures. In FY 1973 direct technical assistance will be extended to regional financial organizations such as the Andean Development Corporation as well as to national credit unions, housing cooperatives, savings and loan societies and other intermediate credit institutions to improve their capacity to make studies, assess projects, and, in general, better manage their systems.

Through the National Association of the Partners of the Alliance (NAPA) additional support is enlisted on a voluntary basis from private groups. State chapters of NAPA in the United States work with Latin American countries on a broad spectrum of on-going activities ranging from investigations of investment and marketing potential to teacher exchanges. A total of 18 Latin American countries benefit from direct relationship with 40 States.

Urban Development

Further compounding the difficulties inherent in Latin America's growth has been the tendency toward concentration of people in urban areas which has become especially pronounced in the last 20 years. The process of urbanization, which has proceeded further in Latin America than in other developing regions, exacerbates the problems that are common to most cities--shortages of low-cost housing, municipal services strained beyond their capacities, unemployment, underemployment and health problems. Over 100 million more people lived in urban areas in 1970 than in 1950. For every city and town dweller of 1950 there are now three, and urban residents outnumber rural inhabitants.

Effective urban and regional development plans, adequate land-use controls, essential municipal services, employment and housing are all urgent, high priority needs. Recent reliable estimates suggest a current housing gap of 20 million dwelling units--a figure that is growing by at least one million units each year. A.I.D. has taken the lead in stimulating urban planning and in training Latin Americans in the concepts of urban development and the management of housing development.

A major A.I.D. effort has been to help create private institutions that can generate local savings and channel them into housing, thereby providing the long-term credit necessary for private investment to alleviate housing shortages. As a result of A.I.D. assistance, ten countries now have savings and loan legislation and, in others, savings and loan associations operate under general banking or other laws.

In the countries to which A.I.D. has provided seed capital, there are over 100 savings and loan associations with over 1,250,000 savers. In FY 1973, A.I.D. will continue to assist the development of housing cooperatives through feasibility studies, training and organization. Emphasis will be given to low-cost, low-income housing. The feasibility of utilizing cooperative techniques to provide site development and housing for low-income families will be explored. A loan planned for the Central American Bank for Economic Integration will provide the long-term mortgage financing required to further support low- and middle-income housing development at moderate rates of interest.

The United States provides technical and capital assistance in the formulation and implementation of urban and regional development plans. The metropolitan plans for San Salvador and Sao Paulo for example were prepared with A.I.D. assistance, as were the scopes of work for the plans for Panama City and Tegucigalpa, the capital of Honduras. In FY 1973 a proposed A.I.D. loan will complement Inter-American Bank funds to finance a comprehensive plan for Tegucigalpa and to improve metropolitan services in other urban centers. Technical assistance will be provided at the same time to design and implement a broad reform in fiscal and administrative management.

FOREIGN ASSISTANCE ACT ECONOMIC PROGRAMS - SUMMARY OF PROGRAM BY AREA AND COUNTRY
Fiscal Years 1971, 1972 and 1973

(in thousands of dollars)

COUNTRY	TOTAL			DEVELOPMENT LOANS			TECHNICAL ASSISTANCE			POPULATION			OTHER		
	1971	1972	1973	1971	1972	1973	1971	1972	1973	1971	1972	1973	1971	1972	1973
LATIN AMERICA - TOTAL	331,150	325,826	389,416	247,705*	232,900	295,000	80,618	78,811	80,016	(15,845)**	12,115	14,400	2,827	2,000	--
Inter-American Programs	12,594	14,861	16,880	--	--	--	12,594 c/	14,861	16,880	--	--	--	--	--	--
Latin America Regional	20,590	32,490	31,992	7,951 b/	15,000	10,000	12,639	12,275	13,457	(7,951)	5,215	8,535	--	--	--
Caribbean Regional	8	10,050	20,350	--	10,000	20,000	8	50	350	--	--	--	--	--	--
Central American Common Market															
Central American Regional Programs (ROCAP)	3,534	13,090	27,700	209 b/	9,900	25,000	3,325	3,190	2,700	(209)	--	--	--	--	--
Costa Rica	6,432	1,655	1,060	4,613 b/	--	--	1,819	1,350	844	(403)	305	216	--	--	--
El Salvador	2,452	8,958	14,150	436 b/	7,000	12,000	2,013	1,500	1,700	(439)	458	450	--	--	--
Guatemala	14,178	13,400	24,350	10,477	9,500	20,500	3,696	3,200	3,200	(977)	700	650	45 a/	--	--
Honduras	5,180	5,325	18,248	2,520	2,000	15,000	2,660	2,750	2,650	(520)	575	592	--	--	--
Nicaragua	12,478	11,660	7,500	10,297	9,100	5,000	2,181	2,000	2,000	(397)	560	500	--	--	--
Argentina	509	--	--	--	--	--	509	--	--	--	--	--	--	--	--
Bolivia	3,675	35,573	18,214	335 b/	30,000	14,500	3,340	3,264	3,485	(335)	309	229	--	2,000 c/	--
Brazil	79,379	9,350	8,300	67,500	--	--	11,879	9,350	8,300	--	--	--	--	--	--
Chile	1,510	1,022	850	30 b/	--	--	1,480	1,000	850	(30)	22	--	--	--	--
Colombia	81,990	91,530	78,600	81,017	88,000	75,000	2,973	2,850	3,000	(417)	680	600	--	--	--
Dominican Republic	13,472	6,815	11,600	10,900	5,000	10,000	2,572	1,815	1,600	--	--	--	--	--	--
Ecuador	15,346	4,596	14,543	12,031	--	10,000	3,315	3,250	3,450	(1,281)	1,346	1,093	--	--	--
Guyana	1,250	12,500	10,100	--	11,300	9,000	1,250	1,200	1,100	--	--	--	--	--	--
Haiti	2,782	2,960	6,000	--	--	3,000	--	2,960	3,000	--	--	--	2,782 a/	--	--
Jamaica	20,937	1,218	10,849	20,580	--	10,000	357	426	400	(580)	792	449	--	--	--
Panama	11,120	15,825	22,295	7,670	12,100	19,000	3,450	3,150	2,900	(670)	575	395	--	--	--
Paraguay	6,941	6,681	7,094	4,571	4,000	4,000	2,370	2,275	2,600	(471)	406	494	--	--	--
Peru	6,888	24,062	13,747	3,350	20,000	10,000	3,538	3,890	3,650	(350)	172	97	--	--	--
Uruguay	4,932	1,355	24,500	3,190	--	23,000	1,742	1,355	1,400	(190)	--	100	--	--	--
Venezuela	975	850	500	25 b/	--	--	950	850	500	(25)	--	--	--	--	--

* Includes development loan funded grants for population programs under Title X of the Foreign Assistance Act.
** Funded from development loan funds.
a/ Supporting Assistance.
b/ Population only.
c/ Contingency Fund.
d/ Includes $368,000 of worldwide Technical Assistance funds.

REGION: LATIN AMERICA

SUMMARY OF PROGRAM BY COUNTRY AND SECTOR

(in thousands of dollars)

TABLE II

COUNTRY	Total			Agricultural and Rural Development			Population and Health			Education and Manpower Training			Industry, Transportation and Urban Development			Non-Project Loans			Program Development and Support		
	1971	1972	1973	1971	1972	1973	1971	1972	1973	1971	1972	1973	1971	1972	1973	1971	1972	1973	1971	1972	1973
Bolivia	3,675	35,573 1/	18,214	1,098	12,076	5,009	335	309	229	1,323	1,165	7,701	386	9,255	4,227	-	12,000	-	533	768	1,048
Brazil	79,379	9,350	8,300	43,129	1,781	2,319	308	123	300	5,012	3,858	3,751	27,597	-	-	-	-	-	3,333	3,594	1,930
Chile	1,510	1,022	850	-	-	-	30	22	-	180	209	200	3	-	-	-	-	-	1,377	791	650
Colombia	83,990	91,530	78,600	32,020	28,387	18,000	417	680	5,600	21,078	20,978	10,980	29,139	40,000	42,000	-	-	-	1,336	1,485	2,080
Dominican Republic	13,472	6,815	11,600	749	551	10,601	107	-	-	11,736	619	300	46	5,000	-	-	-	-	834	645	699
Ecuador	15,346	4,596	14,543	338	281	231	2,031	1,346	1,178	476	698	3,928	634	290	7,276	10,000	-	-	1,867	1,981	1,930
Guyana	1,250	12,500	10,100	457	342	319	1,837	2,400	6,000	344	523	388	490	8,900	3,000	-	-	-	455	335	393
Haiti 2/	2,702	2,960	6,000	-	845	4,170	-	1,800	1,710	-	-	-	-	-	-	-	-	-	-	315	180
Jamaica	20,937	1,218	10,849	10,000	-	5,000	580	792	449	136	202	182	10,000	-	5,000	-	-	-	221	224	218
Panama	11,120	15,825	22,295	2,521	401	10,412	5,774	575	3,395	880	849	840	740	12,491	6,183	-	-	-	1,205	1,509	1,465
Paraguay	6,941	6,681	7,094	824	959	2,432	471	406	494	4,736	551	795	302	4,191	2,729	-	-	-	608	574	644
Peru	6,888	24,062	13,747	1,297	4,295	1,307	350	172	97	879	1,204	743	3,528	17,483	10,445	-	-	-	834	908	1,155
Uruguay	4,932	1,355	24,500	252	330	15,421	190	-	100	1,003	615	563	3,134	85	8,100	-	-	-	353	325	316
Venezuela	975	850	500	-	-	-	25	-	-	734	765	250	-	-	-	-	-	-	216	85	250
Central American Common Market:																					
Central America Regional	3,534	13,090	27,700	120	99	100	209	-	-	1,506	5,564	11,190	756	6,497	15,480	-	-	-	943	930	930
Costa Rica	6,432	1,655	1,060	610	372	210	1,013	305	216	494	504	127	3,904	222	202	-	-	-	411	252	305
El Salvador	2,452	8,958	14,150	1,034	7,581	12,837	439	458	450	547	497	493	-	-	-	-	-	-	432	422	370
Guatemala	14,176	3,400	24,350	1,163	5,419	15,845	3,477	700	3,150	1,477	1,188	4,180	7,316	5,269	379	-	-	-	745	824	796
Honduras	5,180	5,325	18,242	770	785	10,764	520	575	592	2,829	852	801	278	2,130	5,100	-	-	-	783	983	985
Nicaragua	12,478	11,660	7,500	7,584	771	5,765	597	560	500	388	9,309	186	2,900	194	190	-	-	-	1,009	826	859
Caribbean Regional	8	10,050	20,350	-	-	-	-	-	-	-	-	10,000	-	10,000	10,000	-	-	-	8	50	350
Latin American Regional	20,590	32,490	31,992	2,611	2,694	13,445	7,926	5,215	8,535	7,772	7,711	7,735	1,445	16,115	1,496	-	-	-	836	755	781
Inter-American Programs	12,594	14,861	16,880	964	798	850	-	-	14	8,672	8,560	10,500	1,475	3,015	2,710	-	-	-	1,483	2,488	2,806
Argentina	509			50						84									375		
Total	331,150	325,826	389,416	107,591	68,767	135,037	26,636	16,438	33,009	72,206	66,415	75,773	94,073	141,137	124,517	10,000	12,000	-	20,646	21,069	21,080

1/ Includes $2,000,000 Contingency Fund

2/ Supporting Assistance

3/ Includes $45,000 Supporting Assistance

ECONOMIC AND SOCIAL DATA

REGION: LATIN AMERICA

COUNTRY	POPULATION					HEALTH			EDUCATION				
	TOTAL (MID-1971)	ANNUAL GROWTH RATE	PERCENT IN URBAN AREAS		PERCENT OF LABOR FORCE IN AGRI-CULTURE	NUMBER OF PEOPLE PER DOCTOR	LIFE EXPEC-TANCY	INFANT DEATHS PER 1,000 LIVE BIRTHS	PRIMARY AND SECONDARY STUDENTS				LITERACY RATE
									1960	1970	1960	1970	
	MILLIONS	PERCENT	1960	1970			YEARS		THOUSANDS		AS PERCENT 5-19 AGE GROUP		PERCENT
Bolivia	4.8	2.4	30	34	48	2,610	50	108	426	865	34	51	40
Brazil	97.8	2.8	46	56	52	2,320	64	94	8,715	17,664	33	49	67
Chile	9.5	1.9	68	73	24	1,730	61	92	1,403	2,342	55	71	84
Colombia	21.8	3.2	48	60	45	2,190	60	76	1,933	3,713	32	45	73
Dominican Republic	4.2	3.0	31	40	61	1,930	58	72	558	861	48	55	65
Ecuador	6.3	3.4	36	39	53	2,800	52	80	663	1,235	40	52	68
Guyana	0.8	3.0	29	30	30	4,420	61	43	139	189	65	71	80
Haiti	5.0	2.0	14	17	83	13,420	48	130	258	333[a]	19	20[a]	10
Jamaica	2.0	1.9	29	38	36	1,490	65	32	271	417	50	57	82
Panama	1.5	3.0	41	48	37	1,670	66	58	201	333	52	62	79
Paraguay	2.5	3.1	36	36	54	1,610	58	67	327	491	48	53	74
Peru	14.0	3.1	47	52	45	1,950	54	62	1,642	3,220	45	63	61
Uruguay	2.9	1.3	72	78	21	1,040	69	54	416	588	63	78	91
Venezuela	10.8	3.5	67	76	25	1,120	67	46	1,406	2,267	53	59	76
CENTRAL AMERICAN COMMON MARKET													
Costa Rica	1.8	3.2	33	37	49	1,810	65	60	238	428	50	64	84
El Salvador	3.5	3.4	38	38	60	4,270	58	63	355	622	39	49	49
Guatemala	5.5	2.9	34	31	65	4,150	49	92	324	580	22	29	38
Honduras	2.8	3.4	22	26	67	3,960	49	36	220	431	29	41	45
Nicaragua	2.0	3.2	37	48	60	1,930	50	45	174	345	33	43	50

NOTE: Where year is not stated, data are most recent information available. Data for developing countries often represent approximate orders of magnitude rather than precise measurements and may not be fully comparable between countries.

a/ - 1969.

REGION: LATIN AMERICA

COUNTRY	GROSS NATIONAL PRODUCT				AGRICULTURAL PRODUCTION		INTERNATIONAL COMMODITY TRADE				
	TOTAL GNP 1971 a/	PER CAPITA GNP 1971 a/	AVERAGE ANNUAL GROWTH RATE 1966-71		AVERAGE ANNUAL GROWTH RATE 1966-71		EXPORTS (F.O.B.)		MAIN EXPORTS	IMPORTS (C.I.F.)	
			TOTAL GNP	PER CAPITA GNP	TOTAL	PER CAPITA	1966	1971 EST.		1966	1971 EST.
	$ MILLIONS	DOLLARS	PERCENT		PERCENT		$ MILLIONS		ITEM	$ MILLIONS	
Bolivia	970	203	4.9	2.4	0.0	-2.4	127	175	Tin, petroleum	138	175
Brazil	38,500	394	8.8	5.8	3.7	1.0	1,741	2,900	Coffee	1,496	3,600
Chile	8,090	854	4.4	2.5	3.1	1.1	878	1,150	Copper	751	950
Colombia	6,975	320	5.7	2.3	2.3	-1.1	554	720	Coffee, petroleum	699	880
Dominican Republic	1,490	356	5.2	2.3	5.2	2.1	137	245	Sugar, coffee	185	330
Ecuador	1,682	267	6.3	2.9	2.8	-0.7	184	233	Bananas, coffee	164	248
Guyana	252b/	330b/	n.a.	n.a.	1.6	-1.4	104	140	Sugar, bauxite, alumina	118	135
Haiti	440b/	90b/	n.a.	n.a.	-0.7	-2.8	36	48	Coffee, bauxite	38	57
Jamaica	1,178b/	592b/	n.a.	n.a.	-4.9	-6.6	275	340	Bauxite, alumina, sugar	327	560
Panama	1,090	739	7.6	4.5	2.8	-0.2	90	115	Petrol. prod., bananas	235	370
Paraguay	605	246	4.9	1.6	2.5	-0.6	49	65	Meat, wood	59	83
Peru	6,250	446	3.3	0.2	0.4	-2.5	763	880	Fish & prod., copper	805	752
Uruguay	2,435	833	1.9	0.7	-0.6	-1.8	186	200	Wool, meat	164	220
Venezuela	10,020	931	4.9	1.2	3.9	0.4	2,398	3,270	Petroleum, iron ore	1,474	2,150
CENTRAL AMERICAN COMMON MARKET											
Costa Rica	967	539	8.0	4.7	6.6	3.4	136	235	Coffee, bananas	178	350
El Salvador	1,043	294	3.8	0.4	4.5	1.1	189	228	Coffee	220	250
Guatemala	1,932	354	5.4	2.4	3.5	0.6	232	305	Coffee, cotton	207	290
Honduras	714	255	4.6	1.1	3.6	0.2	143	183	Bananas, coffee	149	200
Nicaragua	873	440	4.6	1.4	1.5	-1.7	137	179	Cotton, coffee	182	211

n.a. - Not available.

a/ - Estimates based on 1970 prices and exchange rates.
b/ - 1970.

REGION: LATIN AMERICA

COUNTRY	GOLD & FOREIGN EXCHANGE[a]			CENTRAL GOVERNMENT FINANCES[b]							
				EXPENDITURES						DOMESTIC REVENUES	
				TOTAL		DEFENSE EXPENDITURES					
				AMOUNT		AMOUNT		AS % OF GNP[c]			
	1969	1970	1971	1970	1971	1970	1971	1970	1971	1970	1971
	$ MILLIONS			$ MILLIONS				PERCENT		$ MILLIONS	
Bolivia	42	46	54	180	229	19	20	2.1	2.1	112	128
Brazil	656	1,186	1,744	5,401	6,517	948	1,117	2.7	2.8	5,073	6,439
Chile	344	389	278[d]	2,187	3,807	164	277	2.2	3.3	1,750	2,182
Colombia	221	206	203	775	954	91	115	1.4	1.6	711	847
Dominican Republic	40	32	54	294	351	30	31	2.2	2.0	274	317
Ecuador	65	83	65	n.a.	n.a.	31	36	2.0	2.0	n.a.	n.a.
Guyana	21	20	26	69	83	2	3	0.9	n.a.	57	68
Haiti[e]	4	4	10	46	55	n.a.	n.a.	n.a.	n.a.	45	53
Jamaica[f]	141	165	205	306	368	6	7	0.5	n.a.	266	304
Panama[g]	182	304	419[h]	209	217	2	2	0.2	0.2	160	186
Paraguay	10	18	21	89	110	11	12	1.9	1.9	71	78
Peru	167	329	240	1,068	1,175	180	234	3.0	3.5	1,018	1,044
Uruguay	184	175	176	374	580	50	91	2.1	3.6	332	408
Venezuela	933	1,021	1,522	2,529	2,795	204	216	2.1	2.0	2,111	2,686
CENTRAL AMERICAN COMMON MARKET											
Costa Rica	29	16	28	172	264	-	-	-	-	153	164
El Salvador	64	63	65	139	186	11	13	1.1	1.2	134	142
Guatemala	72	78	94	192	208	29	18	1.6	0.9	166	174
Honduras	31	20	22	115	126	7	9	1.0	1.2	87	90
Nicaragua	44	49	59	113	126	12	12	1.5	1.3	81	90

n.a. - Not available.

a/ - Official reserves, gross basis, end of year. End 1971 gold is valued at $38 an ounce and foreign exchange at realigned exchange rates.
b/ - Converted at 1970 exchange rates; 1971 data are estimates.
c/ - Derived from current price data.
d/ - August.
e/ - Government finances data for fiscal years ending September 30.
f/ - Government finances data for fiscal years beginning April 1.
g/ - Gold and foreign exchange data include commercial bank holdings.
h/ - June.

FISCAL YEAR 1973 REQUEST FOR ALLIANCE FOR PROGRESS

Mr. PASSMAN. Mr. Kleine, you are familiar with the statement made by our distinguished AID Administrator and repeated oftentimes by him, that there is an asking price and a taking price. Do you subscribe to his statement?

Mr. KLEINE. Yes, sir.

Mr. PASSMAN. I see now that your asking price for fiscal 1973 is $389,416,000.

Mr. KLEINE. That is correct, sir.

Mr. PASSMAN. That exceeds by $63,590,000 the amount of money programed for fiscal 1972.

Mr. KLEINE. Programed, that is correct.

Mr. PASSMAN. That is the word I used.

I think I should note for the record, before asking questions, that we have moved this program into 127 nations of the world. Every nation on the face of the earth, with the possible exception of a few, have gotten a share of the U.S. foreign aid program.

U.S. ECONOMIC SITUATION

We just wanted to see how fast and how far we could go with this aid program. Consequently, we have gone a long way toward destroying our world markets, diminishing our gold reserve, building up a tremendous balance of payments deficit, and finally, acquiring the first trade deficit in 1971 since 1888. As you know, it is not getting any better. The balance of payments situation for the first quarter of this year was the worst in the history of our Nation which means we are sending out more dollars than we are bringing home.

Our gold reserve has been reduced to around the $10 billion mark.

We have built up a public debt, statutory and borrowed, of $1.7 trillion. We have placed every American, man, woman, and child, in debt to the Government by $8,275. I do not know how this thing can be brought under control.

EXPANDED FOREIGN ASSISTANCE PROGRAMS

You people have become addicted to giving away our wealth, and you have made these same justifications so often for so long that actually you have gotten to where you believe them yourselves. I know the money you people are giving away is absolutely not justified. But we have reached the point where giving away our resources to acquire friends is the order of the day.

One country boy cannot stop it. All I can do is make a record.

Gentlemen, you owe it to yourselves and to unborn generations to stop this procedure of coming down here with these inflated requests every year, because you know and I know that the foreign aid requests in all segments this year are $5 billion more than last year. Last year we put all these pieces together and it was $13,528 million. This year when we put all these pieces together, it is $18,542 million.

So, aid is growing by leaps and bounds every day of the week, every month of every year.

IDA AND OTHER INTERNATIONAL FINANCIAL INSTITUTIONS

Let me make this one point. Let us look at this International Development Association, one segment of foreign aid. They started off requesting $73 million for a 1-year period. Then they came in and said, "We want $61 million for 4 years." Then they upped their request to $104 million for 3 years. After those 3 years were completed, they upped the request to $160 million for 3 years.

I will be darned if they didn't come up this year and request $320 million for an additional 3 years. In addition to this new request, we have to take into account that additional funds were provided to IDA because of the "maintenance of value" legislation which recently passed.

The terms of IDA credits are 50 years, no interest, with only three-quarters of 1 percent service charge, and a 10-year grace period. You do not pay anything back, not even interest, for 10 years. The subsequent 10 years you pay 1 percent a year for 10 years. Then if you ever pay any more, it is only 3 percent a year with no interest. None of the funds will ever be returned to the Treasury.

I mention that, Mr. Kleine, to show you how this aid program is continuing to expand.

FAVORABLE TRADE BALANCE WITH LATIN AMERICA

Mr. KLEINE. May I comment?

Mr. PASSMAN. Yes. Go ahead.

Mr. KLEINE. With regard to Latin America, I think it should be noted, Mr. Chairman, that the U.S. trade deficit to which you referred and which was, indeed, first recorded this past year, is not the result of trade with Latin America. In fact, with Latin America the United States has had a favorable balance for some years.

Mr. PASSMAN. Why don't you let them continue trading with us and stop giving our wealth away? You know and I know that when you look at the trade balance, you include this money that you are giving away. Even though you give it away, not a dime coming back, you call it an export, do you not?

Mr. KLEINE. That is right.

INCREASED FISCAL YEAR 1973 REQUEST FOR LATIN AMERICA

Mr. PASSMAN. You have tremendous increases in your request for aid and assistance for Latin America, do you not?

Mr. KLEINE. No, sir. If I may note, our request this year is less than our request of last year.

Mr. PASSMAN. I am not talking about the request. I am saying we gave you last year $325,826,000, and you are asking for $63,590,000 more this year in this one category.

Mr. KLEINE. That is true.

Mr. PASSMAN. You are not putting the Inter-American Development Bank in there, are you?

Mr. KLEINE. No, sir.

Mr. PASSMAN. You know that is about 2½ times over last year's request, is it not?

Mr. KLEINE. The fund for special operation?

Mr. PASSMAN. You have to cover all the programs, not just AID.

You are a nice fellow, but I happen to know this bill. You are help-

ing to wreck the economy of this country and the welfare of unborn generations by the part that you are playing in seeing how much money you can get.

I have to be a responsible member, my dear friends, I just hate to see you wreck the economy of our country.

Why don't you come in with a realistic figure and say: "We realize you are having to close down projects in America and the President is having to impound funds so we will keep our program at last year's level." Why do you always have to inflate your request?

TOTAL UNDISBURSED BALANCE FOR LATIN AMERICA PROGRAMS

What is the total undisbursed balance of all aid spigots to the credit of Latin America estimated as of June 30, 1972?

Mr. KLEINE. Total AID economic——

Mr. PASSMAN. I did not say that. Let me be sure you get the question. I said "all spigots," because there are 26 of them. It might be a difficult question, but I think we should be able to pin it down.

Mr. KLEINE. I have the total, sir, of AID, MAP, Public Law 480, and that grand total is $1.054 billion.

Mr. PASSMAN. How about the Inter-American Development Bank?

Mr. KLEINE. The figure I have as the total for June 30, 1971, is $5.5 billion.

Mr. PASSMAN. A nice little sum, isn't it?

How about IDA?

Mr. KLIENE. That includes IDA. IDA is very limited in its programs in Latin America.

Mr. PASSMAN. I do not care how limited it is. You can actually drain the largest water tank in America, one drop at a time, if you keep draining it, can you not? You are nickeling and diming this country to death. How much is it?

Mr. KLEINE. IDA is $61 million.

Mr. PASSMAN. You call that a little bit?

Mr. KLEINE. Relatively small.

Mr. PASSMAN. Sure it is relatively small. If you weigh 300 pounds and I weigh 90, I am relatively small compared to you, but to me $61 million is a lot of money. You people have reached the point where you do not think $61 million is significant. It is so significant you do not want to read it into the record.

Mr. KLEINE. The point I was trying to make is that with regard to the IDA program at large——

Mr. PASSMAN. I just made the point for you. Let us get the other little tidbits, as you call them.

Mr. KLEINE. The $5.5 billion is made up of the following unexpended balances——

Mr. PASSMAN. The World Bank?

Mr. KLEINE. $1.812 billion.

Mr. PASSMAN. The International Finance Corporation?

Mr. KLEINE. $43.4 million.

Mr. PASSMAN. That is a little one, too. When you get down under $100 million, it is small.

Let us put all of this together. I do not think you have all 26 spigots, but let us just take what you read off. What does it amount to?

Mr. KLEINE. $5.5 billion.

Mr. PASSMAN. Pick up the other part.

Mr. KLEINE. That is inclusive, sir. I included the AID and all the others.

Mr. PASSMAN. Inter-American Development Bank?

Mr. KLEINE. Yes, sir; that is $1.9 billion.

AVERAGE ANNUAL DISBURSEMENTS FOR LATIN AMERICA

Mr. PASSMAN. What is the average annual expenditure for the programs you have mentioned?

Mr. KLEINE. $731 million was the annual fiscal 1971 net disbursements.

Mr. PASSMAN. Let us be honest with each other. You are great Americans. You are dedicated people. There is nothing personal about this, but I am a frightened individual because we have created a monster here that is draining our resources. If the Congress should decide that you will receive no funds, you could go for 5 years without any additional money and maintain the same rate of expenditure that you maintained last year; could you not?

Mr. KLEINE. On those figures that I mentioned, an average rate would take 5 years.

Mr. PASSMAN. Five or 6 years.

Mr. KLEINE. Yes, sir.

Mr. PASSMAN. You see what a backlog we have built up.

Did you include the military assistance?

Mr. KLEINE. Yes, sir.

LATIN AMERICA PURCHASES OF NON-U.S. MILITARY EQUIPMENT IN FISCAL YEAR 1971

Mr. PASSMAN. Could you tell the committee the total amount of purchases made by the Latin American countries for military equipment from other governments in fiscal 1971?

Mr. KLEINE. No.

Mr. MEYER. There is no accurate figure, but there is a report of $700 million.

Mr. PASSMAN. The $700 million, Mr. Secretary, that the Latin American countries spent for equipment abroad is just about equal to what we are giving them through all spigots of aid, is it not?

Mr. KLEINE. Yes.

Mr. PASSMAN. We are providing $700 million a year for aid all-inclusive. They are spending just about that much for military equipment from other foreign countries. That is correct, isn't it, Mr. Secretary?

Mr. MEYER. That is the figure that is talked about, Mr. Chairman.

Mr. PASSMAN. As far as I am personally concerned, I do not think we should be giving military equipment to these Latin American countries. In principle, I oppose it. But the facts are that they are sovereign nations and they are going to spend money from their own resources for military equipment, the United States notwithstanding, aren't they?

Thank you, Mr. Secretary, for being so very frank with us.

The time is coming where we are going to have to be a bit firmer, because if we are giving them $700 million in grant aid and other types of aid annually, and they are spending that same amount of

money for military equipment abroad, we must either cut off this aid or we must have a good, long look at this and decide that maybe we had better sell them the equipment. At least, we would have the profit on that equipment sale, would we not?

Mr. MEYER. Yes, we would.

Mr. PASSMAN. Would it not give us more control over the type of equipment that they buy?

Mr. MEYER. Yes, it would.

Mr. PASSMAN. This is a serious question for all of us to ponder. I do not have the answers, but it is one that should be studied.

Mr. MEYER. May I ask, please, that the record show that not all of this $700 million of alleged purchases in Europe is a firm figure, because there is no way to estimate the amount precisely.

(Discussion off the record.)

Mr. PASSMAN. If they are determined to purchase this equipment, why shouldn't we make the profit from some of the sale? The same thing would be accomplished by terminating U.S. economic assistance to Latin America and have the foreign shippers of military equipment send us the bill and we would pay the bill for their equipment purchases abroad. It would balance out bookwise and dollarwise to the same thing.

Mr. MEYER. Not wholly. Ecuador, for example, was being sold by the French, for example, on a package of aircraft and, I believe tanks, which was not related to dollars. This was a triangular swap of blocked currencies that ultimately ended up in francs.

Mr. PASSMAN. There may be some variations, but if we give them $700 million a year for assistance and they spend $700 million abroad for military equipment, about the same thing would be accomplished if we cut off all our aid and just had the shippers of military equipment to Latin America send us the invoices for payment.

Mr. KLEINE. May I comment on that?

Mr. PASSMAN. Surely, but I want the record to show this is a statement of fact based upon what the two of you have said.

MILITARY EXPENDITURES IN LATIN AMERICA AS A PERCENTAGE OF GNP

Mr. KLEINE. I think it significant in the Latin American situation, Mr. Chairman, to note that in terms of expenditures for military compared with expenditures for other requirements such as education, et cetera, the percentage for military has gone down in the last 10 or 11 years. The figures we have for 1961 were 1.8 percent of GNP; for 1971, 1.7 percent. This is the lowest.

Mr. PASSMAN. The GNP is not even related to the subject matter. This is just a weak justification to show how little they are spending percentwise.

As I said earlier, you could take the largest water tank in America and finally drain it dry, one drop at a time, could you not?

Mr. KLEINE. Yes, sir.

PROGRAM FOR LATIN AMERICA

Mr. PASSMAN. Would you furnish for the record a table showing the actual fiscal year 1971 program, the fiscal year 1972 program, and the proposed program for fiscal year 1973 for each country in your area?

Mr. KLEINE. I would be glad to.

(The information follows:)

PROGRAM FOR LATIN AMERICA

Fiscal Years 1971, 1972 and 1973

(in thousands of dollars)

TABLE I

COUNTRY	TOTAL			DEVELOPMENT LOANS			TECHNICAL ASSISTANCE			POPULATION			OTHER		
	1971	1972	1973	1971	1972	1973	1971	1972	1973	1971	1972	1973	1971	1972	1973
LATIN AMERICA - TOTAL	331,150	325,826	389,416	247,795*	212,900	295,000	80,618	78,811	80,016	(15,245)**	12,115	14,400	2,827	2,000	--
Inter-American Programs	12,594	14,861	16,880	--	--	--	12,594 d/	14,861	16,880	--	--	--	--	--	--
Latin America Regional	20,590	32,490	31,992	7,951 b/	15,000	10,000	12,639	12,275	13,457	(7,951)	5,215	8,535	--	--	--
Caribbean Regional	8	10,050	20,350	--	10,000	20,000	8	50	350	--	--	--	--	--	--
Central American Common Market															
Central American Regional Programs (ROCAP)	3,534	13,090	27,700	209 b/	9,900	25,000	3,325	3,190	2,700	(209)	--	--	--	--	--
Costa Rica	6,432	1,655	1,060	4,613 b/	--	--	1,819	1,350	844	(403)	305	216	--	--	--
El Salvador	2,452	8,958	14,150	439 b/	7,000	12,000	2,013	1,500	1,700	(439)	458	450	--	--	--
Guatemala	14,178	13,400	24,350	10,477	9,500	20,500	3,656	3,200	3,200	(977)	700	650	4 c/	--	--
Honduras	5,180	5,325	18,242	2,520	2,000	15,000	2,660	2,750	2,650	(520)	575	592	--	--	--
Nicaragua	12,478	11,660	7,500	10,297	9,100	5,000	2,181	2,000	2,000	(397)	560	500	--	--	--
Argentina	509	--	--	--	--	--	509	--	--	--	--	--	--	--	--
Bolivia	3,673	35,573	18,214	339 b/	30,000	14,500	3,340	3,264	3,485	(335)	309	229	--	2,000 c/	--
Brazil	79,379	9,350	8,300	67,500	--	--	11,879	9,350	8,300	--	--	--	--	--	--
Chile	1,510	1,022	850	30 b/	--	--	1,480	1,000	850	(30)	22	--	--	--	--
Colombia	83,990	91,530	78,600	81,017	88,000	75,000	2,973	2,850	3,000	(417)	680	600	--	--	--
Dominican Republic	13,472	6,815	11,600	10,900	5,000	10,000	2,572	1,815	1,600	--	--	--	--	--	--
Ecuador	15,346	4,596	14,543	12,031	--	10,000	3,315	3,250	3,450	(1,281)	1,346	1,093	--	--	--
Guyana	1,250	12,500	10,100	--	11,300	9,000	1,250	1,200	1,100	--	--	--	--	--	--
Haiti	2,782	2,960	6,000	--	--	3,000	--	2,960	3,000	--	--	--	2,782 c/	--	--
Jamaica	20,937	1,218	10,849	20,580	--	10,000	357	426	400	(580)	792	449	--	--	--
Panama	11,120	15,825	22,295	7,670	12,100	19,000	3,450	3,150	2,900	(670)	575	395	--	--	--
Paraguay	6,941	6,681	7,094	4,571	4,000	4,000	2,370	2,275	2,600	(471)	406	494	--	--	--
Peru	6,888	24,062	13,747	3,350	20,000	10,000	3,538	3,800	3,650	(350)	172	97	--	--	--
Uruguay	4,932	1,355	24,500	3,190	--	23,000	1,742	1,355	1,400	(190)	--	100	--	--	--
Venezuela	975	850	500	25 b/	--	--	950	850	500	(25)	--	--	--	--	--

* Includes development loan funded grants for population programs under Title X of the Foreign Assistance Act.

** Funded from development loan funds.

a/ Supporting Assistance.

b/ Education only.

c/ Contingency Fund.

d/ Includes $368,000 of Multilateral Technical Assistance.

FISCAL YEAR 1973 UNEXPENDED BALANCE

Mr. PASSMAN. What is the anticipated unexpended balance for the fiscal year 1973 program countries in your area, including the regional programs, as of June 30, 1972?

Mr. KLEINE. We anticipate a balance of $986,910,000 for AID economic assistance as of June 30, 1972.

FISCAL YEAR 1973 PROJECTS

Mr. PASSMAN. Would you furnish for the record a list of projects, by country, which you propose to initiate in fiscal year 1973, showing the name of the project, the fiscal year 1973 cost, the estimated cost to complete the project, and the final year of obligation?

Mr. KLEINE. Yes, sir.

(The information follows:)

NEW PROJECTS FOR LATIN AMERICA FISCAL YEAR 1973

[Dollar amounts in thousands]

Country and project	Fiscal year 1973 cost	Cost to completion	Final year of obligation
Brazil: Development management	$90	$840	1976
Colombia:			
Assistance to legislative development	30	100	1974
Block technical assistance grant	500	6,500	1979
Ecuador:			
Family food and nutrition	85	240	1975
Improvement of development finance and administration	100	300	1975
Guatemala: Specialized leadership training	82	700	1978
Haiti:			
Agricultural development support	550	1,750	1975
Technical support	70	(1)	(1)
Nicaragua: Nontraditional agricultural exports	370	1,214	1977
Venezuela: Special development activities	50	100	1974

[1] Continuing.

FISCAL YEAR 1972 DEOBLIGATIONS

Mr. PASSMAN. Please also furnish for the record a table, by country, showing the projects which have had funds deobligated from them and the amount deobligated through your latest available accounting date, and your best estimates as of June 30, 1972.

Mr. KLEINE. Our estimate for the end of the fiscal year, June 30, 1972, is $3.2 million. For the deobligations by project through March 31, 1972, I would be glad to provide a table for the record.

(The information follows:)

FISCAL YEAR 1972 DEOBLIGATIONS (AS OF MARCH 31)

(In Thousands of U. S. Dollars)

Project Title	Source of Funds Alliance Grants
Argentina:	
Technical Assistance - Regional Engineering Services	5
Technical Support	30
University Planning and Administration	9
General Training	37
Agricultural Economic Institute	2
Total	83
Bolivia:	
Technical Support	15
Labor Training	12
Private Enterprise Development	6
Tax Administration	10
Customs Administration	1
Institute of Public Administration	2
Local Government Assistance	3
Public Safety Program	7
Infrastructure Monitoring - Transportation	1
Infrastructure Monitoring - Engineering	22
Agricultural Service	6
Community Development	2
Human Resources Development	1
Curriculum Revision & Textbook	33
Educational Administration	53
Total	174
Brazil:	
Technical Support	51
Urban Water & Sewer Systems Improvement	5
Public Safety	25
Public Administration Technical Support	3
Tax Administration	14
Capital Project Formulation	22

FISCAL YEAR 1972 DEOBLIGATIONS (AS OF MARCH 31)

(In Thousands of U. S. Dollars)

Project Title	Source of Funds Alliance Grants
Brazil- Continued:	
Capital Markets Development	3
Development of Agricultural Cooperatives	34
Rural Rehabilitation & Reform	105
Natural Resources Planning and Engineering Services	1
Special Participant Training Development	31
National Public Health Planning and Coordination	19
Food Fortification	6
Education Technical Support	7
Educational Training and Planning	59
Development of High Protein in Corn	2
Engineering Education University of Brazil	3
Manpower Planning and Analysis	9
Development of Science and Technology Research	3
Economic Planning	1
Regional Development Planning Sudene	17
Central Bank Training	45
Productivity Improvement Basic Cons.	5
Union-to-Union Leadership Exchange	1
Total	471
Chile:	
Technical Support	39
Training for Development	20
Special Development Activities	24
Small Medium Scale Industrial Development	15
Public Administration Urban Development	1
Special Studies	4
Total	103
Colombia:	
Technical Support	11
National Educational Planning	2
Special Development Activities	1
National Agricultural Planning	27
Tax Administration	3

FISCAL YEAR 1972 DEOBLIGATIONS (AS OF MARCH 31)

(In Thousands of U. S. Dollars)

Project Title	Source of Funds Alliance Grants
Colombia-Continued:	
Higher Education	2
Secondary Education	22
Agriculture Education	115
Program Training	1
Education Technology and Management	2
Total	186
Costa Rica:	
Agricultural Development	15
General Assistance to Education	33
Public Safety	3
Development Planning and Administration	5
Civic & Social Resources and Development	1
Total	57
Dominican Republic:	
Technical Support	15
Public Safety	23
Agricultural Development Support	6
Public Administration	13
Highway Development Support	1
Education Development Support	1
Higher Education	2
Secondary and Primary Education	2
Technical Support Agriculture	1
Technical Support Education	1
Technical Support Community Development	2
Technical Support Food for Freedom	1
Tax Administration	7
Total	75
Ecuador:	
Technical Support	14
Industrial Development	10
Public Safety	1
Agricultural Production	4
Education Development	5
Catholic University Quito	4
University of Guyaquil	16

FISCAL YEAR 1972 DEOBLIGATIONS (AS OF MARCH 31)

(In Thousands of U. S. Dollars)

Project Title	Source of Funds Alliance Grants
Ecuador-Continued:	
Civic Development	5
Institutional Development	1
Total	60
El Salvador:	
Technical Support	5
Special Development Activities	17
Tax Administration Improvement	2
Public Safety	2
Educational Development	9
Regional Textbooks	141
Malaria Control	9
Agricultural Development	28
Total	213
Guatemala:	
Public Safety	9
University Development	14
Special Development Activities	1
Public Administration	4
Development Planning & Investment	2
Community Leadership	1
Agricultural Education	3
Agriculture Modernization & Diversification	7
Agricultural Development	16
Export Development	1
Public Administration	2
Cooperatives Development	14
Community Leadership	17
Total	91
Guyana:	
Tax Administration	2
AIFLD Industrial Training Center	15
Development & Diversification Agriculture	19
Public Safety	5
Special Development Activities	3
General Training	10
Labor Education & Social Projects	4
Technical Support	1
Total	59

FISCAL YEAR 1972 DEOBLIGATIONS (AS OF MARCH 31)

(In Thousands of U.S. Dollars)

Project Title	Source of Funds Alliance Grants
Haiti:	
Total	0
Honduras:	
Public Safety	5
Agricultural Development Credit & Extension	13
Public Administration Tax	7
Public Administration Organization & Method	2
Private Enterprise Development	1
Education Development Elementary	2
Education Development Higher	1
Forest Management	11
Special Development Activities	6
Cooperative Development Saving & Credit	3
Cooperative Development Housing	1
Labor Education & Social Development	1
Leadership Training	3
Civil Development Agrarian Reform	1
Total	57
Jamaica:	
Technical Support	5
Tax Administration Reform	2
Public Safety	8
Special Development Activities	1
Human Resource Development Educational Broadcasting	1
Human Resource Development Teacher Training	1
Total	18
Mexico:	
Regional Technical Aids Center	5
Regional Technical Coordination	1
Total	6

FISCAL YEAR 1972 DEOBLIGATIONS (AS OF MARCH 31)

(In Thousands of U.S. Dollars)

Project Title	Source of Funds Alliance Grants
Nicaragua:	
Technical Support	6
Tax Administration Reform	3
Community Development	87
Manpower Planning Development & Utilization	9
Industrial Development	6
Total	111
Panama:	
Technical Support	8
Government Administration & Fiscal Reform	12
Manpower & Labor Development	3
National Community Development	1
Education Development & Improvement	7
Total	31
Paraguay:	
Institutional Development	7
Elementary & Secondary Education	2
National University	1
Catholic University	1
Medical & Nursing Education	12
Rural Education Development	1
Export Promotion	6
Special Development Activities	2
Total	32

FISCAL YEAR 1972 DEOBLIGATIONS (AS OF MARCH 31)

(In Thousands of U.S. Dollars)

Project Title	Source of Funds Alliance Grants
Peru:	
Agricultural Institutional Dev.	7
Regional Dev. Corporation	24
Highway Dev.	1
University Programs	15
National Economic Programming	4
Tax Administration	5
General Public Administration	1
Special Development Activities	4
Community & Local Government Dev.	11
Technical Support	21
Total	93
Uruguay:	
Technical Support	10
Tax Administration & Reform	7
Tax Policy	4
Social Security Administration	3
Labor Dev. Services	2
Public Safety	79
Agricultural Production & Marketing	23
Special Dev. Activities	4
Total	132
Venezuela:	
Total	0
East Caribbean Regional:	
Total	0
ROCAP:	
Technical Support	15
Civil Aviation & Telecommunications	19
Manpower Planning & Dev.	1
Development Institutions of Higher Education	12

FISCAL YEAR 1972 DEOBLIGATIONS (AS OF MARCH 31)

(In Thousands of U.S. Dollars)

Project Title	Source of Funds Alliance Grants
ROCAP-Continued:	
Customs Policy & Administration	4
Agricultural Planning Development	3
Commercial & Industrial Development	113
Fiscal & Monetary Planning	3
Export Development	4
Human Resources Development	6
Total	180
Regional:	
Agricultural Leader Trng. Farm	1
Operations Ninos Child Feeding	2
Industrial Development and Promotional Training	18
Civil Aviation	148
Technical Support to PAHO	97
L.A. Science Board Survey	200
Bilingual Training	7
Summer Institute of Science	3
Regional Statistical Development	15
Approach to Urban Development	3
Partners of the Alliance	2
Leadership Development Problems	29
Technical Consultant Guaranty Program	11
Investment Guaranty - FHA	52
Physical Inspection - GUA	9
Technical Consultants General	51
Cooperative Training Puerto Rico	28
Seminars Workshops	10
Organization of Cooper of America	25
Advance Service Cooper	35
Rural Electric Cooperative Development	3
Total	749
GRAND TOTAL	2,981

PROJECTS TO BE TERMINATED IN FISCAL YEAR 1973

Mr. PASSMAN. Would you also furnish for the record a table, by country, showing the projects which will be terminated in fiscal year 1973 and the reason for termination?

Mr. KLEINE. I would be glad to, Mr. Chairman.

(The table follows:)

LATIN AMERICA PROJECTS TERMINATING IN FISCAL YEAR 1973

COUNTRY AND PROJECT	REASON FOR TERMINATION
Bolivia: Public safety	Current plans are to terminate this project at the end of fiscal year 1973 because the original planned targets are expected to have been met. Final decision to terminate, however, will depend upon an evaluation as to whether project goals have actually been acheived, particularly the development of a police capability to maintain internal security.
Brazil:	
Agricultural education	Institution building efforts of 4 U.S. universities (Wisconsin, Purdue, Ohio State, and Arizona) will have been completed.
Labor	This activity is not expected to be funded as part of the country program after fiscal year 1973 but may continue as part of a regional program.
Higher education	Assistance by U.S. contractors in chemistry programs at 2 Brazilian universities and in university administrative reform are being completed. Assistance to higher education is currently under review to determine its future scope and direction.
Chile: Labor	This activity is not expected to be funded as part of the country program after fiscal year 1973 but may continue as part of a regional program.
Colombia: Labor	Do.
Dominican Republic: Public safety	The last adviser is to leave in late 1972 following successful achievement of project goals.
Guyana: Tax administration	The goals of this project have been reached.
Jamaica:	
Public safety	This project has been phasing out gradually as its goals are achieved.
Family planning	Jamaican interest and institutional capabilities in family planning programs have developed, with AID, World Bank and other assistance, to the point that little further outside help is required.
Panama:	
Education development and implementation.	Technical assistance in education will be continued under the education sector loan.
Private enterprise development	The Panamanian organizations assisted by this project have developed sufficiently so that large technical assistance inputs should not be required beyond fiscal year 1973.
Paraguay: Private enterprise	U.S. assistance will no longer be required by the Paraguayan Export Promotion Center and Development and Productivity Center.
Uruguay: Industrial management and marketing.	Uruguayan organizations assisted by AID have increased their capabilities, and greater assistance is expected from the UNDP.
Central American regional programs:	
Agricultural planning	Project is expected to be completed successfully as scheduled in fiscal year 1973.
Regional manpower planning and development.	Project is expected to be successfully completed by the end of fiscal year 1973.
Business administration	A $3,500,000 loan authorized in fiscal year 1972 permits the termination of grant assistance in fiscal year 1973.
Regional education planning and research.	The project will be terminated ayear earlier than expected because of strong commitments by the ministries of education for Central American countries to increase their support of regional education organizations, thus obviating needs for additional grant assistance.
Costa Rica:	
Civic and social research and development.	Community development activities are expected to be successfully completed in fiscal year 1973. Labor union activities carried out under this project may be continued under regional funding.
Demographic education	Project is expected to be successfully completed as scheduled at the end of fiscal year 1973.
El Salvador:	
Free labor development	This activity is not expected to be funded as part of the country program after fiscal year 1973 but may continue as part of a regional program.
Public safety	Project activities are expected to be successfully completed.
Public administration	Do.
Guatemala: Export development	Bilateral assistance is expected to be successfully terminated the end of fiscal year 1973. Guatemala export promotion institutions may receive regional assistance thereafter.
Honduras: Public safety	Current program has been phasing down and will be successfully completed the end of fiscal year 1973.
Nicaragua:	
Agricultural production and diversification.	Grant assistance is expected to be terminated at the end of fiscal year 1973. Follow-on assistance in the agriculture sector may be provided under the currently planned agricultural sector loan.
Industrial development	Project is expected to be successfully completed with the fiscal year 1973 grant assistance inputs.
Free labor development	This activity is not expected to be funded as part of the country program after fiscal year 1973 but may continue as part of a regional program.
Community development	Project is expected to be successfully completed at the end of fiscal year 1973.

LATIN AMERICA PROJECTS TERMINATING IN FISCAL YEAR 1973—Continued

COUNTRY AND PROJECT	REASON FOR TERMINATION
Latin America regional:	
Multipurpose vocational center (ACCION)	This pilot project, if successful, will be replicated in country programs.
Village basic education	If the results of this pilot project justify its repetition in various countries, we expect the activities to be loan funded.
Regional export promotion	The results of this pilot program will determine whether it is continued under country programs.
Regional economic integration	This pilot project will be loan funded after fiscal year 1973.
Industrial research institute	This activity may also be repeated in country programs.

TOTAL FISCAL YEAR 1973 ASSISTANCE

Mr. PASSMAN. Would you please list for the record the total U.S. assistance that is scheduled to be provided to Latin America in fiscal year 1973 from all spigots?

Mr. KLEINE. Yes, sir. I will provide an answer for the record.

(The information follows:)

Economic and military assistance to Latin America—fiscal year 1973 (proposed)

[In millions of dollars]

Program:	*Obligations*
Agency for International Development:	
Alliance grants	80.0
Alliance loans	295.0
Population grants	14.4
Subtotal AID	389.4
Military assistance grants	20.3
Foreign military credit sales	75.0
Subtotal MAP	95.3
Food for Peace (Public Law 480)	106.6
Export-Import Bank of the United States	650.0
Other U.S. economic (Action and Darien Gap Highway)	48.9
Total U.S. economic and military assistance	1,290.2
Inter-American Development Bank (Ordinary Capital and Fund for Special Operations)	750.0
International Finance Corporation	25.0
International Development Association	12.0
International Bank for Reconstruction and Deelopment	960.0
Subtotal international lending institutions	1,747.0
Grand total economic and military service	3,037.2

AVERAGE COST PER PARTICIPANT

Mr. PASSMAN. Would you please provide a table showing the number and average cost per participant for your area for the last 5 fiscal years?

Mr. KLEINE. I will get that information for you. The average cost will vary from year to year, of course, depending on the type and length of training for the various participants.

(The information follows:)

Participant costs

Fiscal year:	*Average cost*
1972 (estimate)	$2,265
1971	2,176
1970	2,419
1969	2,537
1968	2,303

Mr. PASSMAN. How many participants are programed for your area in fiscal year 1973 and how many of these will be going to a third country.?

Mr. KLEINE. We are programing 3,347 participants. Of these, 490 will be going to third countries.

TOTAL U.S. AID TO LATIN AMERICA

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. KLEINE. Through June 30, 1971, the total for AID, Public Law 480, Peace Corps, and military assistance has been $12,128 million.

DEVELOPMENT LOAN PROGRAM

Mr. PASSMAN. I believe you are proposing a development loan program for your area of $295 million for fiscal year 1973. Would you furnish for the record a list of loans authorized by country in fiscal year 1972?

Mr. KLEINE. Yes, sir.

(The information follows:)

Fiscal year 1972 loan program—Alliance for Progress (Actual authorizations as of May 15, 1972)

Country and project:	*Millions*
Bolivia:	
Program assistance	$12.0
Agricultural marketing and production	8.0
Private investment fund	7.0
Guyana:	
Improvement of Georgetown streets and approaches	8.9
Water supply improvement—increase	2.4
Panama: Tourism	4.1
ROCAP:	
LAAD—Agribusiness development fund	6.0
INCAE—C.A. School of Business Administration	3.9

Mr. PASSMAN. Have you rolled over or refinanced any loans in your area during the current fiscal year?

Mr. KLEINE. No, sir; we have not.

Mr. PASSMAN. How many loans did you obligate in the last 10 days of the last fiscal year?

Mr. KLEENE. Six.

Mr. PASSMAN. Would you provide a list for the record of the proposed development loans by country that form the basis for your fiscal year 1973 request?

Mr. KLEINE. I can give that list to you now.

(The information follows:)

Latin America—Proposed fiscal year 1973 loan program

Country and project:	*Millions*
Bolivia:	
Urban development	$4.0
Rural electrification	4.0
Education sector	6.5
Colombia:	
Agriculture sector	18.0
Education sector	10.0
Urban/regional sector	34.0
Housing/capital markets sector	8.0
Public health sector	5.0

	Millions
Dominican Republic: Agriculture inputs	$10.0
Ecuador:	
Education credit	3.0
Low-cost core housing	3.0
Export promotion	4.0
El Salvador: Agriculture sector	12.0
Guatemala:	
Land sale guaranty	4.0
Vocational education	3.0
Rural electrification	11.0
Rural health II	2.5
Guyana:	
New Amsterdam approaches	3.0
East Coast water supply	6.0
Haiti: Feeder roads	3.0
Honduras:	
Municipal development	5.0
Agriculture sector	10.0
Jamaica:	
Capital markets	5.0
Forestry development	5.0
Nicaragua: Agriculture marketing	5.0
Panama:	
Agriculture sector	10.0
Tourist facilities	5.0
Nutrition and health	3.0
Municipal credit	1.0
Paraguay:	
COMDESA II (private development bank)	2.5
Cooperative development	1.5
Peru: Urban reconstruction	10.0
Uruguay:	
Supervised agriculture credit	15.0
Private Development Corporation	3.0
Industrial exports and tourist development	5.0
ROCAP:	
Tourism Infrastructure	10.0
Manpower and social development fund	10.0
Cooperative housing	5.0
Regional:	
Caribbean development bank	10.0
University of the West Indies	10.0
Regional cooperative bank	10.0
Total	295.0

AID TO LATIN AMERICA BY OTHER DONORS

Mr. PASSMAN. Would you provide for the record a table showing the amounts contributed by the various donor countries to the Latin American nations for the past 5 years and, where loans are involved, please provide the average terms.

Mr. KLEINE. I will be glad to provide a table giving commitments by members of the Development Assistance Committee of the Organization for Economic Cooperation and Development for 1966 through 1970, the latest year for which data is available. As there is no tabulation of loan terms to the Americas separately, I will submit a table giving members' average terms for development assistance commitments worldwide. Average loan maturities and interest rates are available for the 5 years requested; however, because the Development Assistance Committee only undertook a detailed analysis of development assistance terms in the late 1960s, grace period information can be given only beginning with 1969 commitments.

(The information follows:)

78-827 O - 72 - pt. 2 - 68

BILATERAL OFFICIAL DEVELOPMENT ASSISTANCE COMMITMENTS
(EXCLUDING THE UNITED STATES) TO THE AMERICAS
1966-1970 (in $ millions)

	1966	1967	1968	1969	1970
Australia	-	-	-	-	-
Austria	10.30	14.82	3.14	2.84	0.81
Belgium	-	-	-	-	3.80
Canada	30.30	29.00	9.52	42.96	16.83
Denmark	3.09	3.70	2.71	0.01	2.57
France 1/	209.30	214.60	271.20	260.70	252.10
Germany	81.38	86.76	30.33	99.18	70.06
Italy	0.36	55.12	135.39	4.24	2.63
Japan	23.32	-	-	-	0.87
Netherlands 1/	-	12.55	139.34	37.31	55.01
Norway	-	-	.02	0.11	0.07
Portugal	-	-	-	-	-
Sweden	-	-	-	0.67	1.31
Switzerland	-	-	1.84	3.13	1.05
United Kingdom 1/	40.62	46.98	44.25	53.48	62.55
Total	398.67	463.53	393.66	504.64	469.66

1/ Includes development assistance to dependencies in the Western hemishpere

AVERAGE FINANCIAL TERMS OF OFFICIAL DEVELOPMENT ASSISTANCE COMMITMENTS, 1966-1970
(Maturity, interest rates, and grace periods for 1969 and 1970 (a))

COUNTRIES	WEIGHTED AVERAGE MATURITY PERIODS (YEARS)							WEIGHTED AVERAGE INTEREST RATES (PERCENTAGES)				
	1966	1967	1968	1969	(Grace period)	1970	(Grace period)	1966	1967	1968	1969	1970
Australia	-(b)	-(b)	-(b)	-(b)	-	14.0	(4.0)	-(b)	-(b)	-(b)	-(b)	6.4
Austria	9.8	13.9	11.9	14.6	(4.2)	13.9	(4.2)	5.0	4.8	5.1	4.7	5.1
Belgium	13.9	18.4	21.9	28.2	(7.9)	29.6	(9.2)	2.9	2.8	3.2	2.7	2.3
Canada	48.4	47.8	50.0	48.5	(9.8)	48.5	(9.8)	2.6	0.4	0.0	0.3	0.2
Denmark	18.7	24.0	24.9	25.0	(7.0)	25.0	(7.0)	0.0	0.0	0.0	0.0	0.0
France	15.3	(15.1)	17.9	16.5	(1.9)	16.2	(2.3)	3.5	(3.7)	3.7	3.8	3.9
Germany	21.7	22.7	23.9	26.0	(7.6)	27.6	(8.4)	3.2	3.2	3.0	3.2	2.9
Italy	11.2	12.6	12.3	10.2	(2.2)	13.1	(5.2)	5.5	5.1	4.7	5.3	4.9
Japan	14.1	(16.6)	17.9	19.5	(6.1)	21.4	(6.7)	5.2	(4.8)	3.9	3.7	3.7
Netherlands	(23.6)	24.7	27.9	28.6	(8.1)	29.0	(7.8)	(2.0)	3.3	3.8	3.1	2.9
Norway	-(b)	-(b)	23.0	36.0	(7.9)	23.0	(9.0)	-(b)	-(b)	2.2	1.7	2.4
Portugal	(25.4)	(18.8)	29.1	29.1	(8.0)	29.0	(8.0)	(3.6)	(4.1)	3.2	2.5	4.0
Sweden	20.0	21.4	34.0	47.2	(10.0)	35.4	(10.0)	2.0	2.0	1.5	0.9	1.5
Switzerland	16.3	-	32.9	33.0	(8.0)	36.0	(8.0)	3.8	-	2.2	2.3	2.0
United Kingdom	23.9	(25.3)	24.5	24.1	(5.6)	28.6	(6.2)	1.0	(7.6)	1.0	1.2	1.7
United States	(35.2)	(37.0)	38.0	37.1	(8.7)	37.4	(8.7)	(2.1)	(2.6)	2.6	3.0	2.6
Total D.A.C. Countries	28.2	28.6	30.8	28.4	(6.7)	30.2	(7.4)	2.6	3.5	2.7	3.0'	2.8

(a) Grace period duration not available for earlier years.
(b) No Loans

Note: Selected maturity periods and interest rates for 1966 and 1967 are shown in parentheses as DAC Secretariat estimates.

Mr. PASSMAN. Would you provide for the record a table showing the total external development assistance to Latin America for the last full year? Please indicate each source separately, list the amount, and include all donors whether multilateral or bilateral.

Mr. KLEINE. We will be glad to provide such a table. Our most recent information shows fiscal year 1971 data in all cases, except for the bilateral donors—other than the United States—represented in the Development Assistance Committee and the European economic community, where we report calendar year 1970 data.

(The table follows:)

GROSS EXTERNAL DEVELOPMENT ASSISTANCE COMMITMENTS
TO LATIN AMERICA BY MULTILATERAL AND
BILATERAL DONORS IN FY 1971 (in $ US Millions)

Multilateral		1,477.5
World Bank (IBRD)	670.6	
Int'l. Fin. Corp. (IFC)	41.9	
Int'l. Devt. Assn. (IDA)	33.6	
Inter-American Bank (IDB)	659.4	
UN Agencies	62.8	
European Ec. Comm. 1/	9.2	
Bilateral		939.1
United States	469.4	
AID	331.2	
Food For Peace (PL 480)	110.4	
Peace Corps	19.0	
Social Progress Trust Fund	3.9	
Other U.S. Economic Programs	4.9	
Other Bilateral 1/	469.7	
Austria	0.8	
Belgium	3.8	
Canada	16.8	
Demnark	2.6	
France	252.1	
Germany	70.1	
Italy	2.6	
Japan	0.9	
Netherlands	55.0	
Norway	0.1	
Sweden	1.3	
Switzerland	1.0	
United Kingdom	62.6	
Grand Total External Assistance -		2,416.6

1/ Includes development assistance commitments to dependencies in the Western Hemisphere. Estimated, based on CY 1970 commitments.

Sources: (a) International Organizations loan statements
(b) U.S. Overseas Loans and Grants and Assistance from International Organizations. 7-1-45-6-30-71, AID Report for House Foreign Affairs Committee
(c) Bilateral Official Development Assistance Commitments to Less-Developed Countries, 1970, Development Assistance Committee of the Organization for Economic Cooperation and Development

PLANNED PUBLIC LAW 480 COMMODITIES FOR FISCAL YEAR 1973

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 year 1973?

Mr. KLEINE. I would be glad to, Mr. Chairman.

(The table follows:)

PUBLIC LAW 480 PROGRAMED FOR LATIN AMERICA

	Fiscal year 1973 (market value)		
	Title I	Title II	Total
Latin America, total	39,160	67,399	106,559
Bolivia	7,000	2,700	9,700
Brazil		21,870	21,870
British Honduras		153	153
Chile		4,860	4,860
Colombia	13,000	8,730	21,730
Costa Rica		1,026	1,026
Dominican Republic	11,000	6,705	17,705
Ecuador	2,000	2,889	4,889
El Salvador		900	900
Guatamala		2,637	2,637
Guyana	1,600	180	1,780
Haiti		1,251	1,251
Honduras		972	972
Jamaica		450	450
Nicaragua		328	328
Panama		1,080	1,080
Paraguay	1,560	1,152	2,712
Peru		8,460	8,460
Trinidad & Tobago		90	90
Uruguay	3,000	540	3,540
Venezuela			
Eastern Caribbean region		422	422
Other West Indies		4	4

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. KLEINE. We have not.

CONSULTANTS

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. KLEINE. We do not have at present any direct AID consultants at a rate of over $100 per day. Our regulations require, however, that we approve daily consultant rates which exceed the FSR–1 salary level—$138 per day. I will be happy to provide a current list of any contract consultants receiving such rates.

(The information follows:)

To date during fiscal year 1972, the following consultants have been paid at a rate which exceeds $138 per day:

George F. Farris
Anthony Butterfield
Herbert F. Stewart
Richard M. Phillips

EXPORT AND IMPORT TRADE OF LATIN AMERICA WITH THE UNITED STATES AND EUROPE

Mr. PASSMAN. Please provide for the record a table showing the export and import trade of Latin America with the United States and Europe for the past 10 years.

Mr. KLEINE. Of course.

(The information follows:)

TRADE WITH THE UNITED STATES AND WESTERN EUROPE

19 LATIN AMERICAN REPUBLICS

[In millions of dollars]

Year	Exports		Imports	
	United States	Western Europe	United States	Western Europe
1961	3,168	2,693	3,510	2,721
1962	3,217	2,934	3,457	2,743
1963	3,339	3,185	3,380	2,514
1964	3,378	3,463	3,839	2,549
1965	3,527	3,528	3,805	2,613
1966	3,768	3,787	4,167	2,911
1967	3,673	3,826	4,135	3,175
1968	3,936	3,657	4,616	3,400
1969	4,012	4,253	4,781	3,745
1970	4,318	[1] 5,009	5,606	[1] 4,325

[1] Estimate.

Source: IMF, Direction of Trade, annual 1963-67 and 1966-70, October 1969 and official trade statistics of the various countries.

AVERAGE RATE OF INFLATION IN LATIN AMERICA IN 1971

Mr. PASSMAN. Would you please tell the committee what the average rate of inflation has been in Latin America for the past year?

Mr. KLEINE. Certainly.

(The information follows:)

Change in Consumer Prices Over Corresponding Month of Preceding Year
(November 1971)

Country:	*Percent*
Argentina	35.9
Bolivia (October 1971)	4.5
Brazil	21.0
Chile	19.0
Colombia	14.1
Costa Rica	2.5
Dominican Republic (October 1971)	8.6
Ecuador	5.4
El Salvador (May 1971)	1.7
Guatemala (October 1971)	(—) 0.7
Honduras	13.0
Jamaica	6.7
Mexico	2.8
Nicaragua	n.a.
Paraguay	6.5
Peru	7.2
Trinidad and Tobago	5.9
Uruguay	n.a.
Venezuela	2.1

LATIN AMERICAN TAX REVENUES

Mr. PASSMAN. Are the countries in Latin America increasingly collecting more taxes from their own businesses and local people in the last several years?

Mr. KLEINE. Yes, Latin American central government tax collections have continued to grow. As reflected on the table below, such revenues increased by 75 percent between 1961 and 1971, at an average annual rate of growth of about 6 percent, with half of the increase in the last 4 years. Eight countries increased collections by more than 100 percent—7.3 percent annual average—and Costa Rica, Honduras, and Panama achieved average annual increases of 10 percent or more.

(The table follows:)

LATIN AMERICA
CENTRAL GOVERNMENT TAX REVENUES
(MILLIONS OF U.S. DOLLARS, CONSTANT 1970 PRICES)

	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970	1971 P	PERCENT CHANGE 61 - 71	AVG. RATE OF GROWTH 61 - 71
TOTAL	9500	9278	9522	9910	10910	11944	12423	13849	14983	15804	16657	75.3	5.8
SUBTOTAL, C.A. +	267	287	294	340	391	408	419	449	484	538	569	112.7	7.8
ARGENTINA	1912	1457	1319	1123	1645	1881	2163	2115	2116	2163	1923	0.6	0.1
BOLIVIA	48	54	57	62	67	75	76	84	86	89	103	113.7	7.9
BRAZIL	2442	2428	2466	2515	2832	3225	3018	3863	4525	4667	4878	99.7	7.2
CHILE	768	850	878	908	1090	1241	1257	1336	1445	1467	1481	92.9	6.8
COLOMBIA	397	370	343	367	327	432	475	481	577	635	695	75.3	5.8
COSTA RICA +	55	64	64	68	75	79	85	100	110	131	139	153.9	9.8
DOMINICAN REPUBLIC	136	157	172	185	120	164	173	177	201	219	245	79.5	6.0
ECUADOR	151	156	172	201	185	199	216	230	NA	NA	NA	52.3 1/	6.2 1/
EL SALVADOR +	60	65	69	83	86	86	85	85	97	106	118	97.7	7.1
GUATEMALA +	84	84	78	96	118	118	120	131	140	148	151	79.6	6.0
HONDURAS +	31	34	35	40	47	58	61	70	71	79	81	161.0	10.1
MEXICO	1151	1255	1388	1583	1664	1630	1766	2015	2189	2395	2775	141.2	9.2
NICARAGUA +	38	41	47	54	66	67	68	63	65	73	80	111.1	7.8
PANAMA	53	60	60	64	73	85	92	97	108	129	145	172.0	10.5
PARAGUAY	33	36	33	34	45	45	51	54	64	64	67	104.0	7.4
PERU	554	586	648	692	690	711	759	828	842	906	854	54.1	4.4
URUGUAY	340	310	295	294	229	222	201	195	221	278	253	-25.5	-2.9
VENEZUELA	1248	1275	1398	1542	1555	1625	1757	1925	1883	2001	2407	92.9	6.8

CENTRAL AMERICAN COUNTRIES ARE COSTA RICA, EL SALVADOR, GUATEMALA, HONDURAS, AND NICARAGUA
SYMBOL DEFINITIONS ARE: P... PRELIMINARY, NA ...NOT AVAILABLE
TOTALS EXCLUDE COUNTRIES SHOWN AS NOT AVAILABLE.
1/ FOR 1961-1968

PER CAPITA GNP GROWTH

Mr. PASSMAN. Would you provide for the record a table showing the per capita GNP growth of all the countries in Latin America?

Mr KLEINE. Yes, sir. I will be glad to.

(The information follows:)

LATIN AMERICA
PER CAPITA GROSS NATIONAL PRODUCT
(U.S. DOLLARS, CONSTANT 1970 PRICES)

	1960	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970	1971 P
TOTAL	396	410	415	416	436	447	454	459	475	493	513	530
SUBTOTAL, C.A. *	279	280	289	298	303	313	321	328	334	344	350	355
ARGENTINA	812	854	829	798	868	936	926	935	963	1025	1055	1068
BOLIVIA	151	151	156	162	166	173	180	183	192	194	197	203
BRAZIL	269	288	295	291	291	291	297	303	322	341	364	394
CHILE	631	655	673	693	708	726	756	756	764	774	794	854
COLOMBIA	262	266	270	269	278	279	285	287	294	302	313	320
COSTA RICA *	395	388	398	409	392	415	428	450	479	508	530	539
DOMINICAN REPUBLIC	324	297	326	333	344	292	317	319	324	337	343	356
ECUADOR	221	217	220	223	231	230	232	239	242	249	263	247
EL SALVADOR *	237	237	256	258	273	278	288	294	294	294	294	294
GUATEMALA *	282	284	284	301	304	309	314	317	325	338	348	354
HONDURAS *	231	225	226	225	220	230	241	243	255	254	251	255
MEXICO	467	472	478	499	539	556	575	590	617	635	662	670
NICARAGUA *	311	324	347	360	387	413	411	426	414	426	433	440
PANAMA	443	479	506	534	545	568	594	620	644	681	708	739
PARAGUAY	212	218	225	221	223	232	227	233	237	237	243	246
PERU	364	383	406	409	423	430	441	435	425	418	436	446
URUGUAY	820	831	801	781	792	791	806	752	753	790	819	833
VENEZUELA	723	730	765	792	863	882	875	883	897	899	921	931

* CENTRAL AMERICAN COUNTRIES ARE COSTA RICA, EL SALVADOR, GUATEMALA, HONDURAS, AND NICARAGUA.
SYMBOL DEFINITION: P ... PRELIMINARY

COUPS

Mr. PASSMAN. How many countries experienced a coup during the past year?

Mr. KLEINE. There were coups in two countries—in Bolivia in August 1971, and in Ecuador in February 1972.

SELZURE OR EXPROPRIATION OF U.S. PROPERTY IN LATIN AMERICA DURING THE LAST YEAR

Mr. PASSMAN. What countries have seized U.S. property or expropriated U.S. property during the last year?

Mr. KLEINE. During the last year expropriations took place in Chile, Ecuador, Bolivia, and Guyana. Seizures of U.S. vessels took place only in Ecuador. Brief summaries of these actions are as follows:

Chile.—Over the last year the Chilean Government has expropriated all or part of the interests of a number of U.S. companies. While agreements have been achieved with several of the companies, there are major unresolved cases with the copper companies and ITT.

Ecuador.—In January 1972 the Government of Ecuador expropriated two parcels of land belonging to a subsidiary of ITT. The expropriation decree set up the procedure to be followed by the government for determining and awarding compensation to ITT.

Over the last year Ecuador seized 32 vessels. Generally, the vessels were released within 1 or 2 days.

Bolivia.—On April 30, 1971, the Government of Bolivia rescinded the concessionary contract of Philips Bros. and U.S. Steel with respect to the Mina Matilda, a lead and zinc mine.

Guyana.—In July 1971 the Guyanese Government and ALCAN Aluminum Ltd. reached agreement on the nationalization and compensation of ALCAN's subsidiary in Guyana. ALCAN is a Canadian firm with a substantial minority interest held by U.S. investors.

TERMINATING PROJECTS

Mr. PASSMAN. Last year you listed several projects which were scheduled to be terminated in fiscal year 1972. How many of those projects are you requesting funds for in fiscal year 1973?

Mr. KLEINE. I believe there were 14 such projects. I will provide details for the record.

(The information follows:)

PROJECTS EXTENDED FROM A PLANNED FISCAL YEAR 1972 TERMINATION DATE

COUNTRY AND PROJECT	REASON FOR EXTENSION
Brazil:	
Agricultural education	The 4 university contracts with Wisconsin, Ohio State, Purdue, and Arizona are being extended to December 1973 to permit orderly completion and phaseout of their activities.
Labor	The contract with the American Institute for Free Labor Development has been extended 1 year because of the continued need to strengthen the institutional competence of Brazil's democratic trade union movement and maintain U.S. contacts with its leadership.
Health	To develop 2 new efforts to improve the quality of life in Brazil, particularly for those with low incomes, the food fortification effort will promote new methods of fortification being developed by Brazilians and the health planning effort will design a rural delivery system for health services.
Chile: Labor	An additional year of funding in the country program is planned in anticipation of continuation of the program under regional auspices.
Colombia: Tax administration	Colombian Government performance in improving tax administration and revenue collection has improved significantly during the period of this project; AID has agreed to continue advisory services to the national tax administration for an additional 2 years.

PROJECTS EXTENDED FROM A PLANNED FISCAL YEAR 1972 TERMINATION DATE—Continued

COUNTRY AND PROJECT	REASON FOR EXTENSION
Dominican Republic:	
Public safety	The project was extended to cover the end of the normal tours of 3 advisers; the last will depart late in 1972.
Labor development	The successes achieved by 1972 in the formation of a national confederation of labor federations and social security institute workers warrant extension of the project to further the process of integrating trade union and labor organizations into larger, more effective national bodies.
El Salvador:	
Public safety	The project was extended to reinstate preservice and in-service training programs of the National Guard that were interrupted by the Honduran-Salvadoran war.
Public administration	During the additional year the project will provide assistance in tax administration to the new government which will take office in July 1972.
Nicaragua: Agriculture production and diversification	The project was extended 1 year to continue assistance in planning and implementing the large and complicated sector program developed by the Government.
Central America regional programs: Regional manpower planning and development	Further assistance will help to strengthen the leadership and programs of the Confederation of Workers of Central America.
Latin America Regional:	
Leadership development for women	The training of women in leadership skills and techniques of group action will be followed by advisory services toward building the institutional strength of women's volunteer civic organizations.
Cooperative housing development	This project will continue with a focus primarily on low-income housing.
Pan-American Federation of Associations of Medical Schools	The project will continue to respond to the increased demand for doctors trained in family planning.

CONTINGENCY FUND

Mr. PASSMAN. Were any funds allocated to the countries in your area from the President's contingency fund last year?

Mr. KLEINE. In fiscal 1971, $70,000 from general contingency fund was used to relieve the suffering after an earthquake in Ecuador.

RELATIONS WITH COMMUNIST NATIONS

Mr. PASSMAN. Are more Communist countries becoming involved diplomatically with Latin American nations than has been the case in past years?

Mr. KLEINE. Yes, there is a trend toward increasing diplomatic contact between Communist countries and Latin America. In the past year there have been 10 agreements between Communist countries and Latin American countries for the establishment of diplomatic relations.

Mr. PASSMAN. Would you please indicate what Latin American nations presently have diplomatic or trade relations with Communist nations? Please indicate whether the relationship is diplomatic only or if a trade agreement exists.

Mr. KLEINE. We would be happy to supply that information; for the sake of simplicity we have prepared a chart for the record.

(The information follows:)

DIPLOMATIC AND TRADE REPRESENTATION OF COMMUNIST COUNTRIES IN LATIN AMERICA

	Albania	Bulgaria	People's Republic of China	Cuba	Czechoslovakia	East Germany	Hungary	Mongolia	North Korea	North Vietnam	Poland	Romania	USSR
Argentina		E	R		E,T		E,T				E,T	E	E,T
~~Barbados~~													
Bolivia		NRA			E(NRA)		E(NRA)				NRA	R	E,T
Brazil	NRM	L,2T			E,2T	2T	L,2T				E	L,2T	E,2T
Chile	R	E,T	E,T	E,T	E,T	E,T	E(NRA),T	E	T	T	E,T	E,T	E,T
Colombia					T,R	T					NRA,T	NRA,T	E,T
Costa Rica		R,T			T,R		R				NRM	NRA	E,T
~~Dom. Rep.~~													
Ecuador		E			E,T	T	NRA				E(NRA),T	NRA	E,T
~~El Salvador~~													
~~Guatemala~~													
Guyana			T										NRA
Haiti											NRM,T		
Honduras											NRM		
~~Jamaica~~													
Mexico			R	E	E,T	T					E,T		E,T
Nicaragua											NRM		
Panama											NRM,T	R	
~~Paraguay~~													
Peru	R	E	T,E		E		E				E(NRA)	E	E,T
~~Trinidad and Tobago~~													
Uruguay		E			E,T		E(NRA),T				E(NRA),T	E(NRA)	E,T
Venezuela					E,T		NRA				E	E	E

KEY: E - Embassy
L - Legation
R - Diplomatic Relations but no representatives exchanged
T - Trade Office

NRA - Non-resident Ambassador
NRM - Non-resident Minister
E(NRA) - Non-resident Ambassador, resident charge

Mr. PASSMAN. What countries in Latin America are receiving aid from Communist countries as well as U.S. aid?

Mr. KLEINE. I have a report here showing that in 1971 only four U.S. aid recipients received any aid from Communist countries: Bolivia, Chile, Ecuador, and Peru.

TERRORIST ACTIVITIES

Mr. PASSMAN. What Latin American countries have been greatly bothered by terrorist activities during the past year?

Mr. KLEINE. The country most seriously affected by terrorists during the past year was Uruguay, where the government took the step of declaring a state of internal war on April 15. Argentina has suffered several incidents, including the kidnaping and murder of a general, and there have been several serious incidents in Mexico and Guatemala. Continuing, though less serious, problems with terrorism exist in Brazil, Colombia, and the Dominican Republic.

Mr. PASSMAN. Has there been a great deal of kidnaping of foreign nationals during the past year in Latin American countries?

Mr. KLEINE. While there have been numerous threats to kidnap foreign diplomats, chiefly those of the United States, almost all such actions during the last year were against native citizens. A tragic exception was the kidnaping and subsequent murder in April of Oberdan Sallustro, the Italian general manager of Fiat in Argentina.

UNTIED PROCUREMENT-LATIN AMERICA

Mr. PASSMAN. If I am not mistaken, I believe we have completely untied our aid to Latin America. Is that correct?

Mr. KLEINE. Development loans authorized after October 31, 1969, allow procurement from Western Hemisphere countries (except Canada and Cuba); loans authorized after September 15, 1970, allow for procurement from less developed countries in addition.

Mr. PASSMAN. If that is the case, has this resulted in a substantial decrease of purchases in the United States?

Mr. KLEINE. No. For AID loans to Latin America, procurement of goods and services from non-U.S. sources under the above stated untying policies has amounted to $841,000 as of January 31, 1972.

Mr. PASSMAN. Is U.S. aid untied to the point that the Latin American countries are allowed to purchase commodities from other developed nations, such as Japan, with funds provided by the United States?

Mr. KLEINE. AID has continued to apply its standard procurement regulaitons with respect to procurement from developed countries. Under these, only in the most exceptional cases is procurement permitted from such countries.

SOVIET AID TO REVOLUTIONARY MOVEMENTS

Mr. PASSMAN. In an article from the Washington Post it is indicated that the Kremlin has asked Cuban dictator Fidel Castro to try to regain control over Latin American revolutionary movements and promised to pay all the costs involved. Have you had any indica-

tion that the Soviets are supplying increased aid for revolutionary movements in Latin America?

Mr. KLEINE. There has been no evidence to support such press reports. To the contrary, the Soviets have long criticized Cuban support of revolutionary movements as adventuristic, and the level of Cuban support for such movement appears to have declined significantly since Che Guevara's defeat in Bolivia in October 1967.

UNIVERSITY OF THE WEST INDIES

Mr. PASSMAN. As you know, last year several of the members of the subcommittee visited various campuses of the University of the West Indies. Could you tell the committee in what countries these campuses are located?

Mr. KLEINE. Yes, sir. The University of the West Indies has campuses in Jamaica, Barbados, and Trinidad.

Mr. PASSMAN. What is the present enrollment of the University of the West Indies, including all campuses?

Mr. KLEINE. According to recent information obtained from the Jamaican Embassy in Washington, D.C., total enrollment for all three campuses of the University of the West Indies for the current academic year is approximately 5,200 students, including evening student enrollment.

Mr. PASSMAN. Could you provide for the record a brief history of the U.S. assistance to this institution over the years and also indicate if there is any money requested for fiscal year 1973 for this organization?

Mr. KLEINE. At the present time, the United States is not directly assisting the University of the West Indies in its totality as an institution. Limited technical assistance in family planning is provided through a contract with the University of Pittsburgh to the University in Jamaica and is exclusively for the family planning program in Jamaica. On November 20, 1962, AID signed a supporting assistance loan agreement for $30 million with the Government of Trinidad and Tobago which was provided in four traunches over a 5-year period, for the continued use of the U.S. naval base at Chaguaramas. In 1966 a portion of the last release of these funds helped finance the construction of an engineering school and library on the University of the West Indies campus in Trinidad.

Additionally, the U.S. Government has provided a handful of leader grant scholarships to the university under the development of state's educational and cultural exchange program. For fiscal year 1973 we are considering a proposed $10 million loan to assist the university in its planned physical expansion program. Additionally, we would propose to make available limited technical assistance (approximately $50,000) during fiscal year 1973 to encourage and support the university's development related research and services, especially in agriculture and public administration, important to the development of the Caribbean area. Technical assistance in family planning to the university's Jamaican campus will continue during 1973.

Mr. PASSMAN. Is the University of the West Indies receiving assistance from other countries or organizations at the present time?

Mr. KLEINE. The University of the West Indies, although no longer

eligible for United Kingdom capital out of the Colonial Development and Welfare Fund, is nevertheless receiving some limited technical assistance from the British Government. For example, the United Kingdom is presently installing several computers on the University of West Indies campus in Trinidad and is also converting several laboratories on that campus for pesticide control. During 1971 Canadian assistance to the university amounted to $1 million. Presently, the Inter-American Development Bank is providing $90,000 to finance a study related to the university's planned facilities expansion program.

Mr. PASSMAN. Is the U.S. assistance that is being provided to this institution being used for capital investment?

Mr. KLEINE. As mentioned previously, during fiscal year 1973 AID is prepared to consider a loan of approximately $10 million to the University of the West Indies to assist in the institution's physical expansion program, that is, in the construction of buildings and procurement of commodities to cope with increased enrollment projections. Our proposed assistance will be contingent to a large extent upon the outcome of the IDB financed study, as well as agreement and coordination among the three campuses and availabilities of other donor contributions to the program.

PAN AMERICAN DEVELOPMENT FOUNDATION (PADF)

Mr. PASSMAN. Would you briefly explain for the record the function of the Pan American Development Foundation and are any funds requested in fiscal year 1973 for this foundation?

Mr. KLEINE. I would be glad to. The PADF, organized 1963 as a nonprofit corporation affiliated with the OAS, carries out two kinds of programs:

One involves the transfer of material resources from the United States to Latin American countries. This category of activities (Tools for Freedom, Health Services and Operation Ninos) has been assisted by AID through our freight subsidy program. AID will continue to extend this assistance.

The other PADF program involves the allocation of technical and capital assistance to autonomous national development foundations (NDF's) now established in 14 Latin countries. A principal rationale of this effort was to attract United States and Latin American private sector support for social programs. The PADF has established a revolving loan fund which attempts to match (on a loan basis) money raised in-country by the NDF's. The NDF's use these funds to extend supervised credit to organizations and individuals who do not have access to the commercial credit system.

We believe that the PADF has successfully met its objectives in establishing a number of national foundations which can provide credit to those unable to qualify for commercial credit. Therefore, no funds have been requested in fiscal year 1973 for PADF. The NDF's now can and should deal directly with AID, Inter-American Development Bank, Inter-American Foundation, and other sources of capital assistance.

78-827 O - 72 - pt. 2 - 69

LOAN PROGRAM FOR THE AGRICULTURE AND RURAL DEVELOPMENT SECTOR

Mr. PASSMAN. Would you please explain the reason for the large increase in the development loan program for the agricultural and rural development sector?

Mr. KLEINE. Many agriculture and rural development capital projects are expected to reach implementation stage in the course of fiscal year 1973. There is normally a relatively long leadtime between conception and implementation for capital projects, especially for those requiring sector analysis and planning. The leadtime varies from project to project, and the number ready for implementation varies from year to year. The number of agriculture and rural development capital projects which have reached the authorization stage is projected to be substantially higher in fiscal year 1973 than fiscal year 1972. In addition, in recent years there has been greater emphasis placed on agriculture sector lending, and in fiscal year 1973 agriculture sector lending programs will be caried out in three more countries than in fiscal year 1972.

EFFECT OF POPULATION GROWTH ON ECONOMIC GROWTH

Mr. PASSMAN. On page 2 you indicate that continued high population growth rates have eroded much of the benefits of economic growth. Has our population program been able to turn around this erosion?

Mr. KLEINE. The population programs have done much to deter this erosion of economic growth. This is a slow process which is why it is so important to act now in order to reap the most benefits from the increasing GNP of Latin America. In the short run we have seen successes in some countries such as Costa Rica where the population growth rate has declined from 4 percent in 1960 to 2.8 percent in 1971–72. Costa Rica has one of the highest literacy rates and per capita GNP in Latin America. This sort of dramatic evidence is not always easily seen. The present population of Latin American countries is young and its needs in terms of education, health facilities, housing and employment are enormous. The host governments are feeling this pressure and are adopting population programs to help counteract it.

AID ASSISTANCE TO SMALL FARMERS

Mr. PASSMAN. On page 4 you indicate that the quality of life for the great mass of rural population has tended to remain at an extremely low level. Are you saying that the huge amount of U.S. aid that we have provided to Latin America has not filtered down to the grassroots level?

Mr. KLEINE. To improve the life of the small farmer, you have to help him increase his income and do it in a way which will not result in exorbitant food prices for the low-income urban dweller. AID has been working on the very difficult but essential task of building up agricultural institutions within countries which will help small farmers to modernize their practices. This means such things as training personnel for research facilities to come up with high production, disease-resistant varieties. It means expanding and improving extension services to take the results of modern research to the small farmer. It means organizing and training personnel for marketing and storage

institutions to help the small farmer receive a fair price for his produce. And likewise, it means providing capital and managerial assistance for credit institutions to enable small farmers to borrow at reasonable rates for the purchase of seeds, fertilizers, and other modern inputs.

While all of these things are essential, we have found in recent years that they are not sufficient to really help the small farmer unless they are integrated and coordinated as part of an overall attack on rural productivity and poverty. As an example, in Guatemala AID has made a loan for $23 million to support a Guatemalan program of well over twice that amount. Research, extension, credit and marketing are dealt with within an overall integrated program directed toward bringing the small highland Indian farmer and other small farmers into the monetary economy for the first time.

CREDIT UNION MOVEMENT IN LATIN AMERICA

Mr. PASSMAN. Would you please explain what you mean by the credit union movement in Latin America that you mention on page 5?

Mr. KLEINE. When I refer to the credit union movement in Latin America I include the overall structure of credit union operations in Latin America. This encompasses local cooperative credit organizations or credit unions, existing in all Latin American countries, their national organizations known as the National Federation of Credit Unions representing a membership of local credit unions; and, finally, the Latin American international, or hemispheric credit union organization known as the Confederation of Latin American Credit Unions (COLAC) representing a membership of national credit union federations. There are close to 3,000 credit unions with about 1 million members.

U.S. INVOLVEMENT IN LATIN AMERICAN EDUCATION

Mr. PASSMAN. On page 6 you indicate that the education systems in Latin America remain inefficient with an estimated 70 percent of the primary students and some 65 percent of students at the secondary level dropping out before graduation. You go on to state that the content of education continues in many instances to be inappropriate in terms of today's manpower needs. Could you please tell the committee how long the United States has been involved in the educational systems of Latin America as far as providing funds?

Mr. KLEINE. The United States has been providing substantial funds to assist various educational systems in Latin America since the initiation of the Alliance for Progress in 1961.

Mr. PASSMAN. It certainly does not seem that U.S. foreign assistance has been very effective in this area. Would you comment on this?

Mr. KLEINE. We feel we have made a very substantial impact on Latin American education in the 1960's, and it is important to remember where Latin American education was at the beginning of this period. For example, between 1960 and 1971 primary school enrollments increased by over 75 percent, enrollments in general secondary schools increased by 237 percent, and enrollments in postsecondary schools increased by 209 percent. Primary schoolteachers were up 108 percent during this period, and the percentage of students in primary

schools increased from 48 percent of the age group in 1960 to 60 percent in 1970.

Furthermore, these quantitative changes conceal the very substantial qualitative changes that have taken place, in part as a result of AID technical assistance. In many countries the curriculum at both the secondary and university levels have been vastly improved and made more relevant to the needs of developing societies. In Central America, Brazil, and elsewhere, textbooks have been introduced in rural schools for the first time as a result of AID activities.

I do not mean to belittle the tremendous problems yet unsolved in Latin American education. As you point out, the dropout rate is still very high and the population increase has been such that there are now still as many children out of school in Latin America in absolute numbers as there were in 1960. That is precisely why our program in recent years is concentrating on the critical need to reduce the costs of education so it will be more available to children of all economic levels, both rural and urban. Experimentation and a much more efficient management of the funds going into education is necessary if they are to have their full impact, and that is precisely what we are helping to do with our sector loans proposed for 1973.

FISCAL YEAR 1973 LENDING THROUGH REGIONAL BANKS

Mr. PASSMAN. How much of the fiscal year 1973 request do you plan to channel through regional banks in Latin America?

Mr. KLEINE. The fiscal year 1973 request includes $20 million for projects with regional banks including the Caribbean Development Bank ($10 million) and the Latin American Confederation of Credit Unions (COLAC).

HONDURAS: AID—IDB COOPERATION

Mr. PASSMAN. On page 10 you indicate that a proposed AID loan will complement Inter-American Bank funds to finance a comprehensive plan for Honduras. Would you please explain how a bilateral loan is going to complement a multilateral program?

Mr. KLEINE. The Inter-American development bank has included $200,000 for a Metroplan in their $7.5 million, 1971 housing loan for Tegucigalpa. This Metroplan will be principally concerned with future zoning and transportation patterns.

The proposed AID loan to Tegucigalpa will complement these efforts by working in such areas as: a fiscal cadastre; street maintenance; a municipal slaughterhouse; an industrial park, and a system of feeder roads to integrate little towns into the metropolitan area.

From the experience gained in working in Tegucigalpa, the Inter-American Bank and AID hope in fiscal year 1973 to cooperate in the formulation of an urban development strategy for the rest of the country.

BOLIVIA PROGRAM

Mr. PASSMAN. The first country that we will deal with under Latin America will be Bolivia for which the fiscal year 1973 request is $18,214,000, a decrease of $17,359,000 below the current year program. How long has the current government been in power in Bolivia?

Mr. KLEINE. In response to the serious political and economic deterioration in Bolivia under the government of Gen. Juan Jose Torres, a coalition composed of the military, the business community, the National Revolutionary Movement (MNR) and the Bolivian Socialist Falange (FSB) took power on August 11, 1971, under the leadership of Col. Hugo Banzer.

Mr. PASSMAN. In last year's justification you indicated that the fiscal year 1972 program would amount to $13,285,000; however, this year I note that the fiscal year 1972 program totaled $35,573,000. Would you please explain why this program was increased by such a large amount over what was justified to the committee last year?

Mr. KLEINE. The fiscal year 1972 program was increased for three reasons. First, the new Government of Bolivia set as its highest priority a public investment program to put people to work in order to stimulate the economy and provide reassurance to potential demestic and foreign investors. AID supported this program with a $2 million grant, and a $12 million program loan in fiscal year 1972. This $14 million program was an emergency measure, which we did not anticipate in our original fiscal year 1972 planning. Second, the $8 million agriculture loan which was originally scheduled for fiscal year 71 signing was delayed until early fiscal year 72 for technical reasons; increasing the fiscal year 72 figure. Third, because of the change in Government and the resulting improved climate for private investment, the special fund for economic development loan for the private sector was increased from a planned $3 to an actual $7 million in fiscal year 72. Other loans such as rural electrification and municipal government did not materialize in fiscal year 1972 and will be deferred until fiscal year 1973.

Mr. PASSMAN. Are any expropriations settlements still pending in Bolivia at the present time?

Mr. KLEINE. The Government of Bolivia has reached expropriation settlements with the Gulf Oil Corp., and the International Minerals Processing Corp. The only other recent expropriation case still pending is the Mina Matilde case. Negotiations with the affected U.S. investors, United States Steel, and Englehart Minerals, are progressing satisfactorily.

Mr. PASSMAN. Would you please indicate for the record what the total amount of outside assistance will be provided to Bolivia in fiscal year 1973 from all sources and indicate what part of that will be from the United States?

Mr. KLEINE. Other U.S. Government assistance planned to Bolivia in fiscal year 1973 is: Public Law 480 titles I and II $9.7 million; the military assistance program $4.873 million; and foreign military credit sales $4 million. We regret that planning figures for assistance to Bolivia from the international banks such as IDB and World Bank and the international organizations such as the U.N. and the OAS are not firm.

Mr. PASSMAN. Would you also tell the committee what the total Public Law 480 program will be to Bolivia in fiscal year 1973?

Mr. KLEINE. The total Public Law 480 program to Bolivia in fiscal year 1973 is estimated at $7 million for title I and $2.7 million for title II, totaling $9.7 million.

Mr. PASSMAN. On page 20 in connection with the access roads Nos. 3 and 7 development loan, I note this loan was authorized on July 25,

1968, and the loan agreement was signed on April 1, 1969, for an amount of $2,400,000. However, it is indicated that not a dime has been disbursed as of yet. Would you please comment on this long delay in disbursements?

Mr. KLEINE. Disbursements under this $2.4 million loan have been delayed because the Government of Bolivia for a time was unable to satisfy a condition precedent to the satisfaction of AID. The condition precedent required that the Government of Bolivia fund the Bolivian National Road Service—road maintenance department—at an adequate level. In spite of its precarious financial position, the Government of Bolivia finally realized the vital importance of the maintenance of its existing roads, and the condition precedent was met during 1971. Since then, the engineering consultant has completed the preparation of design plans and the specifications. We expect the actual construction contract to be let during the month of June 1972.

Mr. PASSMAN. Also on page 20, in connection with the civil air transport development loan, I note this loan was authorized in October 1968, and the loan agreement was signed on December 20, 1968, for a total amount of $2 million. However, as of the present time, only $391,000 has been disbursed. Would you please comment on this long delay in disbursements?

Mr. KLEINE. The delay in disbursements was due to the inability of the Government of Bolivia to contribute the local funds required by the loan agreement, due to their serious fiscal situation. Because of the lack of local finance, contracts on the Santa Cruz and Trinidad Airports could not be signed or allowed to proceed. However, funds have recently been found to permit work to proceed on these two airports. Unfortunately, a serious difficulty has been encountered in the Santa Cruz Airport due to the location of ground water. At present, the engineers are studying whether it will be necessary to relocate the airport on dry ground, or whether the area can be drained of water. All the navigational electronic equipment under this loan has been ordered, and most of it is in the process of being shipped.

Mr. PASSMAN. On page 22, in connection with the rural development project, I note you plan to increase the total estimated cost by $1,992,000 over what was estimated last year. You also indicate that the fiscal year 1972 program will be increased by $186,000 over what was justified last year. Would you please comment on these increases?

Mr. KLEINE. Due to the fairly good progress achieved by the Utah State contract teams, it is expected that the last financial input under this project will take place in fiscal year 1975, 1 year sooner than initially anticipated. In order to achieve this goal, the annual input and the total estimated cost of the project had to be increased by the amount indicated. In addition, increases in the other cost category of the project were necessary due to the fact that administrative expenses such as logistic support of technicians which were previously charged to the trust fund had to be covered by grant funding. Because of the Government of Bolivia's serious fiscal problem, the trust fund covering AID administrative expenses has had to be gradually reduced.

BRAZIL PROGRAM

Mr. PASSMAN. The next country that we will consider will be Brazil, for which the fiscal 1973 estimate is $8,300,000, a decrease of $1,050,000

below the current year program. If I read the statistics correctly on page 16, Brazil is estimated to have a gold and foreign exchange amount of $1,744 million on hand in 1971. I also have read many articles alluding to the large growth of Brazil's economy and how the country is now in a boom. In one article in the New York Times, it was stated that Brazil last week announced to the world at large and to South America in particular that she was in the foreign aid business as a donor and Bolivia was her largest client. If this country's economy is developed and growing at such a rapid pace and Brazil is able to offer foreign aid to less developed countries around her, could you tell us why we are providing her with foreign assistance from the United States?

Mr. KLEINE. Brazil has made a remarkable recovery from the economic conditions which characterized the early years of the 1960's. The pace and scope of that development have been uneven. There are numerous parts of the Brazilian economy which remain as bottlenecks impeding further economic and social development. The AID program for fiscal 1973—at a greatly reduced level from previous years—is designed to improve Brazil's capacity to meet these problems.

It is an appropriate sharing of the donor role when a nation such as Brazil begins to be able to provide assistance to its own less-developed neighbors, even though the level of such assistance is modest. It is a hopeful sign that as Brazil progresses, it intends to assume a larger role as a donor in foreign assistance, even as our assistance to Brazil continues to decline.

Mr. PASSMAN. On page 27, you indicate that some development lending might be needed to facilitate the transfer of U.S. scientific, technological, and managerial expertise in 1973. This still must be in the consideration stage, because I note you do not list a development loan program in 1973 for Brazil.

Mr. KLEINE. AID in Brazil is in continuous discussion with the Brazilians concerning development problems, particularly bottlenecks to progress in the sectors of AID's primary interest: Agriculture, education, health, science and technology, and urban development. We are also in continuous contact with the World Bank, the Inter-American Development Bank, and other assistance agencies about how to assist the Brazilians with solutions to their problems in these areas. If a requirement should arise for scientific, technological, or managerial expertise which can best be provided through AID's bilateral assistance program, we would consider development lending as one method for financing such expertise in fiscal 1973.

Mr. PASSMAN. Could you tell the committee how much the Public Law 480 program will total in fiscal 1973 for Brazil?

Mr. KLEINE. U.S. Public Law 480 title commodities of approximately $22 million in fiscal 1973 will be used for dietary supplements for children through child feeding programs, dietary supplements for underemployed workers and their families through labor intensive public—or private—works programs, and improvement of agricultural development systems through support of feed grain project initiatives. About half of the Public Law 480 title II commodities provided to Brazil are administered by voluntary agencies: Church World Service-Lutheran World Relief and Catholic Relief Services.

Mr. PASSMAN. What will the total outside assistance to Brazil

amount to in fiscal 1973 from all sources, and what part of that will be contributed by the United States only?

Mr. KLEINE. Future multilateral agency support is expected to continue at approximately the 1972 level of $650 to $700 million. The World Bank (IBRD) expects to continue assisting Brazil in a variety of important development sectors. The Inter-American Development Bank (IDB) will continue to concentrate its support in the rural sector, especially in agricultural development. The proposed U.S. bilateral assistance for Brazil in fiscal 1973 consists of: $8.3 million (AID, technical assistance), $21.8 million (Public Law 480, title II), $2.6 million (Peace Corps), $0.9 million (military assistance, grant), and $15 million (foreign military credit sales), totaling $48.6 million.

Mr. PASSMAN. On page 29, in connection with the mineral and water resources development loan, I note this loan was authorized on May 25, 1967, and the loan agreement was signed on November 29, 1967, in an amount of $8,400,000. However, only $1,990,000 has yet been disbursed. Would you please comment on this delay in disbursements?

Mr. KLEINE. This loan was one of USAID–Brazil's first experiences with loan-funded technical assistance projects, and many changes and adjustments proved necessary in the development and implementation of the several subprojects. Specifically, disbursements to date have been slow due to the following:

(*a*) The shift from grant to loan funding resulted in a delay of approximately 1 year in meeting conditions precedent to first disbursement due to borrower's lack of familiarity with loan procedures.

(*b*) The Brazilian Government's reorganization of the responsible implementing agencies, and the Government's changing of technical assistance priorities—for example, opening of the Amazon Valley, search for atomic fuels and new mineral resources and processing procedures, and long-term hydroelectric capability—have resulted in long periods of delay while implementing agencies decided on how best and where to utilize technical assistance. The new focus of the project will be to utilize short-term consultants to assist on specific problems, rather than full-time resident advisers.

As of March 31, 1972, a total of $2.5 million in loan funds has been disbursed and $4.6 million committed. The technical assistance, commodity, and participant training financing provided under this loan are slow disbursement items, and it is not anticipated that the remaining funds available under the loan will disburse rapidly.

Mr. PASSMAN. Are funds considered obligated when the loan is authorized, or when the loan agreement is signed, in the development loan program?

Mr. KLEINE. Development loan funds are considered obligated when the loan is authorized.

Mr. PASSMAN. Would you please explain the need for the increase in contractor technicians in fiscal 1973?

Mr. KLEINE. The number of long-term contract technicians has declined from 68 in fiscal 1971 to a proposed 60 in fiscal 1973.

The number of short-term technicians, however, will increase from 13 in fiscal 1971 to 84 in fiscal 1973. These short-term consultants are required to enable AID to meet Brazil's requests for high-level experts for short periods to supplement their own increasingly sophisticated capabilities.

Mr. PASSMAN. On page 32, in connection with agricultural education project, I note the project has been extended for final obligation by 1 year to fiscal 1973, and the estimated total cost has been increased by $2,017,000 over what was estimated last year. Would you please explain the need for this extension and the increase in total estimated costs.

Mr. KLEINE. The four U.S. university contracts with Arizona, Wisconsin, Purdue, and Ohio State are being extended until December 1973 to permit an orderly and efficient conclusion of the contracts under which the agriculture education project is being performed This will insure that the Brazilians have a better opportunity to maintain the program which has been established in Brazilian universities with AID's assistance. The increase in total cost represents the cost of extending the contracts for 1 year.

Mr. PASSMAN. On page 33, in connection with the higher education project, I noted you plan to increase the estimated total cost by $1,689,000, and the fiscal 1972 program has been increased by $493,000 above what was justified last year. Would you please explain these increases.

Mr. KLEINE. The backbone of AID's technical assistance effort in Brazil has been the participant training program. The increase in costs both for fiscal 1972 and the life of the project are due to a combination of the formerly separate training for regional development project in the northeast, with the regular training program previously programed under this project.

CHILE PROGRAM

Mr. PASSMAN. The next country we will consider is Chile for which the fiscal year 1973 program is $850,000, a decrease of $172,000 below the current year program. As we all have read, the United States and other creditor nations agreed to grant Chile a major degree of credit relief by rescheduling some of her national debt. Could you tell the committee how much Chile owes to the United States at this time?

Mr. KLEINE. Yes; I would be happy to. As of December 31, 1971, the principal outstanding on U.S. Government loans to Chile amounted to $888 million. The breakdown by agency was as follows:

	Millions
AID	$496.8
Export-Import Bank	333.2
Department of Agriculture	45.2
Department of Defense	12.6
Total	887.8

The figures have not changed significantly since that time.

Mr. PASSMAN. How much did the United States agree to reschedule for Chile in her outstanding loans?

Mr. KLEINE. In the multilateral agreement which was arrived at on April 19, 1972, the United States and the other major creditor countries agreed to reschedule 70 percent of the interest and principal repayments falling due from November 1, 1971, through December 31, 1972. Repayments which had previously been rescheduled in 1965 or under loans with amortization periods of 40 years or more were excluded from the rescheduling.

About $97 million in repayments to U.S. Government agencies will accordingly be eligible for rescheduling. Thus, about $68 million, or

70 percent is expected to be rescheduled pursuant to planned U.S.-Chilean negotiations in implementation of the multilateral agreement.

Mr. PASSMAN. Why did we reschedule the loans made to Chile by the United States when we are presently faced with the large nationalizations of U.S. property in that country?

Mr. KLEINE. The multilateral negotiations began in February 1972, after President Allende announced on November 9, 1971, that Chile would seek a rescheduling of its debt service payments. On November 11, 1971, Chile suspended all payments on its foreign debt. Thus, the U.S. Government agreed to participate in the negotiations in order to secure payment, on a current basis, of as much as possible of the amount due from Chile, and to obtain timely repayment of the remainder. In addition, we sought to obtain assurances that other repayment obligations of the Chilean Government, including those to foreign private corporations, would be fulfilled. As I mentioned previously, the multilateral agreement which was reached on April 19, 1972, calls for the repayment, according to original schedules, of 30 percent of the principal and interest falling due from November 1, 1971, through December 31, 1972, with the remainder to be rescheduled for payment over an 8-year period. In addition, the agreement includes express undertakings on the part of the Chilean Government (1) to recognize and to repay all of its external public debt, whether owed to governments or to private corporations, and (2) in cases of nationalization, to grant just compensation in accordance with Chilean legislation and international law. The agreement further contemplates bilateral negotiation on compensation.

I might add that while the creditors agreed to reschedule repayments falling due over a 14-month period, the Chileans originally requested a rescheduling of payments falling due during a 38-month period extending through December 31, 1974. The rescheduling of any additional payments will take place only after the creditors have reviewed, in December 1972, the financial and economic conditions in Chile as of that time and the fulfillment of all of the commitments contained in the multilateral agreement.

CHILE NATIONALIZATION

Mr. PASSMAN. Would you please tell the Committee briefly what the present situation is in Chile concerning the nationalization of U.S. private investment?

Mr. KLEINE. As part of its policy of expanding the public sector of the economy, the Chilean Government has taken over all or part of the interests of a number of privately owned enterprises, including U.S. companies. In several of these cases, such as with Du Pont, RCA, Bethlehem Steel, the First National City Bank, and the Bank of America, agreements have been sought and arrived at with the U.S. companies affected. Other cases involving U.S. companies are still pending. The major cases still pending are with the Anaconda, Kennecott, and Cerro copper companies, and the International Telephone and Telegraph Co.

The equity interests of the Anaconda, Kennecott, and Cerro companies in five major copper mines were expropriated under a constitutional amendment which took effect on July 16, 1971. On October 11 the Controller General of Chile announced his finding that no com-

pensation would be paid to the companies except for modest amounts in the cases of two of the smaller mines. The copper companies are currently appealing this finding to a special tribunal created for that purpose.

On October 1, 1971, an inventor selected by the Chilean Government took over management control of the Chile Telephone Co., in which the International Telephone & Telegraph company has a 70 percent interest. Negotiations had begun before that date for the purchase by the Chilean Government of ITT's interest in Chiltelco. We understand that no meetings have taken place, however, since late March. On May 12, 1972, President Allende proposed a law to terminate the concession of Chiltelco, and a constitutional amendment to nationalize the assets of Chiltelco. As proposed in the constitutional amendment, the Controller General of Chile would be responsible for determining the amount of payment for these assets. The Comptroller General's finding would be appealable to a special tribunal.

AID BEING PROVIDED TO CHILE

Mr. PASSMAN. What is the present U.S. policy towards Chile concerning the furnishing of new U.S. aid to Chile and the disbursing of funds presently in the pipeline?

Mr. KLEINE. We are not undertaking any new activities in Chile. We are providing a limited amount of technical assistance for our people-to-people activities in Chile, which have been underway for several years. No AID loans to Chile have been signed since April 1970 and no new loans are planned. A small amount of disbursements is currently taking place under the loans which were signed in previous years.

Mr. PASSMAN. What programs are being continued to Chile?

Mr. KLEINE. The people-to-people activities which are being continued are for training in the United States and other countries, for partial financing of small-scale community development projects, and for food shipments under title II of Public Law 480. Under the loan program, the undisbursed balance as of February 29, 1972, was $17.8 million. Terminal disbursement dates and other terminal dates currently are expired for $15.1 million of this amount. Thus, the active pipeline at the present time is about $2.7 million. Current disbursements taking place under this pipeline are for certain service contracts which were begun in previous years. The amount to be disbursed under these contracts is about $450,000. The remaining $2.2 million of the pipeline has not been committed to specific activities.

Mr. PASSMAN. What funds are programed for Chile in fiscal year 1973 including all spigots?

Mr. KLEINE. $850,000 of AID technical assistance funds are programed for Chile in fiscal year 1973 to finance staff costs, which are steadily being reduced, and the people-to-people activities which we plan to continue. No new AID loan funds are programed for fiscal year 1973. Another people-to-people activity, the food for peace program under title II of Public Law 480, is projected at $4.9 million in fiscal year 1973. The Peace Corps has not finalized its programed level for Chile in fiscal year 1973, but the level is expected to be in the neighborhood of $418,000.

With respect to military assistance, $1,114,000 in MAP grants are programed for Chile in fiscal year 1973. Under the foreign military sales program $5 million of credits are projected for fiscal year 1973.

Mr. PASSMAN. What amount of funds are presently in the pipeline, undisbursed for Chile including all sources?

Mr. KLEINE. With respect to AID loans, I mentioned previously that while the undisbursed balance as of February 29 was $17.8 million, terminal disbursement dates and other terminal dates currently are expired for $15.1 million of this amount. Thus, the active pipeline is about $2.7 million. As I stated earlier, the disbursements currently taking place under this pipeline are for certain service contracts, and the amount to be disbursed for these contracts is about $450,000.

Under the AID grant program the unexpended balance as of March 31, 1972, was $640,000. This consisted of unexpended obligations for: (1) staff costs and continuing people-to-people activities, (2) activities funded in previous years which are not yet completed, and (3) terminated activities where the final accounting must still be completed.

All food shipments to be made under the fiscal year 1972 Public Law 480, title II program have been called forward.

Mr. PASSMAN. Is there a possibility that Chile will not honor its loan commitments to the United States?

Mr. KLEINE. The memorandum of understanding providing for the rescheduling of Chile's external debt for 1972, which, as I mentioned earlier, was agreed to by Chile and the representatives of the major creditor countries at the Paris Club meeting of April 19, 1972, includes a declaration that it is the decision of the Chilean Government to recognize and to repay all of its external public debt, whether owed to governments or to private corporations. This declaration is, of course, applicable to debts owed to U.S. Government agencies.

Mr. PASSMAN. How does the Chile situation at the present time compare to what happened in Cuba under Castro?

Mr. KLEINE. While comparisons inevitably get made, the situation in Chile is continuing to develop and many questions remain to be answered. What we are focusing on are specific U.S. interests in Chile—how they are being affected and how they can be most intelligently and effectively protected.

Mr. PASSMAN. Are the international financial institutions continuing to make new loans and disbursing funds to Chile?

Mr. KLEINE. The most recent loans by international financial institutions to Chile were approved by the Inter-American Development Bank in January 1971 to expand two Chilean universities. Since then, no new loans to Chile have been submitted for approval by the executibe boards of either IDB or the IBRD. As far as I know, these institutions are continuing disbursements to Chile under existing loans.

Mr. PASSMAN. What is the United States going to do in the case of Chile to show the rest of the world that the seizing of U.S. private property cannot be done unless proper compensation is received?

Mr. KLEINE. On October 13, 1971, Secretary Rogers stated that the U.S. Government was "deeply disappointed and disturbed" by the Chilean decision that in effect no compensation would be paid for the larger copper properties which had been expropriated earlier that

year. This decision, which is currently being appealed by the affected U.S. copper companies, is a serious departure from accepted standards of international law. We have made clear to the Chilean Government that while we acknowledge the right of any sovereign state to expropriate property on a nondiscriminatory basis, investors have an equally valid right under international law to prompt, adequate, and effective compensation. We continue to hope that the Chilean Government will give further careful consideration to this matter, and to other cases which are still pending, so that reasonable and pragmatic solutions may be found which are consistent with international law.

NATURALIZATION SITUATION

Mr. PASSMAN. How are the negotiations progressing with regard to the nationalization situation in Chile?

Mr. KLEINE. As I've mentioned, the U.S. copper companies currently are appealing the Chilean decision that, in effect, no compensation would be paid for the larger copper properties expropriated last July. Negotiations had been underway concerning ITT's interests in the Chile Telephone Co., but we understand that meetings have not taken place since the latter part of March 1972. Recently President Allende proposed a constitutional amendment to nationalize the assets of Chiltelco. According to the proposed amendment, and as was the case with the copper mines, payment would be determined by the Controller General of Chile, whose decision would be appealable to a special tribunal.

Mr. PASSMAN. Is it not true that Chile used to be one of AID's showcase countries where the United States has poured in millions of dollars of assistance to show the world what can be done in these countries?

Mr. KLEINE. Chile was a major recipient of AID assistance in the mid-1960's during the early part of President Frei's six-year term. This was a result of Chile's need for balance of payments and other types of assistance, and its ability to develop programs to utilize this assistance which were consistent with its own social and economic objectives as well as those of the Alliance for Progress. In the late 1960's, however, the need for assistance was reduced, in part because of the high level of assistance which had already been provided and also because of high copper prices which increased Chile's export earnings and improved its balance of payments position. Thus, AID assistance averaged under $25 million annually in the last four years that the Frei administration was in office, and only one loan of $2.5 million was signed after October 1968.

Mr. PASSMAN. What major U.S. companies are presently involved in the nationalization question in Chile?

Mr. KLEINE. The major companies are the Anaconda Co., the Kennecott Copper Corp., the Cerro Corp., and the International Telephone and Telegraph Co.

Mr. PASSMAN. What is the total contingent liability facing the United States from companies which were or may be nationalized in Chile?

Mr. KLEINE. We assume this question relates to companies insured against expropriation by OPIC. As of May 31, OPIC's current expropriation exposure in Chile will be $297 million. There figures do not include coverages under contracts with the Anaconda Co. totaling $247 million which OPIC considers no longer in effect.

PUBLIC LAW 480 PROGRAM

Mr. PASSMAN. Would you please list for the record the total Public Law 480 program for fiscal year 1973?

Mr. KLEINE. The fiscal year 1973 public law 480 program for Chile, all of which is to be provided under title II, is projected at $4.86 million. This is down slightly from the fiscal year 1972 estimate of $5.86 million. Most of the assistance is to be provided through four U.S. Voluntary Agencies operating in Chile—CARE, Catholic Relief Services, the World Relief Commission, and the Seventh-Day Adventist Welfare Service—although a small amount is projected through the U.N. World Food Program.

Mr. PASSMAN. On page 40 I note that you plan to only have three U.S. technicians in Chile in fiscal year 1973. Does this mean that we're actually going to scale out our entire operation at some future date?

Mr. KLEINE. As stated in the congressional presentation, we plan to reduce the number of U.S. program-funded technicians in Chile to three by the end of fiscal year 1973. We believe that these technicians, along with the Controller, financed with Administrative funds, the Acting Mission Director, who is a State Department employee, and, if necessary, other U.S. employees on temporary duty, will be capable of administering our reduced people-to-people program in Chile. We have no intention at present of eliminating our program in Chile. Instead, we are phasing down the program, in accord with our limited AID objectives in Chile at the present time.

COLOMBIA PROGRAM

Mr PASSMAN. The next country that we will examine will be Colombia for which the fiscal year 1973 estimate is $78,600,000, a decrease of $12,930,000 below the current fiscal year program. If I'm not mistaken in last year's justifications you indicated that the fiscal year 1972 program would amount to $78,010,000, however, this year I note the fiscal year 1972 program was increased to $91,530,000. Would you please explain to the committee why this program was increased by such a large amount over what was justified to the committee last year?

Mr. KLEINE. The major reason for the increase in the fiscal year 1972 program level is a $13 million increase in development lending, from $75 million to $88 million. The $13 million increase represents an estimated additional $3 million in the agricultural sector loan for credit to small farmers and $10 mllion for the urban-regional sector loan to finance low-income housing construction. AID lending in Colombia in fiscal year 1972 is in the form of sector loans which are associated with the Government's own self-help efforts. Final amounts to be allocated for each sector are determined after joint AID-Colombian assessment of needs and recent progress in a particular sector. The increase in the planned loan amounts is expected as a result of considerable progress in both self-help efforts and in drawing down previously authorized loans.

Mr. PASSMAN. What is the total fiscal year 1973 Public Law 480 program for Colombia?

Mr. KLEINE. $21,730,000.

Mr. PASSMAN. On page 44, you indicate that assistance to Colombia is provided in the context of a consultative group. You go on to indicate that large amounts are being provided by the World Bank

and the Inter-American Development Bank to Colombia. Is it not true that the United States contributes a large amount to both of these institutions; in fact, it contributes the largest amount, is that not correct?

Mr. KLEINE. That is correct. The United States is the largest single contributor to both institutions.

Mr. PASSMAN. On page 45, you indicate that a loan may also be needed to help finance a plan which would mobilize savings by raising the interest paid to savers. Why in the world is the United States getting involved in raising interest rates so that the people will save more money?

Mr. KLEINE. The thrust of our assistance will be to develop a system of savings and loan associations to mobilize savings to help finance the massive housing needs of the country. To have long-range success the system must be in a position to attract savings deposits from individuals.

Mr. PASSMAN. On page 46 you indicate that a new technical assistance activity proposed for fiscal year 1973 will represent a significant departure from the methods which AID has traditionally used in providing technical assistance. Would you please explain this new significant departure from the former method of providing assistance?

Mr. KLEINE. Traditionally, AID has provided technical assistance through AID procurement of technical services and training requested by the host government. Under the new arrangement, we would provide a direct grant to the Government of Colombia and the government would assume the responsibility for obtaining these services.

Mr. PASSMAN. You indicate that we are going to just turn technical assistance funds over to the Colombian Government and let them assume the responsibility of the program. If this is the case, how are we going to audit the United States funds to insure their effective use?

Mr. KLEINE. In the first place, all contracts and training agreements undertaken by the Colombians will be subject to prior AID approval. In the second place, the grant agreement will specify that AID shall have the right to inspect and audit the records and accounts with respect to the use of the grant funds.

Mr. PASSMAN. On page 48 in connection with the slaughterhouse development loan I note you authorized this loan on June 30, 1969, and the loan agreement was signed on June 11, 1970, for an amount of $2,100,000. However, I note at this point you have only disbursed $39,000. Would you please comment on this delay in disbursements?

Mr. KLEINE. One of the conditions precedent for the loan was to execute a contract for consultant services to assist the Colombian Livestock Bank in evaluating feasibility studies and designs for new slaughterhouses. There were problems in getting the contract signed. By December 1971 the Livestock Bank had approved one subloan amounting to $700,000 for a slaughterhouse; another subloan for $1.2 million is under review. We expect disbursements to begin shortly on the first subloan. The $39,000 disbursed to date has been for U.S. consultant services.

Mr. PASSMAN. I note on page 51 in connection with a new project called assistance to legislative development that the purpose of this project will be to help the Colombian Congress establish an effective staff support organization for its legislative proceedings. You go on

to indicate that improved staff support will include modern systems of bill tracking, classification, recordkeeping, and enlarged legislative reference facilities. Could you please tell the committee how this project has the remotest relationship to the development of the people of Colombia?

Mr. KLEINE. More effective staff support to busy legislators should help make possible legislation which is more responsive to the needs of the people.

Mr. PASSMAN. On page 53 in connection with the demographic research project I note you plan to extend the final date of obligation by 1 year to fiscal year 1975 and you are going to increase the estimated total cost by $521,000 above last year's estimate. It is also indicated that you plan to increase the fiscal year 1972 program by $170,000 above what was justified to the committee last year. Would you please comment on this situation?

Mr. KLEINE. We plan to extend the final obligation date because the Government of Colombia is devoting increasing attention to this important field. Increased funding is for extension of the university contract which assists in demographic research and for increased training of Colombians. The fiscal year 1972 program will be increased from what was justified to the committee last year because the scope of field observations and surveys under the university contract was expanded, and training opportunities for Colombians in fields related to population growth problems were increased.

DOMINICAN REPUBLIC

Mr. PASSMAN. The next country we will examine is the Dominican Republic for which the fiscal year 1973 estimate is $11,600,000, an increase of $4,785,000 above the current year program. On page 55 you indicate that several Dominican crops face external quota barriers. Would you please explain what crops you are talking about?

Mr. KLEINE. Yes, sir. The principal reference is to sugar, on which the Dominican Republic is dependent for approximately 60 percent of its export earnings. Its second largest agricultural export is coffee which is subject to an international quota. Dominican meat exports to the United States are also regulated by a quota system.

Mr. PASSMAN. Would you please indicate for the record the total Public Law 480 program estimated for fiscal year 1973?

Mr. KLEINE. The fiscal year 1973 Public Law 480 program is estimated at $17.7 million, somewhat less than in the current fiscal year. Approximately two-thirds of this amount is projected under the sales program.

Mr. PASSMAN. You indicate that the U.S. Government assistance is declining in relation to that of other donors and you go on to list that the Inter-American Development Bank and the World Bank have increased their contributions to the Dominican Republic. Is it not true that the United States is the major contributor to both of these organizations?

Mr. KLEINE. Yes, sir. That is correct.

Mr. PASSMAN. So, instead of the U.S. assistance declining we are actually probably increasing it when you consider our contributions to all these multilateral organizations. Is that not correct?

Mr. KLEINE. Under some circumstances, that might happen, yes, sir. That result would obtain, however, only in those instances in which the sum total of U.S. plus multilateral assistance exceeded previous U.S. only assistance by a given factor. That is not the current situation relative to the Dominican Republic. In this instance, total new assistance from all sources is somewhat less than the annual average during 1965–69, while the source is progressively shifting from bilateral to multilateral agencies. I might add that the one Inter-American Development Bank loan authorized to date this year for the Dominican Republic was made entirely in Canadian dollars. Thus, in the case of the Dominican Republic at least, U.S. assistance is declining, even allowing for indirect assistance.

Mr. PASSMAN. On page 57 in connection with the private development finance company development loan I note you authorized the loan on June 21, 1967, but the loan agreement was not signed until May 28, 1968. Would you please explain this long delay between the authorization of the loan and the actual signing of the agreement?

Mr. KLEINE. Certainly, sir. The purpose of this AID loan was the creation of a private development banking institution in the Dominican Republic as well as to contribute toward its initial capitalization. The delay in signing this loan was occasioned by the processing of the documentation legally incorporating this institution.

Mr. PASSMAN. On page 59 in connection with the agriculture development support project I note you plan to increase the estimated total cost by $1,281,000 above what was estimated last year. Would you please comment on this increase?

Mr. KLEINE. I would be happy to do so, sir. Earlier this year, the Dominican Government completed an ambitious national plan for Agricultural Development designed to substantially increase agricultural productivity and to improve the welfare of the rural people. We have therefore projected an extension of our technical assistance through the Texas A. & M. University contract and U.S. Department of Agriculture to assist Dominican institutions in the refinement of the plan and in its implementation.

ECUADOR

Mr. PASSMAN. The next country we will consider is Ecuador for which the fiscal year 1973 estimate is $14,543,000, an increase of $9,947,000 above the current fiscal year program. Could you tell the committee the current situation with regard to the seizing of fishing vessels by the Ecuadorean Government?

Mr. KLEINE. The last seizure of a U.S. tuna vessel by Ecuador occurred on February 5, 1972. Seizures are the result of differences between the United States and Ecuador on the related issues of the proper breadth of the territorial sea and coastal state rights over waters off its coasts beyond the territorial sea. Ecuador claims jurisdiction over 200 miles of sea, the United States recognizes only 12 miles for purposes of fishing. As long as this issue is not resolved—and we hope it will be at a 1973 Law of the Sea Conference—our differences provide the ingredients for seizures. We would like to find a basis for ending the seizures under some interim—pending the 1973 conference—arrangement, but to date we have not been able to do so.

78-827 O - 72 - pt. 2 - 70

Mr. PASSMAN. Is it not true that we still are providing aid to Ecuador?

Mr. KLEINE. That is true. We are continuing our technical assistance, population, and Public Law 480 programs to Ecuador and continue to meet our commitments under existing loans.

Mr. PASSMAN. As you know, in last year's appropriation bill under section 113 we prohibited any appropriations contained in the act to be used for assistance to Ecuador unless assistance is important to the national interest of the United States. I note on March 9 the Secretary of State made a determination that he thought this assistance was important to the United States and therefore waived the provision placed in the foreign assistance appropriation bill of 1972. Would you explain how this aid to Ecuador is considered in the national interest of the United States?

Mr. KLEINE. I will be happy to. The Secretary determined that continuing assistance to Ecuador is important to the U.S. national interest for the following reasons:

1. Termination of assistance to Ecuador would not assist in resolving the several issues on which our two governments are in disagreement. To the contrary, such action would seriously reduce the possibility of reaching a negotiated settlement of these issues.

2. Termination of assistance to Ecuador would adversely affect other important U.S. interests in our relations with that country.

3. Termination of assistance to Ecuador could prejudice a broad range of U.S. interests in other countries of the Western Hemisphere.

4. Because of the effects outside Ecuador, the prospects for the successful negotiation of an acceptable convention on law of the sea next year could be reduced.

Mr. PASSMAN. On page 61 you indicate that oil reserves have been discovered in the eastern region of Ecuador. Is it your estimation that if these oil reserves turn out to be large deposits, then the United States will be able to terminate its assistance to this country?

Mr. KLEINE. Although it is too early to accurately estimate either the extent of the petroleum deposits or the amount of oil revenues that will accrue to the Government, we anticipate that, in fiscal year 1974 and beyond, as Ecuadorean resources increase U.S. bilateral lending will decline.

Mr. PASSMAN. Would you please indicate for the record the total Public Law 480 program for Ecuador in fiscal year 1973?

Mr. KLEINE. The proposed fiscal year 1973 Public Law 480 program for Ecuador totals $4,889,000.

Mr. PASSMAN. On page 63 in connection with the second cooperative bank development loan I note this loan was authorized on June 30, 1969, and the loan agreement was signed on January 20, 1970, for an amount of $1,200,000, but at the present time no funds have been disbursed. Would you please explain this long delay in disbursements?

Mr. KLEINE. A series of management changes, which have now ceased, within the cooperative bank has delayed implementation of this loan by about 1 year. We anticipate that 50 percent of the loan will be disbursed by the end of this year, and the remainder by the end of 1973. A letter of commitment for $600,000 has been opened and letters of credit for over $200,000 have been issued.

Mr. PASSMAN. On page 63 I note that out of 11 development loans that have been authorized eight of those loans were authorized in the last 10 days of the fiscal year involved. Would you please explain why it is necessary to wait until the very end of the fiscal year to obligate these funds?

Mr. KLEINE. There is a tendency to have loan reviews and authorizations concentrated in the last quarter of the fiscal year. This is caused by the Ecuadorean budget submission and approval cycle as well as the January-February vacation break during which time it is difficult to engage in effective planning and negotiation. Further, AID country field submission and congressional presentation cycles began in December and January and carry over into March or April. The preparation of this material normally involves loan officers, program officers, and economists, the same people usually involved in the development and negotiations of loan programs and drafting of loan papers.

Mr. PASSMAN. On page 66 in connection with the human resources development project, I note you plan to increase the estimated total cost by $1,422,000 and the fiscal year 1972 program is estimated to be increased by $272,000 above what was justified last year. Would you please comment on these increases?

Mr. KLEINE. Let me first address the increase in the fiscal year 1972 program. At the request of the Government of Ecuador we have extended the University of New Mexico primary education textbook project for 3 years, in order to complete textbooks in mathematics, science, and reading for grades 4, 5, and 6 and to undertake a program to train teachers in the use of the new texts—fiscal year 1972 increase of $181,000. The ongoing nonformal education subproject has been expanded to four more rural communities and a new contract was signed with the University of Massachusetts to implement this program—increase of $91,000 in fiscal year 1972. Turning to the proposed increase in the estimated total cost of the project, this has occurred for the following reasons: (1) extension of University of New Mexico textbook program for 3 years—$700,000; (2) expansion of the nonformal education program coupled with the shift to contract implementation—$363,000; (3) initiation of a new 3-year manpower training activity in fiscal year 1973 to provide training opportunities in the United States and third countries for midlevel public and private technicians and administrators—$260,000; and (4) the addition of a direct-hire deputy education adviser to the staff for the final 3 years of the project—$99,000.

Mr. PASSMAN. On page 68 in connection with the social and civic development project I note you plan to hire two contractors for $96,000 in fiscal year 1973. Would you please explain the large cost per contractor?

Mr. KLEINE. The cost per contractor breaks down as follows:

Salary	$21,300
Overhead	12,400
Benefits	5,000
Allowances	4,600
Travel and transportation	4,700
Total	48,000

Guyana Program

Mr. Passman. The next country we will examine is Guyana, for which the fiscal year 1973 estimate is $10,100,000, a decrease of $2,400,000 below the current year program. I note in last year's justifications you indicated that the fiscal year 1972 program would amount to $4,690,000 but in this year's justifications you state that $12,500,000 was allocated for the current fiscal year. Would you please explain to the committee why this amount was increased by such a large sum over what was justified to the Congress last year?

Mr. Kleine. An $8,900,000 transportation loan for the improvement of the Georgetown approaches and main city arteries, planned for fiscal year 1971 was not authorized until September 30, 1971. This delay in loan authorization resulted in the subsequent increase in the fiscal year 1972 allotment over the prior year projection for fiscal year 1972.

Mr. Passman. Would you please indicate for the record the total Public Law 480 program to Guyana in fiscal year 1972?

Mr. Kleine. Yes, sir. The total estimated Public Law 480 programs for Guyana for fiscal year 1973 is proposed at approximately $1,780,000—market value. Of this amount, $180,000 is proposed for title II activities and $1,600,000 is projected for title I sales agreements.

Mr. Passman. On page 73 in connection with the feasibility and prefeasibility studies development loan, I note you authorized this loan on June 30, 1969, and the loan agreement was signed on August 16, 1969, in the amount of $2,500,000, but as of the present time no funds have been disbursed. Would you please comment on this long delay in disbursements?

Mr. Kleine. The Government of Guyana is primarily responsible for the long initial delay in commencing activity under this loan, mainly because of the Government's inability to solidify, on a timely basis, its own goal priorities under the pending 5-year plan. However, there are recent indications that the Government of Guyana is making progress on determining its priority needs and letters of commitment has been signed totaling $700,100 mainly for land development studies to be financed under the AID loan. As of April 30, 1972, accrued expenditures totaled $150,000. Additionally, the Government of Guyana is presently in the process of negotiating a contract for a water feasibility study in the amount of approximately $192,000 and is awaiting AID approval for a scope of work for a river crossing study estimated to cost $200,000. The USAID/Guyana Mission informs us that the Government of Guyana is on the final formulation stages of nine studies it wishes to be undertaken with loan funds.

Mr. Passman. On page 74 in connection with the general training project I note you plan to increase the fiscal year 1972 program by $180,000 above what was justified last year. Would you please comment on this increase?

Mr. Kleine. This increase can be attributed largely to the shift in funding participants originally planned to be provided under the diversification and development of agriculture project, into the general training project. The 1972 allocation to the participant training segment of the diversification and development of agriculture reflects a reduction of $176,000 from the amount originally projected in last year's request for fiscal year 1972 funds.

Mr. PASSMAN. I note in a newspaper article for the Evening Star that the Peoples Republic of China granted Guyana a loan without interest. Has the Peoples Republic of China provided this type of loan to any other country in Latin America?

Mr. KLEINE. Yes, sir. In 1971 the Peoples Republic of China extended interest-free loans to Chile and Peru.

HAITI

Mr. PASSMAN. The next country we will consider is Haiti for which the fiscal year 1973 estimate is $6 million, an increase of $3,040,000 over the current fiscal year 1972 program. Do we plan to provide Public Law 480 commodities to Haiti in fiscal year 1973?

Mr. KLEINE. We do not contemplate a Public Law 480, title I program for Haiti at this time. Title II humanitarian feeding and food for work assistance has been extended to Haiti for several years under the aegis of CARE, CRS, and CWS. In food commodities, $1,251,000 are proposed for this program in fiscal year 1973, the same level as in fiscal year 1972.

Mr. PASSMAN. You indicated that AID is going to undertake a few pilot projects related mainly to agricultural development. What do you mean by pilot projects?

Mr. KLEINE. By pilot projects we mean limited scope, discrete, if you will, test projects designed to determine the most effective means for increasing agricultural productivity and improving rural welfare in Haiti.

JAMAICA

Mr. PASSMAN. The next country we will consider will be Jamaica, for which the fiscal year 1973 estimate is $10,849,000, an increase of $9,631,000 over the current fiscal year program. If I'm not mistaken Jamaica used to be a possession of the United Kingdom and in fact now a Governor General representing the British Crown is presently located in Jamaica. Is that not correct?

Mr. KLEINE. Yes, Jamaica was a United Kingdom colony but has been independent now since 1962 under a system of parliamentary democracy. It has a Governor General whose responsibilities are primarily ceremonial. The elected head of government is the Prime Minister.

Mr. PASSMAN. If that is the case, why are we providing assistance to Jamaica when actually the United Kingdom should be taking care of this country?

Mr. KLEINE. The United Kingdom does provide assistance to Jamaica. However, Jamaica is a close and friendly neighbor of the United States, and we also have significant interest in its development. Since Jamaican independence 10 years ago, the United States has replaced the United Kingdom as Jamaica's major trading partner and both the United States and Jamaica have benefited from U.S. investment there. In this regard, in 1971 over one-half of Jamaica's imports came from the United States—more than from the United Kingdom and Canada combined—and the United States was Jamaica's major export market. The United States obtained from Jamaica about 60 percent of its bauxite/alumina imports, which are required for

production of aluminum. In addition, Jamaica is a haven for approximately a half million U.S. tourists a year. Jamaica has made considerable progress over the past decade but still has a very high unemployment rate, difficult agricultural and education problems, and a serious shortage of adequate housing. We have encouraged the United Kingdom and other multilateral and bilateral donors to assist Jamaica, but we strongly believe the United States should also be willing to assist Jamaica address its problems.

Mr. PASSMAN. How much aid is the United Kingdom providing to Jamaica in fiscal year 1973?

Mr. KLEINE. The United Kingdom continues to provide sizable assistance in the form of preferential pricing arrangements for Jamaican sugar, bananas, and citrus. In addition the United Kingdom provides direct loan assistance of some several million dollars a year and a variety of technical assistance inputs, the United Kingdom's Commonwealth Development Corporation has investments in Jamaica of approximately $50 million.

Mr. PASSMAN. What is the total Public Law 480 program estimated for Jamaica in fiscal year 1973?

Mr. KLEINE. The Public Law 480 assistance to Jamaica is largely for school luncheon programs and maternal child welfare. The largest segment of this title II effort is under a government-to-government program of about $4 million for the fiscal years 1972 and 1973. In addition the Catholic Relief Service Voluntary Agency has a program in fiscal 1973 amounting to $450,000.

Mr. PASSMAN. What additional U.S. foreign assistance programs do we have going in Jamaica at the present time?

Mr. KLEINE. We have the housing guarantee program, the U.S. Peace Corp operation, and the OPIC program.

PANAMA

Mr. PASSMAN. You indicate that Panama has a relatively high external debt service burden at the present time. Would you please tell the committee how much Panama currently owes the United States?

Mr. KLEINE. The accumulated debt of the Panamian public sector to the U.S. Government (AID, Export-Import Bank, and Panama Canal Company) outstanding as of March 31, 1972, was $78,047,395.

Mr. PASSMAN. You also indicate that political instability and/or uncertainty over canal treaty negotiations may have harmful effects on the business climate. Would you please explain this statement?

Mr. KLEINE. Panama has experienced a healthy growth pattern over the past decade. This pattern was disrupted in 1964 in the wake of riots near the Canal Zone and in 1968 after disturbances in Panama City occasioned by a political campaign. On both occasions, these developments triggered some capital flight and for a time adversely affected business confidence as well as overall growth. As you know, negotiations are currently underway between the United States and Panama to revise the 1903 Canal Treaty. The canal issue has long been a source of tension and occasional conflict between our two countries and constitutes the most important domestic as well as foreign policy issue for Panama. The progress of these negotiations is being carefully watched by the Panamian business community as well as international

investors and lenders. Failure to achieve a satisfactory outcome could likewise be expected to produce undesirable effects on the business climate.

Mr. PASSMAN. Would you please tell the committee what the Public Law 480 program is estimated to be in fiscal year 1973 in Panama?

Mr. KLEINE. A title II program having a market value of $1,080,000 is planned for fiscal year 1973.

Mr. PASSMAN. What is the total amount of housing guarantees that will be provided to Panama in fiscal year 1973?

Mr. KLEINE. We estimate that a $9 million housing guaranty will be provided to Panama during fiscal year 1973.

Mr. PASSMAN. On page 94 in connection with the Panama City water development loan, I note that you authorized this loan on June 18, 1968, and the loan agreement was signed on May 6, 1969, in the amount of $20 million. However, at the present time only $856,000 has been disbursed. Would you please tell the committee the reason for this long delay in disbursements?

Mr. KLEINE. Yes, sir. A $15-million Panama City water development loan was originally signed on May 6, 1969. The original project estimate was $23 million, of which the Government of Panama was to subscribe $8 million. Upon completion of the preliminary design report late in 1970, a more current project estimate of $28,600,000 was received from the consulting engineers. After the resulting project review and negotiations, the AID loan was increased by $5 million to $20 million on September 30, 1971. Panama has agreed to increase its contribution to cover all additional project costs. At present, I am pleased to report that contract bids have been solicited, reviewed and, in late April, awards totaling over $28 million were made. It is anticipated that work will begin late in the current calendar year and be completed early in calendar year 1974.

Mr. PASSMAN. On page 94 in connection with the Development Administration development loan which was authorized on June 30, 1969, in the amount of $3,700,000, I note that no disbursements have yet been made. Would you please comment on this long delay in disbursements?

Mr. KLEINE. Implementation of this loan, designed to provide technical assistance to help implement a reform of Panama's public administration, has been delayed due to internal Panamanian problems regarding overall direction of the reform and the specific tasks for which loan-financed technical assistance will be requested. Since the loan was signed, however, Panamanian officials have continued to emphasize the importance they place on using this loan to help reform the central government. There are indications that Panama has resolved these problems and is ready to move ahead with the reform. We are following the situation closely and have advised the Government of Panama that we will deobligate the loan if there is no progress reported by the end of July 1972.

Mr. PASSMAN. On page 95 in connection with the agriculture development project, I note you have increased the estimated total cost by $379,000 and the fiscal year 1972 program is estimated to be increased by $44,000 above what was justified last year. Would you please comment on these increases?

Mr. KLEINE. Additional costs to completion and in fiscal year 1972 result from additional technical assistance—from the U.S. Department of Agriculture and private contractors—necessary to assist the Government of Panama to complete during fiscal year 1973 the ongoing agriculture sector analysis and 5-year plan, and to provide additional technical assistance in fiscal year 1973 in cooperative agricultural education.

PARAGUAY PROGRAM

Mr. PASSMAN. Would you please indicate for the committee the total Public Law 480 program estimated for fiscal year 1973?

Mr. KLEINE. At the present time, we are contemplating a $1.6 million title I agreement to finance the import of about 25,000 metric tons of wheat. Also contemplated is a $1.2 million title II program to supply food for child feeding programs.

Mr. PASSMAN. On page 98 you state a $2.5 million AID loan is proposed for Paraguay's only private development bank. Do we just turn this money over to the bank and they in turn invest the money in any way they see fit?

If that is the case, how does the United States insure that its funds are not being reloaned at excessive interest rates?

Mr. KLEINE. The AID loan is disbursed by the private development bank for projects which meet development banking criteria. As with all AID loans to intermediate credit institutions, this project is carefully structured to meet specific development objectives and will be subject to overall AID supervision. For example, the maximum permissible interest rates on subloans is 10–12 percent as compared to the prevailing rate of about 20 percent. Also, there are strict limitations on the dividends the bank can pay to their shareholders, and AID approval must be obtained for large subloans.

Mr. PASSMAN. On page 99 in connection with the Brazil road rehabilitation development loan I note this loan was signed on January 6, 1967, for an amount of $4,680,000 but at the present time only $171,000 has been disbursed. Would you please explain this long delay in disbursements?

Mr. KLEINE. The implementation of the project was initially delayed because of the borrower's difficulties in complying with the conditions precedent to disbursement, particularly the implementation of a highway maintenance plan, and with a problem in agreeing on highway construction specifications. The call for bids in July 1969 brought only one U.S. bid which was noncompetitive and exceeded the funds available. In March 1970 the loan was united under the President's policy to permit procurement from most Western Hemisphere countries, and new bids were opened in September 1970. However, the project was further delayed pending the resolution of difficulties between AID and the GOP concerning the award of the construction contract. The GOP had indicated a preference for the second lowest bidder whereas AID insisted on selection of the lowest bidder since it had been prequalified and the GOP could show no reason to question its continued qualification. The different was resolved in late December 1971 by the GOP's accepting the lowest bidder. The contractor is now in place and construction will begin soon.

Mr. PASSMAN. On page 99 in connection with the Private Development Bank development loan, I note this loan was authorized on

June 16, 1969, but the loan agreement was not signed until August 28, 1970. Would you please explain the long delay between the authorization and the signing of the agreement?

Mr. KLEINE. Yes, sir. The AID loan was a new and innovative venture for Paraguay. In addition, an entirely new institution had to be established. Also the loan agreement could not be formally executed until the Private Development Bank had full legal status. It did not become a legal entity until mid-1970.

Mr. PASSMAN. On page 100 you indicate that the number of participants will increase from 51 in fiscal year 1972 to 111 in fiscal year 1973. Would you please explain this large increase in participants?

Mr. KLEINE. Yes, sir. We plan to train more people in agriculture, more people in education, more people in private enterprise development, many of whom will receive third country training.

Mr. PASSMAN. On page 101 in connection with the agricultural productivity and institutional development project I note you plan to increase the fiscal year 1972 program by $319,000 over what was justified last year. Would you please comment on this increase?

Mr. KLEINE. Yes, sir. The increase is due to 1¼ years' funding of a contract with the New Mexico State University contract instead of 8 months' funding, and a large increase in participant training.

PERU

Mr. PASSMAN. The next country we will examine is Peru, for which the fiscal year 1973 estimate is $13,747,000, a decrease of $10,315,000 below the current fiscal year program. I note that the justification last year estimated that the fiscal year 1972 program would be $14 million but this year you indicate that the current year program has increased to $24,062,000. Would you please tell the committee why it was necessary to increase this program in the current fiscal year by such a large amount over what was justified to the committee last year?

Mr. KLEINE. As the committee is aware, in October 1970 we provided the Government of Peru with a general assurance of our willingness to extend help for the longer term reconstruction of the earthquake devastated area of Peru. Our reconstruction assistance is geared to the plans of the Peruvian Government. The Peruvian reconstruction plans have matured much faster than we originally anticipated, thus permitting us to accelerate the provision of this much-needed assistance for small business rehabilitation and agricultural credit.

In addition, Peru was victim to severe flooding early this year, and we have provided humanitarian assistance for the relief of the residents of the stricken area.

Mr. PASSMAN. According to a General Accounting Office report dated December 2, 1971, there were various allegations of mismanagement of a Peruvian highway project. Some of these allegations were that the 139-mile project is far behind schedule, no work has been done on a 57-mile stretch, both U.S. contractors have stopped work on the highway, and both contractors are being sued by the Government of Peru on charges of poor workmanship, collusion, and fraud. It goes on to state that U.S. foreign aid officials failed to supervise the project effectively. Would you please comment on these allegations?

Mr. KLEINE. The highway project referred to is jointly financed by AID, the Export-Import Bank, and the Peruvian Government. Morrison-Knudsen, a well known U.S. construction firm was responsible for construction, and all work was supervised by Brown & Root, an equally well known U.S. engineering construction firm. These firms became embroiled in a dispute as to responsibility for the removal of earth slides. Subsequently the Peruvian Government charged both firms as indicated. These charges are now before the Peruvian courts. Both firms have ceased operations in Peru, and disbursements of the AID and Export-Import Bank loans are frozen. As the GAO report explained, the work is presently being carried out directly by the Government of Peru with its own resources.

In alleging that U.S. foreign aid officials failed to supervise the project effectively, the GAO report does not accurately reflect the extent of the monitoring that AID gave to the project. The work was carried out by two of the best known engineering consultant and construction firms in the United States. In addition, a team of engineers from the U.S. Bureau of Public Roads was stationed in Peru to monitor the project. Over and above the USBPR engineers, the project was regularly inspected by AID engineers stationed in Peru and in Washington. Slides were not reported by USBPR engineers as a significant problem until late 1967. The following actions were taken thereafter:

(a) In November 1967 Morrison-Knudsen retained an independent consulting geologist and attempted to resolve the slide issue with Brown & Root in February and March 1968 on the basis of the geologist's findings.

(b) A total of 13 studies were made by different geological consultants between November 1967 and August 1969 on behalf of Morrison-Knudsen, Brown & Root, the Peruvian Government, and AID in efforts to resolve the slide problem.

(c) AID not only attempted to promote resolution of the slide problem, but also bent over backwards in keeping the project going when the Peruvian budgetary problems delayed local support for the project.

(d) After the February and March 1968 meetings between Morrison-Knudsen and Brown & Root were unsuccessful, AID urged both firms to try formal arbitration.

(e) Finally, in September 1968 agreement on the slide issue was reached by Brown & Root and Morrison-Knudsen, but a change in the Peruvian Government took place before this agreement could be put into effect. At this point construction progress was essentially on schedule, and there had been no interruption of work.

(f) When the new Government of Peru declined to accept the Morrison-Knudsen/Brown & Root settlement, AID retained its own consulting geologist, who recommended that the slide issue be settled by negotiation. AID also conducted its own extensive audits and investigations well prior to GAO's interest in this case. AID could find no evidence of collusion that would support referring the case to the U.S. Department of Justice.

(g) AID has since continued actively to press for a resolution of the problem with the Peruvian authorities, including the sending to Peru of a special emissary representing the AID Administrator and

a series of discussions among the Embassy, USAID and Government of Peru. AID's efforts are continuing in this matter.

Mr. PASSMAN. Is AID getting involved in Peru's land reform program?

Mr. KLEINE. AID assistance in agriculture has been designed to strengthen the Ministry of Agriculture; we are not providing direct assistance to the land reform program.

Mr. PASSMAN. Would you please tell the committee how much Public Law 480 funds will be provided to Peru in fiscal year 1973?

Mr. KLEINE. The proposed fiscal year 1973 Public Law 480 program for Peru totals $8,460,000, all under title II.

Mr. PASSMAN. On page 104 you indicate that support for ongoing population projects, formerly financed mainly by AID, will be shifted to public and private international agencies. If this shift can take place now, why weren't the programs originally financed in this manner instead of by the U.S. Government?

Mr. KLEINE. This project is a classic example of AID's role in stimulating host country interest in an area of activity and providing the initial financing to develop and strengthen the country's institutional framework to attack the problem. Now that the Peruvian institutions are functioning, other international donors, at our urging, are interested in financing their activities.

Mr. PASSMAN. On page 105 in connection with the food marketing development loan which was signed on July 22, 1968, in the amount of $5,500,000, I note there have been no disbursements on this loan at the present time. Would you please comment on this long delay in disbursements?

Mr. KLEINE. This loan was signed shortly before the revolution of 1968 and, in the following years, agricultural marketing policy has been substantially redirected and a compltee reorganization of the Government agencies involved has taken place. In spite of the efforts of the Ministry of Agriculture and of the USAID, the continuing reorganizations of that Ministry have delayed compliance with the conditions precedent. Further, the changes in policy have caused the Government to request amendment of the loan in order to change emphasis within the projects and permit more financing of facilities nearer the production end of the food marketing system. These modifications have now been agreed to by AID and the Government and it appears that the program is ready to move.

URUGUAY PROGRAM

Mr. PASSMAN. Would you please tell the committee the total amount of the Public Law 480 program estimated for fiscal year 1973?

Mr. KLEINE. At the present time, we are contemplating a $540,000 title II program mainly for child feeding purposes. Although Public Law 480 title I agreements are heavily dependent on the performance of Uruguayan crop sector, we are prepared to consider sales agreements for $3 million or more.

Mr. PASSMAN. On page 116 in connection with the agricultural institutional development project, I note you plan to extend the final date of obligation of this project by 2 years to fiscal year 1976 and you also plan to increase the estimated total cost of the project by $609,000

above what was estimated last year. Would you please comment on this situation?

Mr. KLEINE. The fiscal year 1973 program, the life span of the project, and the cost to completion were all revised in response to the increased importance placed by the Government of Uruguay on agriculture, especially on the export potential of nontraditional agricultural items.

VENEZUELA PROGRAM

Mr. PASSMAN. The next country we will consider will be Venezuela, for which the fiscal year 1973 estimate is $500,000, a decrease of $350,000 below the current fiscal year.

According to your figures on page 16, Venezuela will have on hand in gold and foreign exchange an amount of $1,522 million. Why do we find it necessary to provide any funds to a country that has such a large foreign exchange surplus on hand?

Mr. KLEINE. Well, while Venezuela's gold and foreign exchange holdings are substantial, these holdings could actually finance less than 6 months volume of its international trade.

The small, residual technical assistance program for Venezuela reflects our interest in Venezuela's economic and social development under a democratic regime. Moreover, the funds provided to Venezuela for education and manpower training are matched with a more than equal contribution by the Venezuelan Government and are directed to areas in which Venezuela is endeavoring to upgrade its human resources capabilities.

Mr. PASSMAN. On page 120 in connection with the technical support project, I note that you have provided $85,000 in fiscal year 1972 for obligations, and last year you indicated that there would be no obligations for this project. Would you please tell the committee why it was necessary to provide funds for this project in the current fiscal year?

Mr. KLEINE. Yes, sir. At the time the fiscal year 1972 congressional presentation was being prepared, it was planned that funds for Venezuela technical support-type activities would be provided from the regional technical support project. It was later decided, however, that it was more appropriate to continue to allocate the funding to the Venezuela technical support project.

CENTRAL AMERICA REGIONAL PROGRAM

Mr. PASSMAN. The next area we will examine will be the Central America regional program for which the fiscal year 1973 estimate is $27,700,000, an increase of $14,610,000 above the current fiscal year program. Would you please tell the committee what activities are funded from this program?

Mr. KLEINE. Regional interest in tourism prompted AID's response to a request for a fiscal year 1973, $15 million loan for public roads and utilities to facilitate private tourism investment in Central America resort areas. A second loan of $10 million will assist the Central American Bank for Economic Integration to initiate human-resource development activities benefiting Central American schools and training institutions and providing production credit for cooperative federations and small-scale industrial establishments.

PROBLEMS BETWEEN EL SALVADOR AND HONDURAS

Mr. PASSMAN. You indicate that armed conflict in 1969 broke out between El Salvador and Honduras and you further indicate that a solution of the political problems which remain between El Salvador and Honduras must be found. Would you please tell the committee what sort of problems exist between El Salvador and Honduras?

Mr. KLEINE. I should like to address myself to three elements of this situation—the political/military, the economic and the current state of reconciliation efforts. Politically, the two nations have not yet reestablished diplomatic relations nor have they settled their border dispute. Progress has been made, however, In late 1971 the OAS felt that tensions were sufficiently reduced to permit withdrawal of its liaison personnel. Responsibility for border peace and security is in the hands of the military of each nation who maintain telephonic communication with each other's border command posts.

Economically, while there is no direct trade between the two nations, Honduran roads are open to vehicles of all other nations except El Salvador while trucks and tourist traffic is permitted by El Salvador to all except Honduran vehicles.

Reconciliation efforts are being carried out by statesmen from Guatemala, Costa Rica and Nicaragua. The Presidents of Honduras and El Salvador have made frequent public pronouncements expressing a desire to work out their remaining differences. Officials of CACM organizations, particularly the economic secretariat SIECA and the Central American Bank for Economic Integration, CABEI, are continuing efforts to resolve the economic problem of the Common Market. The Central American Bank, under a Honduran president, has not ceased—even during the brief combat period of the war—to administer its loan to El Salvador. Honduras' efforts to maintain bilateral trade arrangements with the other partners instead of working through the regional framework of the CACM remains a problem.

INTERNATIONAL ASSISTANCE TO CACM

Mr. PASSMAN. On page 124 you state that AID initially provided nearly all external assistance to the Central American Common Market, but today the Inter-American Development Bank, the World Bank, the Organization of American States, and the UNDP contribute loans and technical assistance to the various organizations. Would you please indicate for the record what the contribution is that will be made by each of these institutions in fiscal year 1973?

Mr. KLEINE. Assistance from the Inter-American Development Bank (IDB), the World Bank (IBRD), the Organization of American States (OAS), and the United Nations Development Program (UNDP) to the Central American Bank for Economic Integration (CABEI), the Permanent Secretariat of the Common Market (SIECA), and other Central American regional organizations is expected to continue its recent upward trend in the next few years. The IDB (which budgets on a calendar year basis and for which only calendar year 1972 estimates are available) is budgeting $824,000 of technical assistance for Central American regional programs in 1972. Of this amount $350,000 is planned as a contribution to CABEI and $150,000 as a contribution to SIECA. In 1972 IDB is projecting a $4

million loan to CABEI for feasibility studies and a $10 million loan to CABEI for grain storage facilities. Less certain is a $20 million agricultural sector loan.

The World Bank presently has no loans scheduled to Central American regional organizations in fiscal year 1973 but a recently completed study could lead to future lending to CABEI.

The OAS, which makes no loans, budgets its technical assistance in 2 year cycles. Current planning for the fiscal year 1973–74 cycle includes $275,200 of unprogramed technical assistance to SIECA, a significant increase over the fiscal year 1971–72 level of $122,500. The OAS is planning a $201,800 contribution in fiscal year 1973–74 to SIECA and other regional organizations for a regional tax harmonization project.

The UNDP (which budgets on a calendar year basis) will continue in 1972 its 5-year (1969–1974) assistance project to the Central American Institute of Public Administration (ICAP). UNDP contributes approximately $270,000 a year. The United Nations, especially through the UNDP assisted by technicians from the Food and Agricultural Organization (FAO), is helping SIECA. The UNDP has budgeted approximately $1 million for SIECA over the period 1972–76.

The UNDP is considering a $90,000 project for CABEI in late 1972 or in 1973 which would finance one adviser for 3 years in regional development activity.

CENTRAL AMERICAN STABILIZATION FUND

Mr. PASSMAN. On page 125 in connection with the Central American Stabilization Fund development loan which was signed on August 27, 1970, for an amount of $10 million, I note there have been no disbursements to date on this loan. Would you please comment on this delay in disbursements?

Mr. KLEINE. Our loan to the Central American Stabilization Fund differs from usual project loans, since it is not possible to establish a schedule to show the rate at which we would expect the loan to be drawndown. It is the nature of a stabilization fund that drawdown requirements are not predictable. Moreover, because the money is available, on a contingency basis, the loan serves to increase the stability of Central American currencies, even when no drawdowns occur. Therefore, disbursements should not be taken as an indicator of progress for this loan.

COSTA RICA—MUNICIPAL DEVELOPMENT

Mr. PASSMAN. On page 131 in connection with the municipal development loan which was signed on October 13, 1970, for an amount of $3,600,000, I note that there have been no disbursements on this loan at the present time. Would you please comment on this delay in disbursements?

Mr. KLEINE. This is a genuinely innovative loan designed to assist in the creation of an autonomous agency known as the Municipal Development Institute, IFAM. Some of the conditions precedent to disbursement—all of which were met by February 1972—required, for example, enactment by the borrower, the Government of Costa Rica, of enabling legislation to create IFAM; a contribution of $1,500,000 from the borrower as permanent capital of IFAM; and funding of

IFAM's necessary operating expenses for the first 4 years of operation. Although it took a relatively long time to meet all conditions precedent, disbursements are expected to proceed quite rapidly now. Indeed, IFAM has already extended more than $1 million in loans to municipalities and the outlook is favorable.

El Salvador

Mr. Passman. The next country we will consider will be El Salvador, for which the fiscal year 1973 estimate is $14,150,000, an increase of $5,192,000 above the current fiscal year program. On page 135 you indicate that the new Government was elected in February of 1972. Has the Government in El Salvador been a rather stable institution?

Mr. Kleine. Yes, the Government has been relatively stable during the past decade. Presidential elections were held in 1962, 1967, and in February of this year. The President-elect—Col. Arturo Armando Molina—will be inaugurated July 1. There was a short-lived rebellion by some disgruntled army officers on March 25, but this was put down by loyalist forces within a matter of hours.

Mr. Passman. Would you please tell the committee what the total Public Law 480 program will be in fiscal year 1973?

Mr. Kleine. The projected fiscal year 1973 Public Law 480 program for El Salvador is $900,000. The principal commodities would be dried milk, wheat soy blend, and cornmeal. The program, under the direction of Catholic Relief Services, CARITAS, and the Ministry of Education, will continue to emphasize maternal-child health, school feeding, and agricultural development "food for work" projects.

Mr. Passman. On page 137 in connection with the INSAFI-Industrial Development Bank development loan which was signed October 29, 1970, for an amount of $4,800,000, I note at the present time there have been no disbursements on this loan. Would you please explain the delay in these disbursements?

Mr. Kleine. The delay in disbursements of the second loan to INSAFI is a direct consequence of the continued disruptions created by the 1969 Honduran-Salvadoran war. On the one hand, this has caused some Salvadoran companies to lose both customers and their source of raw materials. INSAFI has had to provide additional technical assistance and local currency to some 35 of these industries adversely affected by the war. On the other hand, the expansion into new markets has created a need in other Salvadoran industries for long-term loans for both foreign equipment purchases and increased local operating capital. Unfortunately, INSAFI's local currency has been tied up by the requirement to support those of its clients adversely affected by repercussions of the Honduran war.

AID is currently processing an amendment to this loan to allow about 25 percent of the $4.8 million loan to be used for local currency. INSAFI has informed us that they have selected 13 projects in chemicals, textiles, furniture, fishing, food processing, and light manufacturing which would utilize all of the loan funds. Of these, to date, INSAFI has received five completed loan applications, five are in preparation, and three projects are awaiting the completion of feasibility studies. If the amendment is approved, it is estimated that the loan would be fully disbursed within 24 months.

Mr. PASSMAN. On page 138 in connection with the public administration project I note you plan to extend the final date of obligation of this project by 1 year to fiscal year 1973 and increase the estimated total cost by $227,000 above what was estimated last year. In addition, you indicate that the fiscal year 1972 program will be increased by $42,000 above what was justified last year. Would you please comment on this situation?

Mr. KLEINE. The increased costs and 1-year extension of the public administration project are a part of our efforts to assist the Government of El Salvador to increase tax revenues. Lack of adequate tax revenues has been the principal bottleneck in the last few years to new developmental projects. The economy has been sluggish due to the disruptions in the Common Market and the downward movement of coffee prices. There has been some improvement in tax administration which has resulted in 7- to 10-percent increase in tax revenues in each of the last 3 years and the Government hopes to exploit this further.

Specifically, the fiscal year 1972 program has been increased by $47,000 in order to help plan a nationwide cadastre. If the project is successful we would anticipate a fiscal year 1973 loan to carry out the cadastre and provide technical assistance to implement associated tax reforms. For fiscal year 1973 our assistance to the Salvadoran Internal Revenue Service will be extended for up to 1 year to help the new administration, which comes into office on July 1, should they decide to embark on new tax reform measures.

GUATEMALA

Mr. PASSMAN. The next country we will examine will be Guatemala for which the fiscal year 1973 estimate is $24,350,000, an increase of $10,950,000 above the current fiscal year program. On page 141 of the justifications you state that government services, where they exist, are inadequately administered and financed. On the next page you go on to say that an insufficient number of Guatemalans are adequately prepared to undertake the many tasks of development. This seems to indicate that very few trained personnel will be available to administer the funds supplied by the United States. How is the United States going to insure that its funds are used in an efficient manner?

Mr. KLEINE. The bulk of U.S. funds are in loans directly supporting Guatemala's 5-year 1971–75 national development program. Currently active loans include $23 million for rural development, $8.6 million for primary school constructions, $7 million for rural electrification, and $2.5 million for rural health.

The key to successful implementation lies in effective organization and administration made possible by training under the loans or through AID grant projects. To support agricultural sector program, $5.5 million of the AID loan and $3.3 million Guatemalan funds plus AID grants are allocated for human-resource training. These funds are being used to reorganize and streamline the Ministry of Agriculture and its credit bank and to train 138 rural credit and extension agents by 1973. The vocational agricultural school will enroll 350 students whose education will benefit from an AID-financed contract with California State College.

All commodities purchased under these loans whether for vehicles,

fertilizer, school equipemnt, or electrical power generation and distribution and all contracts for engineering and architectural services must meet AID and U.S. Federal contracting standards.

SCHOOL CONSTRUCTION LOAN

Mr. PASSMAN. On page 144 in connection with the primary education and pilot school program development loan which was signed on November 14, 1968, in an amount of $8,600,000, I note that there has been only $127,000 disbursed up to the present time. Would you please comment on this long delay in disbursements?

Mr. KLEINE. Difficulties over the selection of a U.S. architectural engineering firm inherited by the new Guatemalan Government were finally resolved in 1970. A U.S. contractor, working through a Guatemalan subsidiary firm, has completed plans and bid documents for one of the two large normal schools and a series of primary schools. The complex, time-consuming prequalification of construction contracts has been completed for construction packages of $50,000–$300,000. A contract for prestressed concrete sections for prefab schools is ready for implementation. Problems regarding land title are expected to be appreciably reduced by a new law authorizing the central government to build schools on municipal property. The issuance of disbursement authorizations totaling some $700,000 by April 30 indicates an acceleration in progress under the loan which is expected to grow now that many basic implementation problems have been resolved.

DEVELOPMENT PLANNING PROJECT

Mr. PASSMAN. On page 145 in connection with the development planning and investment project I note you plan to extend the final date of obligation on this project by one year to 1975 and increase the fiscal year 1972 program by $77,000 above what was justified last year. Would you please comment on this increase?

Mr. KLEINE. Since 1968, when Guatemala through its National Economic Planning Council assisted by AID economists began its long term planning, AID has sought to strengthen Guatemalan planning capabilities. Progress to date has been noteworthy with Guatemala's adoption of its national development plan (1971–75) followed by an investment plan for the first half of the decade. We are encouraged by Guatemala's recent announcement of its intention to prepare a second national development plan for 1975 to 1980. Guatemala has requested that AID extend its assistance a year (until 1975) to help prepare the second plan. We have been asked to help fund a 2-year contract (in fiscal year 1972) for a rural migration study which is expected to form an integral part of the second plan. $57,000 is sought. Additionally, during fiscal year 1972 the planning council requested that AID assist Guatemala to participate in NASA's earth satellite data program by training technicians (at a cost of $20,000). Guatemala's participation in this U.S. scientific program was unanticipated at the time we submitted our project requirements last year.

HONDURAS PROGRAM

Mr. PASSMAN. The next country we will consider will be Honduras for which the fiscal year 1973 estimate is $18,242,000, an increase of

78-827 O - 72 - pt. 2 - 71

$12,917,000 above the current fiscal year program. Would you please briefly tell the committee the need for this large increase?

Mr. KLEINE. Honduras remains the least developed country in Central America. To correct this situation the Government's priority over the last decade was to develop a road network to both interate the country and create linkages with the rest of Central America. This has now been largely done. The fiscal year 1971 and 1972 AID programs have been smaller than normal. This was due to the developmental hiatus during elections and because the new administration decided to use its first year to accelerate the implementation of their existing loans and to plan thoroughly the development of Honduras over the next decade.

Although the new 5-year plan has not yet been published it is clear that the two principal focuses of the administration will be agriculture and urban development. We have, therefore, initiated joint Honduras-AID planning for an agricultural sector loan of $10 million to stimulate their natural, regional competitive advantage in agricultural production and an urban sector loan for a $5 million to help in the orderly development of their rapidly growing cities.

Mr. PASSMAN. On page 155 in connection with the agricultural productivity project I note you plan to extend the final date of obligation on this project by 1 year to fiscal year 1974 and increase the estimated total cost by $200,000 above what was estimated last year. I also note that you plan to increase the fiscal year 1972 program by $111,000 above what was justified last year. Would you please comment on these increases?

Mr. KLEINE. The final obligation date for this project has been extended by 1 year to carry out a pilot cadaster program. As a key to further developing a national land use policy and improve agriculture productivity the Government of Honduras asked AID to provide assistance for a pilot cadaster which would serve to strengthen the government's capability to carry out a national program. The additional funding of $110,000 for fiscal year 1972 and the increase in the overall amount of the agricultural productivity project by $200,000 are revised estimates based upon the additional costs of the pilot cadaster.

NICARAGUA

Mr. PASSMAN. The next country we will examine will be Nicaragua. Would you please tell the committee briefly what the $5 million development loan for the agricultural sector will be for in fiscal year 1973.

Mr. KLEINE. The President of Nicaragua established an interagency task force to begin work on a sector study that would deal with all aspects of rural development. The task force will identify a priority project loan proposal for AID consideration, which would serve as the initial portion of a comprehensive sector program. This loan should be ready for authorization in fiscal year 1973.

AGRICULTURAL PRODUCTION AND DIVERSIFICATION PROJECT

Mr. PASSMAN. On page 162, in connection with the agricultural production and diversification project, I note you plan to extend the final

date of obligation by 1 year to fiscal year 1973 and increase the estimated total cost by $336,000 above what was estimated last year. Would you please comment on this situation.

Mr. KLEINE. In January 1972, the President of Nicaragua met selected staff from the Nicaraguan Government and met with representatives of the AID Mission to discuss the initiation of an agricultural sector review as a preliminary step toward the development of an agricultural sector program. The President appointed an interagency task force to begin work on a sector study that would deal with all aspects of rural development. The services provided to the Nicaraguan Government under the argicultural production and diversification project have been extended through fiscal year 1973 to assist the task force in the planning and preparation of the agricultural sector program.

CARIBBEAN REGIONAL PROGRAM

Mr. PASSMAN. The next area we will cover will be the Caribbean regional program for which the fiscal year 1973 estimate is $20,350,000, an increase of $10,300,000 above the current fiscal year program. Would you please tell the committee briefly what this program covers.

Mr. KLEINE. The Caribbean regional program for fiscal year 1973 includes two proposed loans. A $10 million loan is proposed to assist the University of the West Indies in its planned expansion program. An additional $10 million loan to the Special Development Fund of the Caribbean Development Bank will be considered, contingent upon the Bank's effective utilization of our prior $10 million loan to its Special Development Fund. Additionally, $350,000 is proposed for technical assistance grants. Of this, approximately $200,000 will be to provide for technical advisory services to the Caribbean Development Bank to help reinforce the Bank's analytical and administrative capabilities. Specifically, this technical assistance will be in the area of mortgage banking, housing, and industrial development advisory services. Some technical assistance—approximately $50,000—may also be provided to the University of the West Indies to encourage and support development-related research in areas such as agriculture and public administrataion. Limited assistance—approximately $50,000—is proposed to provide technical assistance in tax administration and modernization. And $50,000 is requested for special development activities funding, $25,000 each for Trinidad and Tobago, and Barbados.

Mr. PASSMAN. On page 167, you state that four independent countries are located in this area—Jamaica, Barbados, Trinidad and Tobago, and Guyana—and a dozen States and territories having various degrees of self-government and dependence on the United Kingdom. If this is the case, why doesn't the United Kingdom take care of the development assistance in this area?

Mr. KLEINE. The United Kingdom does provide economic assistance to the Commonwealth Caribbean in the amount of approximately $25 million annually. However, needs of this strategically located area are greater than can be met by the United Kingdom alone. Furthermore, although the English-speaking Caribbean maintains certain cultural, political, and economic linkages with the United Kingdom, the United States has important security, political, and economic interests in the area. Our trade involvement with the area, especially with the independent territories, has increased substantially over the last decade. For example, since the early 1960's, the volume of our trade with

Jamaica has more than doubled, to the extent now that it is greater than the combined trade of Great Britain and Canada. Total U.S. private investment in the Commonwealth Caribbean is estimated at $1.75 billion, with major concentration in the independent territories of Trinidad and Tobago and Jamaica, as well as in the emerging Bahamian nation, while British investment in the area is estimated at around $500 million. This area also provides us with significant raw materials, as well as hosting to security installations.

Our political, security, and economic interests in this area, which has been described as our third border, are therefore extensive. We are interested in the extent that the countries of the region can further their social and economic needs and desires. The movement that led to complete self-government for Jamaica and Trinidad and Tobago in 1962 and Barbados and Guyana in 1966 is expected to continue during the present decade, with additional States seeking, and likely to gain, independence in the foreseeable future. Close and friendly ties with these countries are imperative to our interest.

AID strategy proposes to place continuing and increased emphasis on assistance to the Commonwealth Caribbean through developing and strengthening regional institutions. At the same time, we continue to encourage the United Kingdom to maintain its assistance to the area.

Mr. PASSMAN. On page 169, in connection with the Caribbean Development Bank development loan which was signed December 18, 1970, in the amount of $10 million, I note there have been no disbursements on this loan. Would you comment on this situation.

Mr. KLEINE. Our loan to the Caribbean Development Bank came at a time when this newly established institution was in the initial period of developing its staff and capabilities. Although no disbursements have been made against the AID loan, the Bank has approved and committed to date over $500,000 in loans for agricultural credits and small industry. Additionally, the Bank has approved a $1,500,000 loan for electrical power infrastructure for British Honduras from our loan to its Special Development Fund. Presently, some 30 additional project requests are being studied and considered by the Bank. Approvals and subloan project implementation are expected to accelerate as the Bank gains experience.

LATIN AMERICA REGIONAL PROGRAMS

Mr. PASSMAN. The next area we will cover will be the Latin America regional programs for which the fiscal year 1973 estimate is $31,992,000, a decrease of $498,000 below the current fiscal year program. Would you briefly outline what functions are covered under this appropriation and indicate what amounts will be provided in fiscal year 1973 for each program.

Mr. KLEINE. The Latin America regional program in fiscal year 1973 includes a grant program of $13.4 million in education and manpower training, agriculture and rural development, and industrial and urban development; population and health programs totaling $8.5 million; and $10 million in alliance development loan funds for the Latin American Confederation of Credit Unions (COLAC).

Mr. PASSMAN. Is it not true that this area covers all programs that could not be specifically allocated to a specific country?

Mr. KLEINE. The regional program attempts to implement economic and social development goals in the hemisphere through activities responding to problems which cross national borders. None of its activities could practicably be specifically allocated to any of the alliance bilateral programs.

Mr. PASSMAN. What new programs do you propose to begin in fiscal year 1973?

Mr. KLEINE. No new activities are planned under either the grant program or the population and health program. The $10 million requested in loan funds represent a new undertaking in the cooperative field, although grant funds have been utilized in the past and continue to be available in the present for individual ongoing cooperative efforts. The loan funds for the Latin American Confederation of Credit Unions (COLAC) will be primarily for sublending, through affiliated national federations of credit unions in Central and South America, to small agricultural producers.

COFFEE DIVERSIFICATION FUND

Mr. PASSMAN. On page 175, in connection with the Coffee Diversification Fund development loan, I note that the loan was authorized in an amount of $5 million on May 28, 1970, but as of this time no loan agreement has been signed. Would you please comment?

Mr. KLEINE. Yes, sir. This loan, for the Coffee Diversification Fund of the International Coffee Organization, was authorized as part of a U.S. commitment made in connection with the establishment of the Fund. We have had a number of extensive discussions with officials of the Fund concerning the terms of the loan agreement and a draft of the document embodying the results of those discussions has been submitted to the Fund. The staff of the Fund had a number of questions concerning the problems with some aspects of the draft. As a result of recent negotiations, these points have been resolved and we believe complete understanding now exists. We understand that the agreed draft will be presented shortly to the executive and legislative bodies of the Fund and we should know within the next month or two whether the Fund is prepared to sign the agreement.

REGIONAL PROJECTS

Mr. PASSMAN. On page 176 in connection with the cooperative housing development project I note you plan to extend the final date of obligation by 3 years to 1975 and increase the estimated total cost by $820,000 above what was estimated last year. I also note that you plan to increase the fiscal year 1972 program by $103,000 above what was justified last year. Would you please comment?

Mr. KLEINE. An AID-financed evaluation of cooperative housing programs in Latin America, carried out in calendar year 1971, recommended greater emphasis in the future on low-income housing. The project has been redesigned to reflect this emphasis, and work is now proceeding on specific programs to carry it out. For this reason, the terminal obligation date was extended to fiscal year 1975 and the estimated total cost increased accordingly.

Mr. PASSMAN. On page 176 you list three projects which are as follows: the regional export promotion project, the regional economic

integration project, and the Industrial Research Institute project. Were these three projects justified before the committee last year?

Mr. KLEINE. The three porjects you mention were justified under the new initiatives project described on pages 66 and 67 of the fiscal year 1972 project data book.

Mr. PASSMAN. On page 180 in connection with the regional technical aids center project I note you plan to increase the estimated total cost by $1,429,000 above what was estimated last year and you also plan to increase the fiscal year 1972 program by $300,000 above what was justified before the committee last year. Would you please comment on these increases?

Mr. KLEINE. The increase in the estimated total cost for the regional technical aids center project is attributable to program expansion in the area of innovative and experimental educational television programs. The $300,000 increase in the fiscal year 1972 program over the fiscal year 1971 request is also explained by greater program emphasis on innovative educational materials.

INTER-AMERICAN ORGANIZATIONS

Mr. PASSMAN. The last area we will examine will be the contributions to Inter-American organizations, for which the fiscal year 1973 estimate is $16,880,000, an increase of $2,019,000 above the current fiscal year program. On page 2 you indicate that 18 percent of the proposed fiscal year 1973 program is earmarked for transfers to programs of these OAS organizations. Would you please tell the committee briefly what organizations are funded through these transfers and give a brief rundown of what these organizations do and what amounts will be programed to them in fiscal year 1973?

Mr. KLEINE. Yes, sir. AID proposes to make available 18 percent, or $16,880,000, of its alliance technical assistance funds for voluntary programs of the Organization of American States (OAS). Of this total amount, $7,980,000 will support programs of the Inter-American Economic and Social Council (IA–ECOSOC) for regional economic and social development activities. The remaining $8,900,000 is proposed for support of the Special Multilateral Fund (SMF), the principal source for technical assistance activities of the Inter-American Council on Education, Science, and Culture (CIECC), the OAS body responsible for regional programs of educational and scientific cooperation.

Almost all of the increase over the fiscal year 1972 estimate is accounted for by an anticipated increase in the SMF project—from $6,911,000 in fiscal year 1972 to $8,900,000 in fiscal year 1973. The United States pledged share of the SMF program would go up by $1,598,000 due to expansion of the total SFM program from $11,500,000 to $13,100,000. In addition, the U.S. plans to provide $400,000 in special contributions to finance a previously deferred science and technology transfer project.

Activities of the two SMF regional development programs for education, and science, and technology are selected for their impact in mobilizing additional resources from Latin countries including: (1) post-graduate training by "centers of excellence," located in more developed OAS member countries for students of other countries of the hemisphere; (2) strengthening institutions through technical assist-

ance missions, exchanges of professors and researchers, and scientific equipment and library materials; (3) basic and applied research of multinational interest; and, (4) professional meetings and studies to consider key development problems.

The education program emphasizes educational planning and administration; curriculum; and educational innovation, research and technology. The science and technology program concentrates on scientific infrastructure; technological infrastructure, technological development; and scientific and technological planning.

U.S. contributions to the programs of the IA–ECOSOC are made to the Special Development Assistance Fund (SDAF), $7,270,000, and the Inter-American Export Promotion Center (CIPE), $710,000. The SDAF supports multilateral technical assistance, research, and training activities in such fields as tax policy, natural resources, public administration, social development, urban development, statistics, labor, tourism, and regional development for members of the Inter-American system.

The Inter-American Export Promotion Center (CIPE) was created by the IA–ECOSOC in 1968 to serve as the regional organization to support national export promotion efforts and enhance Latin American capacity to expand and diversify area exports in world markets. CIPE operations include information, promotion, and technical cooperation services, all of which help Latin American governments to identify and utilize new export lines and to facilitate the successful entry of nontraditional Latin American products into world markets.

Further details of these various OAS programs are described on pages 192–198 of the Latin American fiscal year 1973 project data book.

Mr. PASSMAN. Would you explain briefly the operation and the function of the Inter-American Committee for the alliance for Progress?

Mr. KLEINE. Certainly, Mr. Chairman. CIAP, the Inter-American Committee for the Alliance for Progress, is the Permanent Executive Committee of the Inter-American Economic and Social Council. In that capacity it monitors the budgets and program activities of the Special Development Assistance Fund and the Inter-American Export Promotion Center. But also—and especially important—CIAP conducts annual reviews of each country's development performance, and makes recommendations both for internal national action as well as for external assistance requirements. CIAP's ten members—including a U.S. representative—and chairman take part in this process along with representatives of the country being reviewed, and of the agencies—AID, the World Bank, the IDB, and the UN organizations—which provide assistance to Latin America.

Mr. PASSMAN. When our funds are transferred to this organization, how does the United States insure that its funds are being used effectively?

I assume that again we just provide funds to these various multilateral organizations and do not retain much control over the U.S. contribution.

Mr. KLEINE. The United States and other OAS member governments do have more opportunities, Mr. Chairman, to monitor the use of OAS funds. The mechanisms for this purpose are the normal processes of programing, budgeting, funds control, program implementa-

tion, progress reporting, internal and external audit and evaluation. Let me elaborate:

The United States participates in decisions of the governing bodies, as to the general substantive nature the program should take as well as the funding level. These decisions influence the Secretariat's development of the program and budget.

The program and budget proposals are subjected to an intensive review by the governing bodies before the final program and budget are approved. The United States is an active member at all committee levels. For example, the program and budget for the Special Development Assistance Fund (SDAF) are first examined by the Budget Subcommittee of CIAP. Last October this subcommittee spent 4 weeks reviewing in detail each project proposed. CIAP then reviews the subcommittee's report, and recommends a program and budget to the Inter-American Economic and Social Council (IA–ECOSOC) which makes a final review. A similar process exists for the review of the Special Multilateral Fund for Education, Science, and Technology (SMF) and for the Inter-American Export Promotion Center (CIPE). As a final step these budgets are submitted to the OAS General Assembly for their final, formal approval at the highest level.

To participate effectively in this review process, the United States undertakes extensive preparatory work. Each year a field assessment exercise is undertaken which obtains information and recommendations from Embassies/USAID's concerning the OAS field programs financed with these contributions. Analysis is made of OAS quarterly progress reports, OAS evaluation reports, OAS budget presentations, and so forth; and working groups are established of personnel from State, AID, and U.S. domestic agencies when appropriate to determine U.S. position on each project and activity. U.S. representatives present these positions in meetings at the various stages which I described.

At the start of the budget year the United States provides only a portion of what it had pledged in contributions to the program by the year. We do not provide more until what we have provided has been matched in the ratio of U.S. 66 to L.A. 34 by contributions from the other member states. The U.S. contribution, made through a Federal Reserve Letter of Credit, remains in the U.S. Treasury until this matching has occurred.

The Secretariat commingles the contributions from all member states and, based upon the approved budget, establishes quarterly allotments against which authorized managers may incur obligations conforming to the approved program. A system of prevalidation of obligations and voucher examination before disbursement, controls the actual expenditures to assure their conformance with the approved program and budget. The governing bodies—and thus the United States—are provided with monthly status reports on finances, and are provided with an extensive quarterly progress report which provides fiscal and program activity data.

In respect to audit, OAS operations and finances are continually audited both internally and externally. The external auditor, Price Waterhouse and Co., in addition to periodic surveillance, conducts a thorough, formal audit each year of each OAS fund and its reports, submitted to the General Assembly are supplemented by a verbal re-

port to the Program Budget Committee of the General Assembly. Audit is conducted not only of accounts at the Secretariat headquarters in Washington, but at each field location.

Let me add a word on evaluation: In the past year, the OAS adopted a system of semiannual organizationwide evaluation reporting at the project manager level, and also started a series of in-depth evaluations by consultants hired from the outside. In addition, both the IA–ECOSOC and CIECC have conducted field evaluations, with participation by the representatives of the OAS member states.

So, while we alone cannot control what the OAS does and how it does it, we together with the other member governments do have considerable opportunity both to influence the preparation and funding of projects and to watch for effective implementation.

AMERICAN INSTITUTE FOR FREE LABOR DEVELOPMENT (AIFLD)

Mr. PASSMAN. On page 181 in connection with the free labor development project I note you plan to increase the estimated total cost of this project by $1,767,000 above what was estimated last year and you also indicate that you plan to increase the fiscal year 1972 program by $585,000 above what was justified last year before the committee. Would you please comment on these increases?

Mr. KLEINE. The fiscal year 1972 revised estimate of $585,000 is an increase over the original 1972 estimate because the original was based on 12-month funding. Fifteen months funding is provided in the revised figure. Also this amount includes increased funding for the AIFLD Union-to-Union program from that projected in last year's congressional presentation.

The estimated total cost of completion of this project has been increased by $1,767,000 due to the start up of regional AIFLD programs in the Caribbean and Venezuela, phase-out funding for Argentina, increased funding for the AIFLD Union-to-Union program as recommended by a recent evaluation and also due to updated estimates representing projected salary increases for technicians and expected inflation to program costs.

Mr. PASSMAN. Mr. Roybal would you please preside?

BENEFITS OF INCREASED GNP TO THE COMMON MAN

Mr. ROYBAL. You stated in your testimony that the program is aimed at the common man, which makes a lot of sense and is very desirable. Then you go on to say the gross national product has increased from 5.5 percent to 6.3 and perhaps even to 7 percent during the last 4 years.

The increase in the gross national product does not necessarily mean that the people of that country are being fed at all, nor that they are being benefited. It merely means that perhaps the few who have benefited have increased their ability to produce.

How has this increase helped the comman man in Latin America?

Mr. KLEINE. You are absolutely correct, Mr. Chairman, that an increase in gross national product does not automatically mean that all in the society have proportionately shared in the economic growth this increase reflects.

We in AID have come to give serious attention to this aspect, the distributive aspect of development, and, possibly earlier than others in the development business.

ACTUAL INCOME DISTRIBUTION

Unfortunately, when one turns to the question of actual income distribution, and attempts to find answers to the question: What is the situation? We find that available studies and statistics are not satisfactory.

There are no studies that can prove one way or another whether income distribution in Latin America has improved or not. There is the feeling that it has not. This is because of the population growth, which is concentrated heavily in the lower income groups where knowledge of family planning methods is not available or the means are not available.

Mr. ROYBAL. Haven't you implied in your testimony that population growth is detrimental?

Mr. KLEINE. It certainly is. This is one of the drags on the development process in Latin America.

As an overall target, you may recall, sir, that the Alliance for Progress set 2.5 percent annual per capita as being the target. In fact, in recent years that target has been exceeded.

CHANGE IN PROGRAM EMPHASIS

Notwithstanding that, there is this feeling that not enough people are sharing in this growth; therefore our programs are emphasizing social development. We have moved away from the infrastructure programs that characterized the earlier years of our program, when we were heavy in power, roads, and irrigation. We are now focusing on education and agriculture and urban development, providing for housing, providing for the means whereby the small farmer can get credit and technical assistance, providing the means whereby more rural people can get into the educational system.

As you will note in our program we have some 20 percent of the combined loan and grant program for 1973 for education, some 35 percent for agriculture. That is where our emphasis is.

Every program that we undertake is examined carefully to see what are the employment implications. Can the project be designed to provide for more employment rather than less?

PROOF OF PROGRESS IN LATIN AMERICA

Mr. ROYBAL. I do not understand your statement. On the one hand, you tell me there are no studies or statistics to prove or to show that the people in any underdeveloped country in Latin America are actually progressing. On the other hand, you philosophize a great deal about what the program is supposed to be doing.

Mr. KLEINE. We are working on the question of statistics.

Mr. ROYBAL. One way we can find out is to have AID personnel go out into the rural areas and into the backwoods of Latin America which, incidentally, they do not do. The AID director in a particular

Latin American country should actually find out what is going on, instead of just meeting with high officials.

Is there a policy being established now, perhaps this year, if not the next, to make it mandatory for AID directors to go and find out what the people really need?

Mr. KLEINE. It is policy that our AID directors——

Mr. ROYBAL. Why don't they do it?

Mr. KLEINE. They are doing it, sir. The point I was trying to make is that while there are data and while we can tell a lot about what is happening by living and working with people, we don't have good trend data that tell us whether income distribution is better than it was 10 years ago or 5 years ago. To gage this accurately we need trend data overtime. To show, for example, that the lowest 35 percent, 5 years ago, got 10 percent of the income, and it is now getting 12 percent requires that we have data for both ends of the period.

Over the past years, a number of the countries have developed what we call personal household expenditure studies, sampling studies to provide this information. The administrative infrastructure for collecting the trend data has been built.

STATISTICAL ANALYSES OF LATIN AMERICAN PROGRAMS

We have, for example, provided Bureau of the Census people to work with Brazilian census authorities to develop the kinds of information that would furnish the trend data that would indicate whether they are doing better or worse.

Another problem, sir. Many studies suggest that the people at the bottom of the scale are getting a disproportionately low share; however, those studies deal essentially with cash income. They have not yet been able to factor into the studies the benefits that could be attributed to the small man from a national budget which is going up in education. and in health services.

All kinds of public services that are being increasingly provided by Government have not yet been figured into these family income studies.

Mr. ROYBAL. You say you have no statistics and no studies. What then are your AID directors and their staff accomplishing in the rural areas to get information showing that the Alliance is working—that it is progressing and doing something for the individual?

Mr. KLEINE. We have considerable data and statistics, but they are not good enough, and we are trying to get them.

Mr. ROYBAL. Then you do have some studies and some statistics?

Mr. KLEINE. Yes, sir; in every one of our programs we do have analyses in which our people work with the host government people to provide the basis to determine what are the problems on which we or they could concentrate. For example, before going into programs in education in any given country we will generally participate in studies to determine who is going to school and who is not going to school, how many of those who are going into school drop out, and why; how many teachers, classrooms, textbooks, and so on are needed before schooling can be made available to everyone. We try to examine the reason for this.

We do not simply provide people to do these studies, but generally provide some funds to help governments to attract the people and ex-

pertise they need to do the work or to identify the key obstacles to expansion of education.

On the basis of this analysis, we and country officials can design collaborative programs, as we do in Colombia and other countries, to attack the key obstacles to getting more education and the right kind of education to more people.

PERSONAL OBSERVATION OF LATIN AMERICA PROGRAMS

Mr. ROYBAL. I visited every Latin American country a few years ago when I was a member of the Committee on Foreign Affairs, and I hope I will continue to make visits as a member of this committee.

I was very much disappointed with the way AID directors were conducting their affairs in almost all the Latin American countries. There are a few exceptions, of course. Most of the time I felt that they never got out of the city, never went out to find out what was going on.

When you asked these directors about something, they always had to call in someone else. We had to wait a day for that someone to come in and tell us about it.

It seems to me that an AID director should know exactly what is happening by going out himself and examining the situation.

That apparently was not being done during that time. I hope there will be some changes made.

Another thing I noted, as long as we are talking about this, was that Members of the Congress who went to Latin America were only shown what the directors wanted us to see. We had to fight to actually get access to see some of the programs that we had heard or read about. Too often we only met with high officials of the government.

Mr. KLEINE. I hope you will give us an opportunity——

Mr. ROYBAL. I made several visits to Latin America—this was not a snap judgment from just one occasion.

The same pattern prevailed in almost every country. The Peace Corps, however, operated differently. The Peace Corps took us right to where they were working. This is the kind of stuff that we wanted.

The only other place where we were actually able to see anything that was done with the campesino was in the Dominican Republic.

These are the things that I think make some sense to us, not the other superficial approach to the problem. It seems to me that a person working in AID should be living with the people he is serving, not living in an ivory tower somewhere, which happened to be the case in every country that I visited in Latin America.

IMPACT OF PROGRAM IN COLOMBIA

Mr. KLEINE. I agree, Mr. Chairman, that all our people, particularly our mission directors, must be knowledgeable and must be in touch with the people at the grassroots, so to speak. The mission director must also maintain his contacts with people in government who set policy. He must be in close touch with both.

We do stress, and I think the point is well understood and carried out, that the purpose of our program is to bring the benefits of development to the ordinary citizen who, in much of Latin America, is very poor.

I have heard, Mr. Chairman, the estimates of the grassroots impact of part of our program in Colombia recently.

Mr. ROYBAL. Was that under title V of the act?

Mr. KLEINE. No. This is under our Alliance for Progress.

In our agricultural program, 63,000 families are expected to have received supervised credit by the end of 1972 from the Colombian Agrarian Reform Institute through a program which we are supporting through our agriculture sector loan. Also, under another aspect of the program, 47,000 families are receiving title to land from the Agrarian Reform Institute.

Mr. ROYBAL. When you say supporting, does that mean we are providing funds for it?

Mr. KLEINE. We are providing part of the funds. Usually there are matching funds from the Colombians.

Mr. ROYBAL. Who runs it?

Mr. KLEINE. The Colombians.

We keep a low profile. Neither we nor they want to have too many Americans covering the countryside. This is their country and their program. They run it. We help with specialized expertise. The Peace Corps also helps out.

SPANISH-SURNAMED PERSONNEL IN LATIN AMERICA

Mr. ROYBAL. I can make a recommendation to you. Just take Latin Americans from the United States and send them to Latin American countries. They can get lost in the shuffle and become part of the community there, and perhaps do a better job.

The other day I was going over the list of AID directors and those with Spanish surnames were very hard to find. They are there, but they are hard to find.

Mr. KLEINE. Generally there has been a decline in overall employment in the Agency.

Mr. ROYBAL. I know, but at the height of the AID program, when we were spending billions of dollars all over the world, there were only 40 people with Spanish surnames in AID. In fact, there were more people with non-Spanish surnames in Latin America. We are not going to have dialog with these people, if we do not go out to help them with their own problems right in their own backyard.

Second, you cannot do anything to help them if you do not understand them.

I think some of the things that have not been done in the past should be done in the future. When I say they have not been done in the past, I do not mean they have been completely ignored, but I am saying it has not been done sufficiently well.

Mr. KLEINE. On the point of the numbers of employees with Spanish surnames, the total we have for overseas and Washington, direct and contract, is about twice the figure that you mentioned for some time ago, notwithstanding a very sharply reduced program.

Mr. ROYBAL. Dr. Hannah's testimony before this committee revealed that there were in the neighborhood of 40 Spanish surnamed individuals in AID. I am talking about Spanish surnamed individuals from the United States.

Mr. KLEINE. I am speaking of all U.S.-hired.

Mr. ROYBAL. There is a contradiction between your figures and those of Dr. Hannah.

Mr. KLEINE. I give you the figures which I understand to be consistent. As of March 31 this year, in Latin America, direct hire, 47; PASA, that is, from other U.S. participating agencies, 11; and 41 contract employees—a total of 99. That represents 8.2 percent of the total.

Mr. ROYBAL. What was your total amount?

Mr. KLEINE. The total of these categories, 99 as of March 31, 1972. We also have eight in Washington in our Bureau.

Mr. ROYBAL. Our figure is 47 in Latin America, and 43 in the United States. That was for last year. Adding those two figures, I think it is just a little bit under the total amount that you have given us now.

Mr. KLEINE. Those are direct hire and contract, sir? I will check the figures that are there.

Mr. ROYBAL. They are direct hire.

Mr. KLEINE. I understand Dr. Hannah's figures indicated the 47 overseas direct AID employees in Latin America only.

Mr. ROYBAL. We are talking about Latin America now. How many Spanish surname Americans do you have in Latin America?

Mr. KLEINE. I was giving the figure here in Washington and overseas for the Latin America program.

Mr. ROYBAL. What about in Latin America?

Mr. HELLER. Over 40 overseas.

Mr. ROYBAL. That is in conformity with the testimony of Dr. Hannah that there are about 40 overseas.

Mrs. HERRICK. Direct AID employees.

Mr. KLEINE. Beyond that are PASA. We pay for those. Those are people from other agencies, and also those under contract.

Mr. ROYBAL. That is 40 Spanish surname Americans out of how many employed by your agency?

Mr. KLEINE. The total of all these categories is 99, speaking again of in Latin America. The total is 1181. So, the percentage is 8.4 percent.

That is for the total Latin American program employment.

Mr. ROYBAL. That includes, does it, people employed here in Washington, in the United States?

Mr. KLEINE. Yes, but that is a very small number, as we mentioned. Only eight are in this country.

I was looking at the record of what we have done recently to change and improve this situation.

In terms of direct hire, there has been no new direct hire, but there has been activity as we move to do more things through intermediaries, through contract.

July 1, 1971, to March 31, 1972, we hired 74 people through contract, of which 14 have Spanish surnames. The total contract, PASA and direct hire, 96 new hires, of which 16 are Spanish American surnames.

Therefore, the total of these new hires for Spanish surnames is 16.6 percent, which is an improvement, sir.

CULTURAL ADVANTAGES OF SPANISH SURNAMED PERSONNEL IN LATIN AMERICA

Mr. ROYBAL. That is an improvement, and I am glad to see it. In the past, we have had quite a problem, particularly in trying to believe the

assertions made by this and previous administrations, that the vast resources of this country should be used in Latin America. While they have pointed to the Spanish-speaking community of this Nation as a resource, this large segment of our population, in my opinion, has not been adequately utilized.

If there is any place that a Spanish-speaking person from the United States can be used, it is in Latin America. If you don't use him there, you are not going to use him anyplace else.

Why the percentage has been so low is something I cannot really understand. I realize that the people who are sent to Latin America have some fluency in Spanish. But again, I say, a well-trained Spanish speaking American could do a lot better job because of the understanding he has.

I speak from experience. As a Mexican American, and fluent in the Spanish language, I have been able to obtain valuable information from the people in Latin America that other members of my own committee are not able to get. In other words, because of cultural similarities, they feel free to talk to me about their problems, which is not the case with my colleagues on the same committee.

Mr. KLEINE. I agree 100 percent with you that facility in language and knowledge and cultural understanding are extremely important. We give very high priority to these matters. We are doing better, as I think the record indicates.

It comes at a time when, unfortunately for those who believe in the importance of helping our neighbors to the south, the total program has been going down.

Notwithstanding this reduction of the program, Mr. Chairman, over these past few years the figures in this category of performance have gone up.

Mr. ROYBAL. I am glad to see that. I hope it does continue. I think it would be an asset to the country as a whole if it does.

PROBLEMS OF CAREER DEVELOPMENT

One of the other things I have been critical about is when a man or woman returns from Latin America on what you call either participant training or leave of some kind, or reassignment, he very often sits around doing nothing for as long as 6 months on full salary. The employee goes through a period of frustration, and no one seems to care.

I have seen this many times. I must be fair. By "many times," I do not mean a hundred times but at least 10 times. I can assure you I have known of individuals here from Latin America and other countries sitting around anywhere from 3 to 6 months, receiving full salary, only to be discharged at the end of that time.

I think the Agency should make up its mind in advance as to the future reassignment of the employee. If he is to be sent to school for further training, let him be sent to school for further training. Some are given that opportunity and reassigned. In many instances however they are sent to school and then fired.

Mr. KLEINE. You are touching on one of the basic problems confronting the Agency.

Mr. ROYBAL. Why should there be that problem year after year?

Mr. KLEINE. It has become more of a problem. I remember very well the plans for career development for every employee so he would know in advance what kind of assignments lay ahead and where, when training would come, the kind of thing you are implying as being desirable in terms of career development for an agency.

These things have not been carried out in practice because of the shrinkage of the program, reductions in the numbers of people employed, and the very sincere desire of the agency to avoid a disastrous and disorderly RIF.

AID has been seeking the support of the Congress for the kind of legislative authorization——

Mr. ROYBAL. I brought this up in the Committee on Foreign Affairs back in 1965. It was the first time it had been brought to my attention. Nothing has been done to correct it.

We will recess for 5 minutes, and we will be right back.

AID EMPLOYEE EVALUATION AND APPEALS SYSTEM

Mr. ROYBAL. With regard to personnel, I would like to make another observation of employees being shabbily treated by AID. Many, many complaints made by people coming back from Latin America, and from other parts of the world, have to do with the evaluation made by some supervisor who has never been out in the field, and consequently does not know what the real score is. Nevertheless, his evaluation of the employee is taken as gospel.

What is the policy with regard to an employee's evaluation; how is it done and what kind of an appeal does he have in case he is not in agreement with the evaluation he got that particular month, or for that particular period, or whenever it is they get these evaluations?

Mr. KLEINE. The evaluation is made in the first instance by the supervisor, the immediate supervisor. He then submits his report to what is called the reviewing officer, his supervisor. The reviewing officer must agree or disagree and must indicate his agreement or disagreement and if he disagrees, why, on the report.

The immediate supervisor then discusses and shows the report to the employee being rated. The employee is asked to sign the report to indicate that he has read it. If he disagrees with the report after discussing it with the rating officer, the supervisor, or the reviewing officer, he can then submit his own statement as to what he thinks was not correct or overlooked or what-have-you, in the report. His statement becomes part of the efficiency report.

The rating officer and the reviewing officer may then see this comment, and may comment on it in turn. Their response is also added to the file, together with the comments reflecting the employee's point of view on areas of disagreement.

Mr. ROYBAL. What happens if the employee disagrees and makes a complaint? Who does the reviewing? Someone else at some other desk?

Mr. KLEINE. Within each administrative unit—for example, in the mission there is also a review board made up of people, other than those mentioned, who were not involved in the line, so to speak, of the employee who is rated. They look at all the reports that come in from within that unit, to determine if they have met the criteria and the guidance set forth for conduct of these evaluations. There are manual orders that cover the preparation——

Mr. ROYBAL. Let me assume I am a development expert and I am working in communities in Peru. You are my immediate supervisor. You are sitting in Lima. You have never been out where I am. You, for some reason or another, think that my work is not good enough and you so indicate. Then, of course, you consult with whoever your supervisor is with regard to this.

Who do I have to go to for an appeal on that, anyone?

Mr. KLEINE. You have the opportunity to comment as I indicated, in written form. This could then lead the rating officer to amend his report, or lead the reviewing officer to amend his own report, or suggest to the rating officer——

Mr. ROYBAL. Suppose that happens, then it goes to this review board?

Mr. KLEINE. The Mission Review Board.

Mr. ROYBAL. Would I have representation of my peers on that Mission Review Board?

Mr. KLEINE. That is not an appeals committee. Its function is to look at the prepared report by the rating officer and the reviewing officer to see that the system is working properly. Now, if the employee, having registered this written objection, feels that his objections have not been given the attention they merit—and this does happen occasionally—fortunately, not frequently—there are additional steps.

His point of view, in his written statement is then considered by the panels dealing with these reports in as objective a manner as the system can devise. A man who sits on the panel—this is the evaluation panel back in Washington—must not have any immediate direct contact with the rated employee——

Mr. ROYBAL. How does a man sitting here in Washington know what someone is doing out in the boondocks of Peru? Why would a man in Washington be sitting over such a review board?

The biggest complaint I get is that while you have these review boards, the employee himself is not represented by one of his peers—someone who knows what it is to go out into the wilds of these countries to do a job.

Mr. KLEINE. These panels are made up, Mr. Chairman, of people with the agency who have the best records of agency employees. They deal by specialty. In other words, when an agriculturalist, his rating is considered by a panel, it is considered by a panel made up of experts in agriculture who have been out.

Mr. ROYBAL. In the same country?

Mr. KLEINE. Or other countries—who have the experience, who know what it is to deal with the kinds of problems that the individual being rated has been rated upon.

Mr. ROYBAL. My information is that it is practically useless for an employee to make any kind of complaint after a report has been written. If that is so, then I think there should be a change. While I am not making any accusations and saying this is always the case, I personally have had too many complaints with regard to this problem and something must be wrong somewhere.

I personally investigated two cases, and I satisfied myself that the individual who wrote the report hadn't even been out of his office.

Mr. KLEINE. I don't believe, sir, that is by any means the typical situation because a man who does not leave his office, go out and see what is being done by people who are reporting to him is not doing

his job and presumably his report reflects that. The people in the system recognize how important it is in order to keep the system viable, that it must reflect the honest views of reasonable, prudent people on what individuals are doing.

It is very difficult, Mr. Chairman, for a rating officer to put to paper critical adverse comments about an individual working for him. He must feel deeply about it.

Mr. ROYBAL. If that individual doesn't happen to part his hair right, he can have an adverse report. That is the case many times. In your vast experience I am sure you have at one time or another either heard about this from another source, or you have known this has happened.

Mr. KLEINE. In all honesty, I do not know of any one case—in my own personal experience—where there has been this kind of bias in the rating. I am not saying it doesn't exist, but I can say in 24 years of experience both here in Washington and overseas that I am not aware of one single case of this kind.

Mr. ROYBAL. Well, you are probably an exception. If we go around the room, I am sure there are some here who can tell you that they have. It has happened too many times in my opinion.

The only reason I am even talking about this is that if you have dissatisfied employees, you are not going to have an effective program.

Mr. KLEINE. I agree. A dissatisfied employee is like a cancer in an organization.

Mr. ROYBAL. I have seen this dissatisfaction among AID employees in many of the Latin American countries I have visited—individuals who don't even know who I am. They are not from my district. They have been critical of certain things that are happening, and are seeking changes.

So, I feel that even though you have not experienced this, it might be a good idea to look into some of these complaints, particularly where employees awaiting reassignment have been idle for months.

Mr. KLEINE. That I am familiar with, sir, because of the circumstances that I mentioned earlier. The system involving posts around the world, and headquarters here, the exact, the best systematic means of assuring the maximum utilization of the right person in the right job at the right time is a difficult one and I think the agency has worked at this.

It has been complicated, particularly in the last year or so, by the great uncertainty that has surrounded the operation. The fact of the requirement for reduced numbers, but the intent of the administrators to avoid a disruptive approach to that reduction. The Administrator is seeking the kind of legislative authority that would enable a more orderly, smooth transition to get down to the numbers that the reduced program requires and the new style requires and to maintain—this has been his hope and it has been the hope of all of us—to maintain a corps of people who can be given the kind of support in their career development that will help the agency continue to be effective in this very important field of development overseas.

Mr. ROYBAL. I would like to ask some questions later on with regard to the actual appropriations, which is the reason you are here. I will now ask Mr. Hathaway if he has any questions?

Mr. HATHAWAY. Thank you, Mr. Chairman.

The one question I am concerned about is, running throughout your statement is the fact that you have made improvemments, but the fact that the population keeps increasing makes the improvement not as great as it could be if the population were stable.

What can we look forward to with respect to population control in the near or far-away future?

Mr. KLEINE. We are looking for several things, Mr. Congressman. Primarily, a growing awareness on the part of the people and the leadership in Latin America that population growth uncontrolled is disadvantageous to the population at large.

Now, this question of awareness has been a very difficult one to work at. It is one that, if pushed too hard by outsiders, could turn very much against our objective to increase the understanding of this problem.

There have been accusations made that AID is more interested in controlling population than it is in giving assistance. In fact, it is the only functional category in our program that has a specific appropriation. This could leave the impression that all we are interested in is controlling population. That, to some, is a very reasonable assumption. They think, "Well, this is America trying to export its alleged racist policies; it is America's intention, to keep Latin America down in numbers." There are many people in Latin America who still feel that if you have more people you are stronger, you are bigger. More people give you a bigger domestic market and, therefore, population increases are in that respect in their interest.

Mr. MEYER. Some say that more people give you more political power.

Mr. KLEINE. That is another common attitude. But all this is breaking down and it is breaking down, in part, because we have followed a policy of great restraint. We have followed a policy of not doing ourselves what others can do.

Now, it is remarkable to me, Mr. Hathaway, that just a few years ago there was nothing in our program for family planning.

Back in 1964, $130,000 was the amount utilized for this program. This grew in just a few years to $15 million in 1971, and we believe it will be running at around that level for the next few years. We are using, as we can, intermediate agencies, the IPPF, also PAHO and others who can do this job of (1) educating people to the problems, and (2) providing services to those who are willing and want these services.

Another very encouraging development, Mr. Hathaway, is the fact that governments now, many of them, have officially undertaken programs in this field. There are now 12 of them. This would have been unthinkable just 3 or 4 years ago; where governments do not have official programs, they are allowing private domestic agencies to operate and receive support from private organizations overseas.

Mr. HATHAWAY. Do you have church resistance?

Mr. KLEINE. There has been church resistance, but in those cases where there isn't a direct confrontation sought, the church will not make an issue of it.

What is happening is that the people are demanding more and more the knowledge and the necessary services that would permit them to transmit this knowledge into decisions where the individual parent can control how many children he wishes.

The numbers involved here are so large that the time it will take to achieve any impact on overall numbers is a little discouraging. I think myself there will be a snowballing effect.

TRENDS IN POPULATION GROWTH

Already, based on censuses conducted in some of the countries, there are indications that the growth of the early fifties, where you had three, 3.4 percent increase per year has tapered off. We cannot say this is a direct result of our programs because our programs didn't begin until after that, but it is a combination of factors. The knowledge of alternatives plus the fact that as standards of living go up, people recognize that it is to their interest to reduce the size of families are both important.

We have studies that show that you put up a school where there was no school, this can have an effect on the family patterns for the rural families immediately around, because they want to send—everybody wants to send their children to school. They know it costs a little money to send a child to school and they tend to reduce the numbers of children so they will be able to scrape up the pennies to keep them all in school. This is one indication of the fact that as the level of living goes up—and we hope it will continue to go up, although it is a tough fight—this will influence decisions about family size.

DISSEMINATION OF CONTRACEPTIVE DEVICES

As we see around the world, the developed world has a much smaller rate of increase than does the developing world.

Mr. HATHAWAY. Do any countries prevent the dissemination of contraceptive devices?

Mr. KLEINE. There are activities, official, public or private, in every country in Latin America.

Mr. HATHAWAY. Is it a law in any country that you cannot sell contraceptives?

Mr. KLEINE. Not to my knowledge.

In fact, in most countries the private communities are using all these contraceptive devices by the hundreds of thousands and in some countries by the millions.

I have heard that in Brazil a million women are on the pill.

Mr. MEYER. The secret of success is to avoid a "Made in U.S.A." label on the program. Where we offer assistance we do it by indirect means, but we do it.

PARTNERS OF THE AMERICAS PROGRAM

Mr. HATHAWAY. How about the "Partners of the Alliance"? Will they get funding at the same level as last year?

Mr. KLEINE. Slightly below, Mr. Hathaway.

Mr. HATHAWAY. I haven't heard from them, by the way, so they must be happy. The Governor of Brazil was in Maine last week and I met him.

Mr. KLEINE. I think we have reached mutually satisfactory understanding with the partners. Last year we indicated that for fiscal year 1972 we would provide $400,000. In fact, we provided $404,000. With the unliquidated balances of previous years, they have been running at a rate without major reduction. They are trying, and we wish them all success to get at private sector support, so that ultimately they could become independent of government support.

Mr. HATHAWAY. This year what are you recommending?

Mr. KLEINE. $400,000, but we plan to review with them later on this year just how well they have done. I want them to keep up their efforts so that it doesn't become too easy to come back and say, "Well, we tried and give us some more."

We think they are making a real effort and we know it is difficult to get this private sector support, but I think it is healthy for them and healthy for us if we can show a gradual and reasonable decline in our funding so that over a period of years they will be on their own.

Mr. HATHAWAY. Thank you, Mr. Chairman, that is all I have.

ASSISTANCE TO AGRICULTURAL SECTOR

Mr. ROYBAL. In your proposed lending authority of $295 million, how much of that is going to agriculture? I think you have it in your statements here.

Mr. KLEINE. $135 million totally. That is, loans and grants; 35 percent of our program is for agriculture. The lending portion of that is $118.5 million, which is 40 percent of our lending program, but in terms of our overall, putting together the grant program and lending program, it is 35 percent.

We feel, sir, that the accent on this sector is particularly important.

ASSISTANCE FOR EDUCATION IN LATIN AMERICA

Certainly education is also of extreme importance, but there, thus far, governments seem to have begun to provide resources to education in rather satisfying increments. The expansion and improvement of education seems to have been recognized early on as being a high priority requirement for governments. Central government expenditures in education more than doubled from 1961 to 1971 and we continue to support their undertakings.

As I believe I mentioned, 20 percent of our program of grants and loans is for education and as further good programs develop we will look forward to doing even more. Agriculture has lagged by comparison. It is tragic that an agricultural continent should not have done better these past years than they have. Such increases as they have been able to achieve, both in total agricultural production and in food production, have, in some countries, been just about wiped away by population growth.

We think a new approach is necessary, and here is where we are using in the analytical approach of trying to marry management, analysis and technology to helping the Latin American countries, where they are willing and want to do this, to attack the critical problems in agriculture.

AGRICULTURAL PRODUCTION IN LATIN AMERICA

Mr. ROYBAL. Do you have any figures on the production in countries that we have already spent money on, particularly in agriculture and rural development, to show that we are getting our money's worth?

Mr. KLEINE. For example, in Brazil, total agricultural production was up 11.4 percent in 1971 over 1970, and while a part of the difference was due to adverse weather conditions in 1970, it does reveal very significant progress. Wheat production, for example, increased from 122,000 metric tons in 1963 to a phenomenal 2 million tons in 1971. In Colombia, from 1968 to 1971, total agricultural production rose by 5.4 percent per year.

Mr. ROYBAL. Yes, but how much does that cost in dollars and cents?

Mr. KLEINE. Well, this is the agricultural production that goes up—it is a total involvement. We can provide how much we have done in Colombia or how much we have done in Brazil, but we can't claim direct results for overall productivity figures. We can claim an assist.

Mr. ROYBAL. Let's claim it at least for the record that we put in so much money, and so much of an increase has been generated as a result of it. I think we ought to start boasting about some of the things that are being done.

Let's talk about them.

Mr. KLEINE. I will provide the exact AID input in these areas, but I do have, Mr. Chairman, the general production gains in many of the countries. They haven't occurred in all countries. In the Dominican Republic in 1971 agricultural exports were 15 percent over 1970. The self-sufficiency in rice, for the first time, was achieved.

In El Salvador and Central American countries generally, they have a very good record in improvement in agriculture and food production.

Mr. ROYBAL. Would you supply for the record the countries, the amounts of money invested by the U.S. Government, together with the production that was generated?

Mr. KLEINE. Yes, sir.

Mr. MEYER. We might throw in the reference to the number of families in the credit system because that is part of the agricultural development.

Mr. ROYBAL. Include that also.

(The information follows:)

IMPROVEMENTS IN AGRICULTURE IN LATIN AMERICA

I gave you an example of wheat production in Brazil. Between 1963 and 1971 Brazil received assistance in its wheat program from AID loans, CIMMYT, the Massey Ferguson Machinery Co., and FAO—and production rose a phenomenal 800 percent. Also, assisted by Purdue University and the International Research Institute, Brazil increased its production of soybeans over 500 percent, from an average in the early 1960's of 353,000 metric tons to 2,100,000 metric tons in 1971.

AID has assisted in agriculture production programs throughout Latin America. I might mention some notable overall production increases over the 1961–65 average. In Costa Rica where the increase was 61 percent, it was due mainly to expansion of production of bananas and sugar. In Venezuela the increase was 45 percent, in Honduras 41 percent, in Panama 39 percent, and in Mexico 35 percent. For all Latin American countries taken together, 1971 food production was up 30 percent, and total agricultural production was up 23 percent.

You will note in the table that follows, based on data compiled by the U.S. Department of Agriculture, that I have included several countries where the AID agricultural offices are now discontinued, but I want to point out that in the past we did offer assistance in agriculture in those countries and we believe that where the assistance was properly used the countries are still reaping its beneficial effects. You are aware of the fact that a program involving the training of the millions of people necessary for a successful effort of this type takes time. Its impact continues where there is local support after our contributions are phased out. Mexico, Argentina, Venezuela and Chile provide good examples. On the other hand a country with highly limited resources such as Haiti can experience declines in production in spite of external assistance.

You might be interested in some specific crop production increases in countries where AID has been involved. Our second table identifies selected agricultural products showing a 30 percent or greater increase in 1971. You will note the increases in rice, especially in Central America, in El Salvador, Guatemala and Nicaragua. In the Dominican Republic, although percentage increases were not so great, domestic requirements for rice were met for the first time in 1971. Sorghum shows dramatic progress in Argentina, Colombia, El Salvador and Mexico. And in El Salvador also, our project has been instrumental in producing increases of 95 percent in corn and 150 percent in beans that have freed the country from the necessity to import and made it a net exporter of corn.

Our third table shows the magnitude of AID assistance to agriculture, by country, over the 10-year period.

These examples are just illustrative of the wide range of successes stemming from U.S. assistance. In some countries, of course, the momentous achievements is not to have increased one crop by a large percentage but to have produced food crops to keep pace with the needs of the growing population.

TABLE I.—LATIN AMERICA—INDICES OF TOTAL AGRICULTURAL PRODUCTION

Country	1961–65 average	1971 preliminary	Country	1961–65 average	1971 preliminary
Argentina [1]	100	110	Haiti [1]	100	86
Bolivia	100	105	Honduras	100	141
Brazil	100	127	Jamaica [1]	100	84
Chile [1]	100	126	Mexico [1]	100	135
Colombia	100	119	Nicaragua	100	127
Costa Rica	100	161	Panama	100	139
Dominican Republic	100	126	Paraguay	100	113
Ecuador	100	126	Peru	100	103
El Salvador	100	126	Uruguay	100	92
Guatemala	100	125	Venezuela [1]	100	145
Guyana	100	107			

[1] Countries where USAID agriculture offices have been discontinued.

Table 2

LATIN AMERICAN PRODUCTION
PERCENTAGE INCREASE SELECTED AGRICULTURAL COMMODITIES
1971 PRELIMINARY OVER 1961 THROUGH 1965 AVERAGE 2/

	Wheat	Rice	Sorghum	Corn	Potatoes	Dry Beans	Cassava	Cocoa Beans	Beef and Veal	Pork	Milk
Argentina 1/	-	50	307	99	32	-	-	-	-	35	-
Bolivia	-	-	-	-	-	-	-	-	-	-	-
Brazil	801	-	-	33	40	-	38	56	30	-	32
Chile 1/	-	-	-	47	-	-	-	-	-	52	47
Colombia	-	30	521	-	31	-	54	-	-	-	-
Costa Rica	-	-	-	-	-	-	-	-	67	-	-
Dominican Republic	-	-	-	-	118	33	-	-	32	50	-
Ecuador	-	-	-	50	44	58	-	-	42	121	-
El Salvador	-	72	577	95	-	150	-	-	-	-	-
Guatemala	32	53	36	30	47	83	-	-	41	-	37
Guyana	-	-	-	-	-	-	-	-	33	-	-
Haiti 1/	-	-	-	-	-	-	-	-	-	-	-
Honduras	-	-	-	-	-	-	-	-	89	67	-
Jamaica 1/	-	-	-	33	-	-	-	-	-	33	-
Mexico 1/	-	51	365	43	134	62	-	-	34	31	-
Nicaragua	-	151	-	41	-	38	-	-	88	-	-
Panama	-	32	-	-	-	-	-	-	46	-	41
Paraguay	456	38	-	-	-	-	-	-	-	-	-
Peru	-	89	-	-	-	67	-	-	-	-	-
Uruguay	-	85	-	-	-	-	-	-	-	-	-
Venezuela 1/	-	-	-	52	-	38	-	-	39	43	54

1/ Countries where USAID agricultural offices have been discontinued.
2/ Increases of 30% or more only.

Table 3

A.I.D. CONTRIBUTIONS TO AGRICULTURE IN LATIN AMERICA

Excludes SA

(Gross Obligations/Authorizations by Fiscal Year - $Mil.)

COUNTRY	FY 62	FY 63	FY 64	FY 65	FY 66	FY 67	FY 68 *	FY 69	FY 70	FY 71	10-Yr Total
AREA TOTAL	43.6	67.2	51.2	50.2	77.0	51.8	100.5	36.8	86.8	57.3	622.4
Development Loans	30.0	45.6	36.1	37.9	64.3	35.9	88.0	23.5	73.9	43.0	478.1
Alliance Grants/TC	13.6	21.6	15.1	12.3	12.7	15.9	12.5	13.3	12.9	14.3	144.3
ARGENTINA	0.6	23.1	1.8	0.3	0.2	0.1	--	0.4	0.1	0.1	26.7
Loans	--	21.7	1.4	--	--	--	--	--	--	--	23.1
Grants	0.6	1.4	0.4	0.3	0.2	0.1	--	0.4	0.1	0.1	3.6
BOLIVIA	0.9	1.3	4.9	0.8	2.6	0.7	0.7	0.9	0.8	1.1	14.7
Loans	--	--	4.3	--	2.1	--	--	--	--	--	6.4
Grants	0.9	1.3	0.6	0.8	0.5	0.7	0.7	0.9	0.8	1.1	8.3
BRAZIL	1.3	9.3	19.0	2.6	23.0	29.2	17.4	3.6	3.8	18.3	127.5
Loans	--	--	15.0	--	20.0	23.2	13.4	--	--	15.0	86.6
Grants	1.3	9.3	4.0	2.6	3.0	6.0	4.0	3.6	3.8	3.3	40.9
Chile	0.5	0.7	0.5	4.0	0.1	0.1	23.0	0.1	--	--	29.0
Loans	--	--	--	3.6	--	--	23.0	--	--	--	26.6
Grants	0.5	0.7	0.5	0.4	0.1	0.1	--	0.1	--	--	2.4
COLOMBIA	2.2	10.9	4.3	0.4	17.7	1.5	16.1	15.6	15.9	28.4	113.0
Loans	--	10.0	4.0	--	16.5	--	15.0	15.0	15.0	28.0	103.5
Grants	2.2	0.9	0.3	0.4	1.2	1.5	1.1	0.6	0.9	0.4	9.5
COSTA RICA	0.5	5.7	0.3	2.4	0.1	5.3	0.2	0.4	17.0	0.6	32.5
Loans	--	5.0	--	2.0	--	5.0	--	--	16.4	--	28.4
Grants	0.5	0.7	0.3	0.4	0.1	0.3	0.2	0.4	0.6	0.6	4.1

COUNTRY	FY 62	FY 63	FY 64	FY 65	FY 66	FY 67	FY 68	FY 69	FY 70	FY 71	10-Yr Total
DOMINICAN REPUBLIC	--	1.0	(-0.1)	3.3	11.2	0.8	*3.7	1.5	1.3	0.8	23.5
Loans	--	--	--	1.5	9.5	--	2.6	--	--	--	13.6
Grants	--	1.0	(-0.1)	1.8	1.7	0.8	1.1	1.5	1.3	0.8	9.9
ECUADOR	0.9	0.5	0.4	0.3	0.5	0.4	0.6	0.6	11.0	0.3	15.5
Loans	--	--	--	--	--	--	--	--	10.8	--	10.8
Grants	0.9	0.5	0.4	0.3	0.5	0.4	0.6	0.6	0.2	0.3	4.7
EL SALVADOR	0.4	9.3	0.3	0.3	0.3	0.4	0.3	0.3	1.4	0.9	13.9
Loans	--	8.9	--	--	--	--	--	--	1.0	--	9.9
Grants	0.4	0.4	0.3	0.3	0.3	0.4	0.3	0.3	0.4	0.9	4.0
GUATEMALA	1.6	0.2	0.4	0.3	0.5	0.5	0.4	0.5	23.4	0.7	28.5
Loans	--	--	--	--	--	--	--	--	23.0	--	23.0
Grants	1.6	0.2	0.4	0.3	0.5	0.5	0.4	0.5	0.4	0.7	5.5
GUYANA	0.1	0.1	0.1	1.0	--	0.4	0.2	0.4	0.4	0.5	3.2
Loans	--	--	--	1.0	--	--	--	--	--	--	1.0
Grants	0.1	0.1	0.1	--	--	0.4	0.2	0.4	0.4	0.5	2.2
HONDURAS	0.5	0.6	0.5	0.5	0.6	0.3	9.7	0.2	3.0	0.4	16.3
Loans	--	--	--	--	--	--	9.5	--	2.7	--	12.2
Grants	0.5	0.6	0.5	0.5	0.6	0.3	0.2	0.2	0.3	0.4	4.1
JAMAICA	0.3	0.2	0.2	4.1	0.1	0.1	0.1	0.1	--	--	5.2
Loans	--	--	--	3.8	--	--	--	--	--	--	3.8
Grants	0.3	0.2	0.2	0.3	0.1	0.1	0.1	0.1	--	--	1.4
MEXICO	20.0	--	2.0	21.5	--	--	--	--	--	--	43.5
Loans	20.0	--	2.0	21.5	--	--	--	--	--	--	43.5
Grants	--	--	--	--	--	--	--	--	--	--	--

COUNTRY	FY 62	FY 63	FY 64	FY 65	FY 66	FY 67	FY 68 *	FY 69	FY 70	FY 71	10-Yr Total
NICARAGUA	0.1	0.1	0.1	0.4	2.4	2.7	9.8	0.5	0.4	0.4	16.9
Loans	--	--	--	--	2.0	2.2	9.4	--	--	--	13.6
Grants	0.1	0.1	0.1	0.4	0.4	0.5	0.4	0.5	0.4	0.4	3.3
PANAMA	0.5	0.4	2.7	2.5	0.2	0.2	0.3	3.7	0.3	0.4	11.2
Loans	--	--	0.3	2.5	0.2	--	--	3.5	--	--	6.5
Grants	0.5	0.4	2.4	--	--	0.2	0.3	0.2	0.3	0.4	4.7
PARAGUAY	0.4	0.7	0.7	0.8	1.0	0.8	0.5	5.7	0.7	0.8	12.1
Loans	--	--	--	--	--	--	--	5.0	--	--	5.0
Grants	0.4	0.7	0.7	0.8	1.0	0.8	0.5	0.7	0.7	0.8	7.1
PERU	2.3	0.3	7.6	3.3	10.3	6.7	1.4	1.5	1.4	1.3	36.1
Loans	--	--	6.6	2.0	9.0	5.5	--	--	--	--	23.1
Grants	2.3	0.3	1.0	1.3	1.3	1.2	1.4	1.5	1.4	1.3	13.0
URUGUAY	0.2	1.6	2.7	0.2	5.3	0.3	15.3	0.3	0.2	0.3	26.4
Loans	--	--	2.4	--	5.0	--	15.0	--	--	--	22.4
Grants	0.2	1.6	0.3	0.2	0.3	0.3	0.3	0.3	0.2	0.3	4.0
VENEZUELA	10.0	0.3	0.2	0.1	0.1	0.1	--	--	--	--	10.8
Loans	10.0	--	--	--	--	--	--	--	--	--	10.0
Grants	--	0.3	0.2	0.1	0.1	0.1	--	--	--	--	0.8
ROCAP	--	--	0.2	0.1	0.1	0.2	0.1	0.2	0.1	0.1	1.1
Loans	--	--	--	--	--	--	--	--	--	--	--
Grants	--	--	0.2	0.1	0.1	0.2	0.1	0.2	0.1	0.1	1.1
LA REGIONAL	0.3	0.9	2.4	1.0	0.7	1.0	0.6	0.3	5.6	1.9	14.7
Loans	--	--	--	--	--	--	--	--	5.0	--	5.0
Grants	0.3	0.9	2.4	1.0	0.7	1.0	0.6	0.3	0.6	1.9	9.7

* Area Totals include $94,000 Loan to Haiti in FY 68.

LA/DP:DMorris:May 1972

Source:A.I.D.:PPC/SRD "Operations Rpts"

LA/DP:

FAMILIES IN THE CREDIT SYSTEM

Let me give you an example of two countries. Colombia, through its land reform agency (INCORA), has reached 49,000 families with credit and other assistance and plans to expand this by 18,000 more in 1972. Costa Rica, through its 131 rural credit unions with a membership of almost 30,000 families, is carrying on an extremely successful farm lending program. This movement is supported by AID loans and AID-sponsored assistance from the World Council of Credit Unions.

SAVINGS AND LOAN ASSOCIATIONS IN LATIN AMERICA

Mr. KLEINE. The question of reaching people and seeing that they are helped is one that is getting much more attention. If you have time, I would like to cite a couple of examples of how programs that have been developed for a few years have now reached the point that many people, millions of people, are being reached. I am referring specifically to two institutions that have been recipients of AID assistance over the past few years.

The savings and loan associations. Here, through AID assistance, 14 loans to 10 countries involving $64 million. We now have 105 associations. There are 1,370,000 savers in these associations. These associations now have net savings of $560 million. From this 176,000 homes have been built. This is truly the product of U.S. input working with receptive——

Mr. ROYBAL. Are most of these savings and loans profitmaking or are they more of a cooperative?

Mr. KLEINE. They are, most of them, cooperative. They are running in the black.

Mr. ROYBAL. I think the question is, are these savings and loans stock corporations as we know them here in the United States, or are they more in line with the cooperative concept that we see established in Latin America?

Mr. KLEINE. The exact breakdown I would have to provide for the record, but I think both are involved.

(The information follows:)

Most of the savings and loan associations are mutuals as we know them in the United States. There are a few stock companies; for example, El Salvador and Nicaragua. Our policy is to assist both.

Mr. KLEINE. In cooperatives I have the records there too. For all kinds of cooperatives, in calendar year 1962 there were about 17,000. In calendar year 1971, 25,000.

There were members in calendar year 1962 numbering about 5.7 million. In 1971 there are 10 million.

The total capital paid in, in these cooperatives, in calendar year 1962 was an estimated $700 million. It is now $2.2 billion, working and helping 10 million cooperative members and their families.

We have put in from the AID program—and this has been technical assistance primarily—$5.5 million.

The credit union story, I think, is also a very interesting one. Here we are talking about small people.

In 1963 there were 955 credit unions in Latin America. There are now, in 1971, 2,777.

There were 268,000 members in 1963. There are now about one million.

Individual savings in 1963, $17.5 million; $110 million in 1971.

Cumulative loans in 1963, $43 million; 1971, approximately $500 million.

MALARIA ERADICATION PROGRAM IN LATIN AMERICA

In other ways we have helped the small man. It has been the small man out in the rural areas that normally got malaria. We have had very important involvement in the malaria program over the past years. Whereas in 1950–52 the average number of deaths, beyond just incidences of illness, were 43,000 people. The present average number of deaths per year is less than 2,000. I think it is legitimate to claim that AID again played a part working with governments to achieve this impressive reduction in fatalities.

PROGRAMS AIMED AT THE COMMON MAN

I could go on. I have other examples and if I have your permission I would like to submit them for the record to make the point that you have made. There are things that have been unsung, unheralded, that are going on undramatically. In our desire to keep today's business going the right way we don't look back over our shoulders often enough to tally up the good that has been done.

(The information follows:)

PROGRAMS THAT HAVE REACHED PEOPLE

SAVINGS AND LOAN ASSOCIATIONS

I have already mentioned the role of AID in the creation and expansion of cooperatives and credit unions in Latin America. We have also been active in the establishment of savings and loan associations. Let me tell you about Peru.

In 1961, when a U.S. loan for $7.5 million was signed, there were only two savings and loan associations in Peru. Both were in the capital city of Lima serving relatively small numbers of depositors and borrowers.

Ten years later, with the support and impetus provided by the loan, there were 22 savings and loan associations with 46 branch offices operating throughout the country. The number of depositor accounts had grown from 7,711 to 525,000. Total net savings grew from $11.5 million to $158 million. Total loans granted increased from $1.1 million to $168.9 million.

Resources generated for housing construction and individual home ownerships by the Peruvian savings and loan industry and by the Peruvian National Housing Bank, which AID supported with a $6.0 million loan in 1965, produced by the end of 1971 a total of over 47,000 dwelling units.

Peru was the first country in Latin America to establish a savings and loan system. The positive demonstration provided by the success of this system has been largely instrumental in the subsequent establishment of savings and loan systems in 14 other Latin American countries.

AN ATTACK ON RURAL POVERTY

In Costa Rica, since June 1970, a $16.4 million AID agricultural sector loan supplemented by $14.1 million from Costa Ricans has produced:

A 50 percent increase in credit to small farmers for basic grains;

A 28 percent increase in numbers of Costa Rican experts working in the field with farmers;

A 35 percent increase in corn production, and self-sufficiency in rice production;

Some 5,000 land titles to be delivered to farmers this June; and

Some 7,400 subloans, totaling about $6 million, have been made to the small farmers.

This complex attack on rural poverty has six components: Agricultural services . . . education . . . credit . . . marketing . . . cooperatives . . . land tenure. The Costa

Rican Government has readily brought together all agriculture-oriented agencies into one forum (The National Agricutlural Council) and has made this program a truly national undertaking.

A COMMUNITY DEVELOPMENT PROGRAM

Construction of a school, irrigation system or a community health center in rural community can revolutionize village life. When the community itself selects the project and provides most of the project costs the people have learned how cooperative action can solve community problems. Many national governments do not have the resources to deal effectively with many problems at the village level.

Bolivia, however, has discovered how to support local construction projects—like schools and bridges—with small amounts of capital (disbursed from an AID loan) to supplement resources in 2,000 rural communities.

The catalyst for community action is a trained village level worker who convinces the villagers and their leaders that they can help themselves. The village level worker encourages the people to meet and discuss their problems, take stock of their own resources and then work out a cooperative solution. Once the community decides on a project, Bolivia's community development program provides financial and technical assistance drawing on the AID loan and the experience provided by AID financial technical advisers and participant training.

The AID investment has been $1.4 million. The community development program reaches about 40 percent of Bolivia's rural population—at least 1 million compesinos. Eight months after AID began disbursements of its 1970 loan there were 240 projects under construction. Over 400 projects will be completed during 1972.

HOUSING

With AID financed technical assistance provided by the U.S. Foundation for Cooperative Housing, innovative new approaches to housing programs are being developed in several Latin American countries. Our basic approach is to create a design for housing based on the ability of the lower income family to pay rather than on arbitrary technical standards. Latin American housing institutions are now developing a variety of minimum shelter programs that require and encourage a great deal of self-help by the home owners.

In Panama, for example, a blue-collar worker making $80 per month can afford only about $8 per month for housing. Even with the most generous form of credit, $8 per. month will not allow more than about $1,000 for housing. AID has supported a pioneering effort to provide the potential homeowner—for less than $1,000—with a lot and a "shell" house, consisting of roof, columns and floors, to be finished by the owner himself. More than 2,000 families have benefited under this demonstration program.

In that country, also, a comprehensive rural development program has included a very successful AID assisted self-help cooperative housing effort. Starting with three small pilot projects in 1966, the rural co-ops produced housing between $300 and $1,000 per unit. The success of the first three pilot projects led to a larger national program under which more than 18 rural cooperative housing projects have been completed so far.

GENERATION OF EMPLOYMENT AND SMALL INDUSTRY

AID, through a loan to the Government of Guyana has made funds available to assist in the establishment of a Private Investment Fund to finance the cost of capital goods and services for the development of new, and expansion of existing, private enterprises.

One example of a successful investment venture emanating from this loan began in the fall of 1968 when a Guyanese entrepreneur borrowed approximately U.S. $50,000 from the Private Investment Fund to establish a modern shirt factory. With these borrowed funds he imported equipment of an intermediate technical nature. The factory building was built, machinery was installed and workers were employed. Now, somewhat over 3 years later, the Windsor Shirt Co. employs 75 workers who now produce approximately 85 dozen shirts per day and are expected to produce about 100 dozen shirts per day within the next year.

This small modern factory has also introduced to Guyana the 5-day week. This has been an innovation in the industrial and commercial scene in Guyana. In addition to creating employment and better working conditions, the factory is also exploiting the export market. When operations first began, almost 100 percent of the output was sold on the local market. At the present time, approximately 30 percent of the factory's production is exported, and within a year they expect to be exporting one-half of all production, mainly in the Caribbean area.

Mr. ROYBAL. This definitely should be in the record and emphasis made on the fact that this expenditure has been directed at the working class of the various countries in question. Your statement that the program is aimed at the common man will then actually become a reality.

As I say, we just don't say enough about the progress that is being made. We are constantly dwelling on the bad things, and while there are some areas that need to be corrected, I think the good far overshadows the bad, and I hope that you can supply information for the record so that we can start boasting.

I think that the members of this committee are going to need this kind of information this year because our constituency is very much against foreign aid. In my district, for an example, when I was first appointed on the Committee on Foreign Affairs about 7 years ago, I sent out a questionnaire asking my constitutents how they felt about foreign aid and 73 percent of the returns said they were in favor of it.

Just 2 or 3 months ago, exactly the same question came back with a 67-percent figure against it. So you see, this is almost a complete turnaround from the situation of 7 years ago. I have been consistently favoring this program. I think it is a good program, but I sometimes resent the fact that the many little things that should have been corrected a long time ago have not as yet been done.

I don't particularly like the way personnel is treated every once in a while. I think this is a good agency and I think that the rights of each individual employee should be fully protected at all times and there should be no favoritism. That is why I was talking about personnel a little while ago.

EXPENDITURES IN EDUCATION FOR LATIN AMERICA

Now, to go back to another subject in which I am quite interested—the subject of education in Latin American countries. How much money is to be spent on education in this coming fiscal year? After you provide that information, I would like also the amounts that have been spent for education in the last 5 years and some indication of the good this money has done with regard to the average years of school made available, if not in a country as a whole, in sections of the country, or sectors of the country. Can that be made available?

Mr. KLEINE. I believe so. Yes, sir. I could start and see how far we can go and then provide something for the record.

(The information follows:)

A.I.D. Assistance to Latin American Education and Its Effects

The following table shows levels of assistance provided by A.I.D. to Latin American education in 1968 through 1971 as well as the estimated 1972 program and the proposed program for 1973: ($ millions)

	Grant	Loan
1973 proposed	10.2	42.5
1972 estimated	11.0	33.0
1971	9.6	32.9
1970	11.0	79.4
1969	11.7	22.0
1968	11.9	58.8

This assistance over the years has been a major factor in the improvement of educational opportunity in Latin America.

1. Primary schooling was available to 18 million more children in 1971 than in 1960 (an enrollment increase of 75%), and the number of teachers at this level rose by 800,000 or about 108%. At the same time the student-teacher ratio declined from 33.4 students per teacher to 28.1 per teacher. Because of curriculum modernization and other improvements at the primary level, the number of primary school graduates increased by 135% and the drop-out rate reduced.

13,000 more new primary classrooms were being constructed per year in 1971 than in 1960, an increase of 12.8% in the construction rate.

2. Secondary education was available to 6½ million more children in 1971 than in 1960 (an enrollment increase of 195%). Comprehensive secondary schools have been introduced in many countries with A.I.D. assistance, and the enrollment in these schools was up 237% between 1960 and 1971. Improved teacher training programs in some cases initiated and in most cases supported by A.I.D. contributed to an increase in secondary school teachers of 28,000 or 158% between 1960 and 1971. With curriculum improvement and a reduction in drop-out rate the number of students graduating from secondary schools yearly increased by 209% between 1960 and 1971.

3. Higher education was being made available to 1.1 million more students in 1971 than in 1960, an enrollment increase of 215% and the number of graduates per year at the higher level was up 249%.

4. At teacher training institutions which A.I.D. has supported and in many cases helped establish, enrollment was up 105% in 1971 over 1960, the number of teachers employed by such institutions was up 114% and the number of graduates of such institutions up 275%.

5. To finance this very sizeable expansion of educational opportunity in Latin America, Latin American countries themselves, often as a pre-condition of A.I.D. assistance have greatly increased their own contributions to education. Central government expenditures on education in Latin America was in 1971 218% of the amount in 1961; in 1971 such expenditures represented 2.2% of Latin American GNP as opposed to 1.6% in 1961. Central government education expenditures on education in 1971 represented about 13% of total government expenditures as compared with 9% in 1961. In dollar terms Latin American central governments increased their yearly expenditures in education from $1.4 billion in 1961 to $3.0 billion in 1971.

6. Besides these very substantial quantitative changes, important qualitative changes have taken place with direct A.I.D. support: curricula at every level have been improved, textbooks and other teaching materials often introduced for the first time, vocational training greatly expanded; the management of education improved; and teachers better prepared.

To take a specific education loan proposed for 1973, $21 million is proposed for Colombia to help expand comprehensive secondary education, started under previous loans and offering for the first time both academic and technical training. It will help finance improvements in educational management and the use of new techniques, such as programmed teaching materials and the application of communication technologies to reduce unit cost. Construction of rural primary schools will be supported and increased opportunities for vocational and technical training. The table below lists the program components of the FY 1973 loan to Colombia, and the number of students directly affected during the first year. (It takes no account of the students to benefit in coming years through the facilities constructed, the teachers trained, etc.).

Students Directly Benefitting from Colombia Education Loan

	Students Directly Benefitted the First Year
Primary Level	
A. Classroom construction	39,525
B. Educational Television	147,600
C. Teacher Training	16,400
Secondary Level	
A. Classroom construction and laboratory equipment, etc.	35,096
Higher Level	
A. Modernization of facilities	2,297
B. Teacher Training	6,435
	247,352

Mr. KLEINE. In this year's appropriation, Mr. Chairman, we are proposing under the category of education and manpower training, $75.1 million. This represents about 20 percent of the total program. Now, this is education and manpower in capital letters, that is for education per se, but in every one of our programs, including the agriculture program for example, we have educational components. Agricultural training. We have an Brazil a number of U.S. universities working with Brazilian institutions in the agricultural training to assist in strengthening Brazilian institutions.

We have calculated, sir, that when you take the educational component of the other programs in addition to that which we are proposing in the more formal category of education—and keep in mind that participant training is truly a training program for whatever field of endeavor the individual is to pursue, then it comes close to 30 percent of the total program.

In our fiscal year 1972 proposal to Congress whereas we estimated—and this is to show the responsiveness of the Agency to requests for support in education—we planned about 10 percent of the total for education in this capital "E" sense. Actually in fiscal 1972 it will be closer to 20.4 percent. The actual programs that have materialized are far greater than had been anticipated last year.

As I mentioned, Mr. Chairman, it is in this area that governments themselves have increased their attention in terms of expenditures from their budgets. They have more than doubled their expenditures in the last 10 years, whereas 10 years ago what they spent in education was only 1.6 percent of total gross national product, and it is now over 2 percent.

Another point to be made is that we are talking about central government expenditures and just as in the United States large expenditures are made by local governments in education, which increases the amount that is devoted to education.

Finally, if I may make a point, we have found increasing expenditure in the field does not necessarily solve the problem. To try to duplicate or replicate the kind of system many of the countries have had would require such immense amounts it is just beyond imagination. No governments could afford it. And so what we are stressing in our programs is efficiency in the expenditure of funds for education.

By this I mean encouraging governments to use what they have more effectively. Not to build schools for use just 4 hours a day or 8 hours a day, but for longer periods of time. To devise doubling-up systems. And to work very hard on the content of curriculum to make it most useful to the students.

The physical facilities are less important that the content of what is being taught and the training and understanding of those who are teaching. So we are addressing these problems in a large way, and results so far are promising.

As we indicated, sir, there has been great attention given by governments—and I can cite for the record the increases of numbers in school, numbers of graduates, teachers, schoolrooms, and so forth between 1960 and 1970. They are impressive figures, and the increases continued in 1971, but matched against the need, given this population growth, a great deal more has to be done and we are being responsive to the extent we can.

Mr. ROYBAL. Yes, but you can provide for the record figures that will show that there has been an acceptance of the program, that more and more youngsters are going to school, at least more than there were at the time we first started.

Mr. KLEINE. I certainly can.

(The information follows:)

	1960	1970	Percent increase
Enrollment in—			
1. Primary schools	24,388,000	41,573,000	71
2. (1 as percentage of population age 5 to 14)	(48.3)	(60.2)	(25)
3. General secondary schools	2,120,000	7,860,000	271
4. Higher education	520,000	1,395,000	168
5. (3 and 4 as percentage of population age 15 to 24)	(7.5)	(19.7)	(163)

Mr. KLEINE. I can show right now, sir, where the amounts of money that AID has made available through our loan program, it has grown very dramatically and I can explain why. It is not that earlier there wasn't some understanding of the problem, but earlier there simply was not the kind of knowledge of how to put money most effectively into expanding and improving the system.

In 1963 fiscal year we provided only $3.7 million in loans in education. In 1965 it was $8.4 million. 1966, $3.8 million, and the plateau then jumped dramatically. The next year was $20 million. In fiscal 1968 it went up to $71 million because we had a large single sector loan in Brazil. Then in 1970 again it went up to $80 million and, as I said earlier, we are hoping for a program of $42.5 million in loans alone in fiscal year 1973.

So attention has been given to this. More has to be given and we hope that the governments, with their own resources, which they are putting in more and more, will take from our programs some lessons for the use of their own funds.

Mr. ROYBAL. This is an item taxpayers in our districts are always complaining about: making available moneys for education when education in the United States is in dire need of more resources. It is very difficult to explain to a group of citizens in a local school building badly in need of repairs, that money is made available to a Latin American country when the need for similar facilities here is so great.

LATIN AMERICA SCHOLARSHIP PROGRAM FOR AMERICAN UNIVERSITIES

Now, one of the things I am particularly interested in is your Latin American scohlarship program for American universities, and I have had some knowledge of how it works, but I don't know how much it costs.

What is the amount spent for that, or would it be spent next year?

Mr. KLEINE. It is running about $2 million a year, Mr. Chairman.

This program has been going on, I believe, since 1966. Our initial obligation was in that year, in 1966. Since that year more than 1,200 LASPAU scholars representing 128 Latin American universities have attended 175 U.S. universities in 38 States.

Mr. ROYBAL. Now, may I ask a question at that particular point: Those who come in the scholarship program, are they all from poor families or is it just directed at the rich in Latin America?

Mr. KLEINE. The program is directed at those who will be taking up positions in Latin American universities and educational institutions. Many are not well off and need help to achieve their education.

Mr. ROYBAL. What about those who want training to become teachers in rural and farm areas of the country?

Mr. KLEINE. Some of those from this program do go into agriculture but most of them, in this particular program, aim to teach at the university level. The program is to enable the countries to have a higher level of trained faculty. These are graduate students, sir. Ninety-five percent of those who come to the program——

Mr. ROYBAL. They are directed at the university level. Isn't there a need for secondary school teachers?

Mr. KLEINE. Yes, but——

Mr. ROYBAL. Why can't they be trained under this program?

TEACHER TRAINING AT THE SECONDARY LEVEL

Mr. KLEINE. Well, people who come out of this program can teach at that level, but they are trained to teach at the higher level.

We are working in-country and most of the effort for the provision of trained faculty at the secondary level is being provided by institutions in-country which are being supported through others of our technical assistance projects as well as through loan programs.

For example, in Brazil the sector loans provide for funds to help improve and strengthen the teacher-training institutions for the secondary as well as the primary schools.

In other countries we also support the normal school training that turns out teachers for the primary systems. For the higher level training which is not available either in the quantity or in the quality in-country, our program has favored financing abroad.

It is much less expensive to train in-country and we have deliberately, by policy, tried to keep training in the United States to those specialties for which training cannot be provided in-country.

DIRECTION OF LASPAU

Mr. ROYBAL. My reaction to this program when I first read about it some time ago was that it was strictly geared to the university level which most of the Latin Americans never reach, and it was not really geared to the education of the masses, particularly those in the rural areas of the country. Now, was that a correct analysis then, and is it now?

Mr. KLEINE. The one project is directed at strengthening the faculties of the institutions in-country at the higher level—this is true. This particular program has an important role in the instruction of college level, university level students in Latin America. It is not the totality of the AID approach to education.

If you were to ask me, is this what AID thinks is necessary to support education in Latin America, my response would be, that this is a part of what we think is necessary, but there is a great deal more,

and our primary attention these past few years has not been at the university level. It has been at the primary, at the secondary and the vocational levels, a comprehensive approach.

Mr. ROYBAL. It is not directed to the primary and secondary level?

Mr. KLEINE. No, sir. Not the LASPAU program.

Mr. ROYBAL. Then my original analysis of this is correct.

Mr. KLEINE. But it is one that we feel, sir, plays a very useful and needed role and is, I think, an example of the cooperative nature of our program. There are 204 U.S. universities that contribute—free tuition and free fees which amount to—an average would be in the $1,500 to $2,000 area. The average cost for AID for training at this level in the United States per student is very nominal. It is about $2,300 or so per LASPAU scholar. It is at that level because of the free tuition and the fees donated by the school.

Mr. ROYBAL. Nevertheless it then still costs a tremendous amount of money to put this program into effect and in my opinion it is not reaching those people to whom AID is supposed to be directing its efforts.

Mr. KLEINE. This program was undertaken in 1966. We believe that it is serving its purposes but we have contributed, and are undertaking an evaluation of the program to help us get a more complete assessment of whether the program is doing what it was set up to do and whether the benefits are worth the cost.

Mr. ROYBAL. I am almost convinced it is not worth the cost and whatever you can supply for the record that would indicate otherwise would have to be pretty strong. I am beginning to feel that if we are going to make available funds for education to another country—a foreign country—that that foreign country should make available some scholarships to some of our poor students in the United States. While I don't think it should be dollar-for-dollar, since that country is perhaps a poorer country, I believe that they should reciprocate by at least making available some scholarships for the thousands upon thousands of people we have in this country who would not get an opportunity to go to the university if they didn't have a scholarship.

SCHOLARSHIPS PROVIDED BY LATIN AMERICAN COUNTRIES

Mr. KLEINE. It is interesting to note in that connection, Mr. Chairman, that some of the countries in Latin America are providing scholarships to others in Latin America. I am referring to Brazil, Argentina and I believe Mexico is doing some.

Mr. ROYBAL. So far as I know, Mexico is the only one.

Mr. KLEINE. I will provide for the record the countries that are providing scholarships. These countries are providing technical assistance and some financial assistance.

(The information follows:)

PURPOSE OF THE PROGRAM

The Latin American Scholarship Program of American Universities (LASPAU) is a cooperative effort by North American universities, Latin American universities and AID to improve the faculties at Latin American institutions (through graduate training in the United States of prospective university teachers). Under the program, since its inception in 1965–66, candidates from 145 Latin American colleges and universities have attended 204 North American institutions. The

U.S. universities provide free tuition and fees; AID through LASPAU provides maintenance expenses and textbooks; and the Latin American student or his sponsoring institution provides the costs for international travel and English language instruction. Four hundred and eighty-five students are presently enrolled and by September 1972, 450–475 will have completed their degrees since the program was initiated in 1965–66.

The purpose of the program is to train teachers at the graduate level who will in turn staff Latin American universities. The fields of study given priority are those directly related to development—agriculture, engineering and the basic sciences, and economics and other social sciences. This program is to help develop centers of excellence in various fields at the graduate level throughout Latin America and thereby reduce the dependence on U.S. technical assistance and graduate training and at the same time to prevent wasteful duplication among countries and among institutions within the same country.

For example, a country may designate a particular university as its center of expertise in chemistry and physics. The university in turn will select prospective faculty members among promising graduates from its own and other institutions in the country. Such candidates may then be accepted on the basis of additional tests in the LASPAU program to complete a doctoral degree in the United States under the condition that they agree to return and teach at the designated university following their completion of training. In this way, a high quality faculty in chemistry and physics is developed at one institution, which in turn can provide training for teachers at all lower levels throughout the country. Thus the program concentrates expertise and avoids wasteful duplication. It also has a large multiplier effect insofar as faculty trained in turn will have the major responsibility for teacher training and curriculum revision at lower levels in their fields of specialty.

LATIN AMERICAN UNIVERSITIES AS HOSTS TO UNITED STATES AND OTHER LATIN AMERICAN STUDENTS

More than 20,000 students from the United States were enrolled in Latin American institutions of higher education in 1968 (according to the latest available UNESCO survey). Since public universities in Latin America have nominal or no tuition (only a handful charge more than $100 per year), students attending these universities can be considered to be on a full tuition scholarship. In addition, a number of scholarships exist. For example, under the Partners of the Americas program, at least 62 scholarships are provided to American students by Latin American countries.

Other available figures indicate that some 2,000 Latin Americans were studying in Mexico in 1968, and over 3,000 in Argentina. In total, some 10,000 Latin American students were studying in Latin American countries other than their own. Again, most of these were receiving what amounts to full tuition scholarships.

As all of these figures demonstrate, a substantial effort is being made by Latin American countries to reciprocate the scholarships offered to them by the United States. Of course, everyone benefits from such exchanges since ideas and attitudes are exchanged which provide for better learning and better international understanding.

Mr. ROYBAL. Are they providing scholarships for Americans?

Mr. KLEINE. I can provide that.

Mr. ROYBAL. Do those countries—Brazil, Argentina, and Mexico—give the poor in the United States an opportunity to train there. If they receive money from us for education, in return, they ought to be able to train a few of the poor of the United States. I am leaning more and more in that direction because I think we are giving away too much money without getting any credit for it. If we are not going to get the credit, let's at least get some of our youngsters educated.

Mr. KLEINE. This is a very difficult matter in that we are talking about a continent whose training facilities are those that require strengthening. The quality, the facilities, have not measured up to what

people even in those countries, as well as those from the United States, believe to be that necessary to provide the education that is needed.

We are talking about a continent where the average education is 3 years per person. You know, when you compare that—as you say, the problems that people in the States have in considering providing assistance to others, when we haven't provided all that we need for our educational system here, you know, the level is considerably more.

We are talking about a continent whose relative per capita income is one-tenth of what it is in the United States of America.

While it would be a nice token, I know, for example, in the partners program there is this kind of exchange. The people of Latin America very often want to show that they can be responsive, and they do respond in these ways.

Mr. ROYBAL. Let's give them a chance.

Mr. KLEINE. Certainly, we are open and would encourage this.

In terms of the ability financially and in terms of the quality of the institutions that are there to attract our people, we are talking about two different levels.

Mr. ROYBAL. That I understand. I also understand the fact that there are schools in Latin America, in Mexico for one, Argentina for another, the University of Colombia, also—that appeal to many students.

For example, in Mexico, there were about 60 scholarships. After this program was announced in Los Angeles, I got 570 inquiries.

Mr. KLEINE. Often the problem comes up that there are scholarships available, and I am sure they do not discriminate against Americans. It seems to be a question of financing the travel.

Mr. ROYBAL. I would like to see more scholarships made available. We will provide the money for the students to get there and for whatever minimal expenses are necessary. I would like to see a program of reciprocity. Instead of all the funds going one way, and the United States not getting any credit for what it does, let's have one of our boys or girls educated.

Mr. KLEINE. There are numbers of Americans, most of them studying under their own financing, in Mexico.

Mr. ROYBAL. That I know. I know these universities in Latin America, for example, are appealing to American students. They do want to go there. A good many of them go under the GI bill and just barely get along with it.

Mr. KLEINE. On this question of appreciation of assistance, I think there is no area in the world that has stood with the United States on what is considered the test of support of the U.S. position as has Latin America.

How does one measure appreciation? In fact, we are all human, and we like to have this appreciation.

(Off the record.)

Mr. ROYBAL. You were going to continue.

PRIMARY PROGRAM OBJECTIVE

Mr. KLEINE. We do feel that the primary objective of the program is to enable these countries to be in command of their own populations, the destiny of their people, on an independent, self-sufficient basis.

We believe that if countries that are independent are brought to the point where they can do without our aid and can stand on their own feet, that would be a true success story. That is the best objective, the best thing for us and the best thing for our children. We would hope that as they stand independent and less dependent on us for concessional assistance in the future, they will see eye-to-eye with us, not on all issues, but on most issues.

To expect that in exchange for this we would get support on every issue or 100 percent friendship is, I think, not going to be achieved, but it would be nice, I agree.

AMERICAN INSTITUTE FOR FREE LABOR DEVELOPMENT

Mr. ROYBAL. One thing that intrigued me is that under your education budget, moneys are spent for the training of union leaders. How effective is the union movement in any particular Latin American country, particularly as that movement is applied to the agricultural sector of the country? Is there any such thing as a union in the agricultural sector?

Mr. KLEINE. Yes; Colombia and Honduras are excellent examples.

Mr. ROYBAL. Didn't the Dominican Republic also start such a thing some time back?

Mr. KLEINE. Yes; through the program of AIFLD, the American Institute for Free Labor Development. It has been going on since 1962. It is a training program for labor leaders. In fact, the figure we have is that 187,000 unionists in Latin America have participated in AIFLD in-country labor education program.

The purpose is to strengthen the democratic labor movement in Latin America and to give the worker a better chance at improving his level of living.

It is an educational program that attempts to demonstrate to the worker that with knowledge of how to organize his union, he can be better represented in the decisions affecting his life that are made in government councils.

In some countries, meaningful and significant progress has been made. In others, not as much as certainly, as we would hope for. It is however, one way, and we think an effective way, of getting our assistance directly to the worker.

I think AIFLD has done an effective job at dealing with this target audience.

(The information follows:)

ORGANIZATION OF FARMERS IN HONDURAS, DOMINICAN REPUBLIC AND COLOMBIA

In Honduras, 75 percent of the work force is in agriculture. The plantation workers there were organized in 1954 into the union SITRATERCO; Standard Fruit Co. workers are represented by SUTRASFCO; and both are members of FESITRANH, the North Coast Union federation. Other Honduran farm workers are members of ANACH, the National Agrarian Institute. Through AIFLD and in conjunction with FESITRANH and the Union of Medical and Hospital Employees and local chemical concerns, ANACH has set up a medical brigade, which sends doctors and nurses into village centers.

SITRATERCO and SUTRASFCO, through FEISITRANH, have organized credit, housing and other cooperatives that have been most successful. ANACH has made slow and different progress, with only 3,000 to 5,000 dues-paying members out of a potential of 50,000 familes. This is largely because most members are landless peasants who earn little. In 1967, AID contributed $6,000 and

the AFL–CIO $9,225 in grants and an additional $2,500 in a loan to set up a credit union, through which the campesinos have obtained seed, fertilizer, insecticides and small tools. The Honduras Government was so impressed with the success of this undertaking that it provided $90,000.

One of AIFLD's most successful projects for agricultural workers in the Dominican Republic has been the Systematic Savings and Loan Cooperative program. As a result of this project, thousands of Dominican workers, particularly those in the sugar industry, have been able to free themselves from the loan sharks who used to prey on them.

The average worker used to borrow regularly an amount equal to 80 percent of his next pay check. The interest rate on the loan amounted to the 20 percent left in the worker's pay check, so that on payday the usurer collected the borrower's entire check, and the circle continued.

Now, with the Systematic Savings and Loan Cooperative program, the worker borrows directly from his own cooperative—a cooperative he helped to build and whose policies he helps determine. For each loan he receives from the cooperative, the worker is assessed 10 percent—8 percent goes into an individual savings account for the borrower and 2 percent is used for administration costs. The borrower benefits from life insurance and continuous cooperative education.

This plan began in March 1970 in San Pedro de Macoris with a $50,000 interest-free loan from AID to the sugar workers. At the end of 1 year's operation the total volume of short-term loans generated by the fund exceeded $850,000. Cooperative membership now stands at approximately 1,500 members and over 1,000 short-term (2 weeks) loans have been made. As of December 31, 1971, a total of $18,800 in savings had been generated by the cooperative membership, as a result of this loan/savings program.

In Colombia agricultural workers are organized through FANAL, the National Agrarian Federation. AIFLD has assisted in the development of model centers for education of farmers, including one at Fusagasuga, south Bogotá in Colombia. The center serves as a community center, has a kitchen, dormitories, and offices, and has been the site of the first two inter-American campesino seminars.

OAS ACCOUNTING PROCEDURES

Mr. ROYBAL. I have one other section I want to inquire into, and that is the Organization of American States.

Some time back there was some criticism with regard to their accounting procedures. Has that been remedied in the last 2 or 3 years?

Mr. KLEINE. I believe, sir, you are referring to a report of 1969.

Mr. ROYBAL. Yes.

Mr. KLEINE. One of the findings of that report was that there existed a lack of useful budget and program data availabile to U.S. representatives to serve as a basis for making judgments on technical programs.

Since then, we have done several things. We have established an annual field assessment mechanism. People go out to look and see what is happening. Their reports are combined with OAS quarterly progress reports and evaluation reports.

We have developed a much more effective interagency working arrangement dealing with all elements of the OAS work in economic and social development and in science and education.

We have provided the U.S. Mission to the OAS with highly qualified technical staff. Working directly with the OAS, we become intimately involved in review of budgets and programs, and together with other member delegations, conduct on-site project evaluations.

CONTRIBUTIONS TO THE OAS

There is very active U.S. participation, step by step, in the development of the budgets of the OAS.

Mr. ROYBAL. Who controls the funds made available to the organization by the U.S. Government?

Mr. KLEINE. There are two kinds of contributions to these funds. There is one called the regular budget, the regular assessment, such as in the U.N. Then there are the contributions which are voted through this appropriation to the voluntary funds, the Special Development Assistance Fund, the Inter-American Export Promotion Center, and the Special Multilateral Fund, which deals with education, science and technology.

We pledge annually the size of the U.S. contribution. The pledge is based on a budget that U.S. representatives have participated in reviewing and in approving and on our knowledge through these independent evaluations that I referred to, plus internal evaluations that have now begun by the OAS itself.

Then at the appropriate time, we provide matching payments periodically when we have confirmation from the OAS that the matching from other member countries has come forward.

The money is transferred to the OAS and is put into one general fund. It is impossible to trace our particular contribution. It becomes a general fund.

ADMINISTRATION OF OAS PROGRAMS

Mr. ROYBAL. What part do we have in managing that general fund, or in the administration of the funds that are being disbursed from this overall——

Mr. KLEINE. Through our representation on the senior review and approval budgetary groups of the OAS, U.S. representatives sit as government people, step by step. The administration of the programs that are approved by the OAS is carried out by the OAS. As I mentioned earlier, our monitoring is achieved through a variety of mechanisms—through these annual evaluation trips that our people make, through comments of our country teams, day-by-day in formal contacts with the OAS staff, and our examination of evaluation reports that the OAS itself conducts.

We have stressed that it is important for the OAS, as it is for the U.N., to have its own effective evaluation, monitoring, implementation system; the U.S. Government cannot carry out these management functions for the OAS.

Mr. ROYBAL. You know, for example, where your technical assistance grant funds go. You know exactly what happens to them. But 20 percent of that amount is transferred to the OAS, which means that 20 percent of the full amount is actually not under your jurisdiction.

Mr. KLEINE. It goes into this multilateral organization.

Mr. ROYBAL. You actually lose control of it.

Mr. MEYER. Yes and no. We know where it goes, because we have American personnel on the U.S. OAS Mission that are participants in all the planning.

For example, on the science and technology side, which is primarily education, we have a ranking member of the U.S. Mission who sits on the executive committee of that branch of the OAS, so we know where the money goes.

If we argue as to its effectiveness, we may find ourselves applying good North American management principles to something that is not wholly understood by our neighbors. We do have some very tough-minded pros who watch the money most carefully.

I would say without fear of contradiction—and I hope you do not contradict me, Herman—that the OAS sense of the requirements of efficient use of funds is a great deal better than it was years ago.

Mr. KLEINE. I would not contradict you, and I would agree 100 percent that their address to the question of program effectiveness has improved a great deal in these last several years.

In this regard, it is important to note that we are not the only ones who are interested in the effective use of our contributions. We should be, and we are. But all the other countries are becoming more interested than they were in the past, particularly the larger contributors. I am speaking of Mexico, Argentina, and Brazil. That makes for a healthier situation than having the United States always being the one to look over the shoulder of the OAS and ask for a special accounting, et cetera.

We follow these matters very closely. In fact, tomorrow I am having a meeting with representatives of the OAS to go over the results of a special program we have financed. We have a report, but I want to know more. We have developed this informal relationship through which we can satisfy ourselves, but we try not to be omnipresent and to overdo it.

Cooperation in providing us information has been complete. But it is not a U.S. organization. We do not run it.

Mr. ROYBAL. If I were asked to give 20 percent of my income to something, I would surely want to have 20 percent of the management, and apparently you do have that percentage of the management in that you have representation in the managing body.

Mr. KLEINE. Yes, sir.

Mr. ROYBAL. I hope we do not get any more complaints with regard to the accounting procedures. I am glad to know that those complaints we got 2 or 3 years ago are now past and that remedies have been instituted.

Mr. KLEINE. Yes, we firmly believe that it has improved a great deal.

Mr. ROYBAL. It was pretty bad, from what I heard and from some of the figures that were given us then. It has to improve 100 percent in order to be satisfactory. I hope that has happened.

Mr. KLEINE. As we sit here today, we are satisfied that with the funds being made available from the United States and others, they are doing what they are setting out to do.

No organization is perfect. We do not claim that for any. We think they have been acting responsibly. They do provide the information. The information we get is sufficient to justify our requests of the Congress for these contributions.

Mr. ROYBAL. I would like to follow this up later with more information about what is happening and what is being done with this money, and so forth.

The only reason, of course, is to better inform myself. I think the Organization of American States is a good organization in principle. While I disagree with a lot of things that they have done and left undone, I still feel it should continue, but we should have something to say about the expenditure of funds.

HEALTH AND POPULATION PROGRAMS IN LATIN AMERICA

I have one more thing I would like to go into, and then we will be leaving. That is the matter of your health program in Latin America, the amounts of money that are put into it, but particularly those funds that are used for direct prevention, if any.

Mr. KLEINE. We classify health and population together. We include these programs under the one category.

For this, $33 million of our fiscal 1973 proposal is being provided.

Specifically, the kind of programs that we have carried out and that we will be working on in the future are water and sewage systems. These have been in programs throughout the continent. We work on such things as nutrition programs for preschool children and pregnant or lactating women in many countries.

The malaria program I referred to earlier certainly deals with this mass preventive approach.

Mr. ROYBAL. Do you have immunization programs, well baby clinics, and things of that kind, throughout Latin America?

Mr. KLEINE. Yes, sir.

Mr. ROYBAL. Is there an increase in programs of this kind?

Mr. KLEINE. These have been going on for some time. Sometimes they are done through the Public Law 480 program, the food program, which is a substantial one in Latin America.

These programs work directly in the well baby clinics and feeding centers.

Approved through fiscal 1971, in Brazil we have authorized $62 million in these programs covering malaria eradication, water system improvement in Rio, community health, and urban sanitation.

In Colombia, Cali, sewerage; sewerage facilities in Bogota, totaling $4 million.

In Costa Rica, $5.8 million primarily in malaria eradication, and, again, water supply.

In the Dominican Republic, a $7 million loan for maternal and infant care.

In Ecuador, malaria eradication has been the principal feature. We are starting a program which will deal with the nutritional aspects of the care of pregnant women.

Mr. ROYBAL. Are there any statistics that might show the effect of some of these programs with regard to infant mortality?

Mr. KLEINE. There are statistics available, and we will provide them for the record, if we may. There has been improvement in the longevity figures in Latin America.

Mr. ROYBAL. Will you provide that for the record, also?

Mr. KLEINE. Yes, sir; I will certainly provide figures on this point.

(The information follows:)

DATA ON INFANT MORTALITY

[Number of Infant (under 1 year of age), deaths per 1,000 live birth]

	1960	1970
Latin America (total) [1]	103.0	79.0
Bolivia	181.6	157.6
Brazil		94.0
Chile	127.1	92.0
Colombia	88.1	76.0
Costa Rica	85.1	60.0
Dominican Republic	129.0	102.0
El Salvador	109.0	63.0
Jamaica	51.0	39.0
Nicaragua	129.0	114.0
Paraguay	104.9	88.0
Peru	142.0	62.0
Venezuela	55.0	46.0

[1] Data not available for all countries.

DATA ON LIFE EXPECTANCY IN LATIN AMERICA

	Expectations of life at birth (both sexes)		
	1950–55	1955–60	1960–65
Latin America	52.3	55.3	57.9
Tropical South America	52.0	54.6	57.2
Brazil	53.2	55.7	58.3
Colombia	54.0	55.5	57.0
Peru	43.9	49.2	54.0
Venezuela	57.0	59.0	61.0
Ecuador	48.4	51.3	54.3
Bolivia	40.8	42.3	43.8
Guyana	55.8	59.3	61.6
Surinam	56.0	58.7	61.5
Middle America (mainland)	49.5	54.0	57.6
Mexico	51.9	56.6	60.2
Guatemala	41.7	44.5	47.4
E. Salvador	43.8	47.0	50.3
Honduras	35.3	40.8	46.3
Nicaragua	34.0	39.7	45.5
Costa Rica	57.5	60.8	63.9
Panama	55.9	58.7	61.4
Temperate South America	60.4	61.9	63.3
Argentina	63.9	65.5	66.6
Chile	54.9	56.3	58.5
Uruguay	65.5	67.3	68.4
Paraguay	53.3	55.3	57.3
Caribbean	52.0	54.7	56.7
Cuba	60.2	62.4	64.6
Haiti	37.5	39.5	42.0
Dominican Republic	44.7	47.2	49.7
Puerto Rico	64.4	68.6	69.5
Jamaica	57.9	62.7	65.9
Trinidad and Tobago	57.8	62.3	65.1
Martinique	56.5	61.5	65.4
Guadeloupe	56.5	61.5	65.4
Barbados	57.5	62.7	67.2
Windward Islands (4)	53.3	57.7	61.8
Other areas (5)	57.6	62.1	65.8

Mr. ROYBAL. This is a very interesting part of your entire program throughout Latin America.

I was interested a few years ago in the well baby clinic program you had in conjunction with the population control program.

Mr. KLEINE. We find this to be a very effective way to deal with the problem. Much of our family planning attempts are geared into maternal and child health clinics. The whole understanding of our interest is better put than if we were to push solely on the more narrow point of population planning.

Mr. ROYBAL. I would like to thank you very much for your testimony.

I do not have any more questions, but Congressman Shriver would like to submit some questions to you in writing, and you may respond to them.

Mr. KLEINE. I will be glad to, sir.

Mr. ROYBAL. We are now adjourned until 1:00 o'clock tomorrow afternoon. Thank you very much.

Mr. KLEINE. Thank you very much.

THURSDAY, MAY 18, 1972.

ASIA

WITNESSES

DONALD G. MacDONALD, ASSISTANT ADMINISTRATOR, BUREAU FOR ASIA, AGENCY FOR INTERNATIONAL DEVELOPMENT

ROGER P. DAVIES, DEPUTY ASSISTANT SECRETARY, BUREAU OF NEAR EASTERN AND SOUTH ASIAN AFFAIRS, DEPARTMENT OF STATE

ARTHUR W. HUMMEL, JR., DEPUTY ASSISTANT SECRETARY, BUREAU OF EAST ASIAN AND PACIFIC AFFAIRS, DEPARTMENT OF STATE

ALFRED D. WHITE, DIRECTOR, OFFICE OF DEVELOPMENT PLANNING, BUREAU FOR ASIA, AGENCY FOR INTERNATIONAL DEVELOPMENT

RICHARD BIRNBERG, CHIEF OF THE PROGRAM DIVISION, OFFICE OF DEVELOPMENT PLANNING, BUREAU FOR ASIA, AGENCY FOR INTERNATIONAL DEVELOPMENT

ROBERT P. MYERS, JR., SEATO OFFICER IN CHARGE, REGIONAL AFFAIRS, BUREAU OF EAST ASIAN AND PACIFIC AFFAIRS, DEPARTMENT OF STATE

DAVID T. MORRISON, ISRAEL AND ARAB-ISRAEL 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

SHERIDAN BRINLEY, OFFICE OF LEGISLATIVE AFFAIRS, AGENCY FOR INTERNATIONAL DEVELOPMENT

Mr. PASSMAN. The committee will come to order. We will now continue our examination this afternoon on the budget requests for foreign aid for fiscal year 1973. We will take up the Asian region at this time.

We have as witnesses the Honorable Roger P. Davies, Deputy Assistant Secretary of State for Near Eastern and South Asian Affairs; the Honorable Arthur W. Hummel, Jr., Deputy Assistant Secretary of State for East Asian and Pacific Affairs, and also the Honorable D. G. MacDonald, Assistant Administrator, Bureau of Asia, AID, and other supporting witnesses whose names will be placed in the record.

I presume each of you have a statement you would like to make to the committee.

Before you proceed with your statements, let me assure you, gentlemen, even though at times this committee appears to be a little harsh, there is never any intent to deal in personalities. We do like you to understand that we have a responsibility on this side of the table because we are representing 208 million Americans. We want to do a credible job. Please proceed.

General Statement of the Assistant Administrator, AID

Mr. MacDonald. Mr. Chairman and members of the committee, in January of this year the new Asia Bureau which I now head was established within AID with responsibility for U.S. development assistance in the continent of Asia. We are requesting technical assistance and development loan funds for eight countries—India, Pakistan, Turkey, Afghanistan, Nepal, Indonesia, Korea, and the Philippines—with a combined population of about 900 million. (As the committee knows, the Asia Bureau is responsible also for relief and rehabilitation assistance for the 75 million people of Bangladesh.)

Our request is $465 million for development loans, $38.1 million for technical assistance, $15.2 million for assistance to family planning, $100 million for South Asia relief and rehabilitation, and $15 million for the Turkey narcotics control program. In addition AID is requesting $25 million for Indus basin grants and $18 million for Indus basin loans.

Intense population pressure on the land, a major development problem in Asia, makes very clear why these AID-receiving countries place such high priority on rapidly increasing food production and limiting population growth. These are also the principal objectives of the fiscal year 1973 development loan and technical assistance programs.

The civil war in Pakistan and India-Pakistan hostilities seriously retarded development in South Asia last year. Elsewhere in the region, however, progress in development was encouraging. Korea continued its spectacular growth, although at a reduced rate. Turkey, Indonesia, and to a lesser extent the Philippines, moved ahead. Life in Nepal and Afghanistan—the least developed countries—changed very little.

A. SECTOR EMPHASIS

AGRICULTURE AND RURAL DEVELOPMENT

In the 1950's the production of food barely exceeded the rate of population growth in Asia. However, the introduction of the new high yielding, rapid maturing seed varieties in the middle 1960's—coupled with new investment, more trained agriculturalists and expanded inputs of pesticides, fertilizers, credit and machinery—launched the "Green Revolution." This has been primarily an Asian phenomenon,

particularly dramatic in India, Pakistan, Turkey, and the Philippines. Of the estimated 51 million acres planted in high yielding varieties of wheat and rice throughout the less developed world in the 1970–71 crop year, over 40 million were in these four countries. The wheat crop in India in 1971 was double the harvest of the early 1960's. The Philippine rice crop is up a third. Indonesia's rice production has increased by about 20 percent in the last 2 years.

The Green Revolution has shown that substantial self-sufficiency in basic food requirements is an achieveable goal. India received its last concessionally financed Public Law 480 wheat in fiscal year 1971 and has announced it will not require such imports in the future. We are projecting steadily declining Public Law 480 food grain requirements in other countries as well.

There is still much to be done, however, before all farmers in the region, especially small farmers, can enjoy the benefits of this scientific breakthrough. More research is needed to produce seeds even better suited to the varieties of soil and climate in the region; more irrigation water must be delivered to individual farm sites, small as well as large; distribution and marketing systems for fertilizer and other inputs must be extended.

Let me cite specific examples of activities we propose to support in fiscal year 1973. Scientists from Oregon State University will continue to work with Turkish technicians testing new wheat varieties suited to the dry Anatolian Plateau, which is the source of most of the country's food grains. Some of the seeds show potential for a 50 percent increase in production. We intend to provide technical assistance in a new, 5-year project planned by Pakistan's Agriculture Research Council to extend its adaptive research on food grains, and to start developing improved varieties of oil seeds needed to meet growing domestic demand for edible oils and reduce costly imports. Also in Pakistan we hope to provide a $5 million agricultural research loan to finance commodities and consultant services in plant protection. Indonesia's agriculture research institutions suffer from a lack of trained technicians and a nationally coordinated research plan. We have engaged the International Rice Research Institute (IRRI) in the Philippines to help Indonesian research centers improve their efforts to increase production of rice. We have also engaged IRRI to support on-going research in similar programs in India and Korea. The Institute has developed a temperate-zone "miracle rice" which, when widely introduced, is expected to increase Korean rice yields by 25 percent. Indian researchers working with scientists from IRRI under an AID financed contract have developed 14 new rice varieties for commercial use. Last year India's paddy rice output increased from 63.7 to 66.1 million tons over the previous year. In Pakistan we plan to provide a $5 million loan to increase grain productivity by improving irrigation techniques. We expect to continue our support of Turkish efforts to extend the benefits of improved irrigation and water-use to small farmers—who constitute over 70 percent of the farm population—with a $20 million project loan.

The ready availability of essential agriculture inputs, equipment, and supplies can stimulate investment and production. Therefore, we are planning agriculture sector loans to finance imports of such commodities in Korea and the Philippines.

78-827 O - 72 - pt. 2 - 74

As I said at the outset, the movement towards self-sufficiency—particularly in food grains—is very well launched in Asia. Our proposed fiscal year 1973 loan and technical assistance activities are intended to accelerate the attainment of self-sufficiency by the Asian countries receiving our aid.

But the objective should not be simply to strive for increases in food production. That is important, of course, to meet the growing requirements of expanding populations. But it is equally important to accomplish this in ways that will engage the energies and improve the lot of most of the rural populations. Hence, we are seeking to help the nations of Asia develop their agricultural economies along lines which will maximize rural employment and sharply reduce rural poverty. National progress based on the success of a few to the neglect of the many is not enough.

POPULATION AND HEALTH

The single most frustrating obstacle to an improved standard of life in the less developed countries is the threat of the population explosion. With current rates of growth, India and Indonesia will double their already giant populations by the end of the century. The smaller Philippine population is growing at an even faster rate, among the highest in the world.

Fortunately, the governments of most Asian nations appreciate the urgency of the problem, have committed themselves to deal with it and embarked on programs to mitigate it. The Indian budget for family planning rose from a mere $2 million in the early 1960's to $80 million last year. In Indonesia there has been a sharp increase in budget resources in the last 3 years.

Most governments have established systems of family planning clinics combined with more extensive maternal/child care facilities, to disseminate family planning information and supply contraceptives. The adoption of these programs has entailed the establishment of training facilities and programs for large numbers of family planning workers, the purchase of equipment, the development of distribution systems for supplies, and a national effort at mass education and motivation—effeorts without precedence thus requiring maximum ingenuity. AID supports many such programs through a comtribution systems for supplies, and a national effort at mass educabination of government-to-government projects, assistance provided through private organizations, such as the Pathfinder Fund, and support for the work of international institutions. In the Philippines, for example, AID has helped provide equipment and train staff for 1,100 clinics in 70 percent of that country's municipalities. Over 10,000 Filipino doctors, nurses, and midwives have had AID-supported training. We are also assisting private voluntary groups that are engaged in pilot programs for developing and testing different delivery systems in India, Turkey, Afghanistan, and Pakistan; and others engaged in motivational research in Pakistan, Turkey, and the Philippines. In Nepal and Afghanistan where the family planning movement is not yet widespread, AID is supporting social and demographic census work to develop a data base from which the character of the problem is those countries can be better understood and action programs can be built.

EDUCATION AND MANPOWER TRAINING

Asian governments, certainly as much as those in other parts of the world, are responding to pressures from their people for more and better education for their children at all levels, for education means access to better jobs, more food and improved health. Asian governments have directed an increasing share of domestic resources to improving education. AID, the World Bank, UN, and other donors have shared the urgency of achieving improvements quickly and have made available substantial technical and capital assistance. Nevertheless, major improvements in educational systems still are required. In large part they consist of elementary and secondary curricula reform, improved, modernized science and math instruction, the establishment of new higher education institutions, better faculties in existing universities, and an improved planning and evaluation capability in Asian Ministries of Education. We plan to support host country and other assistance programs in these areas to rapidly improve educational opportunities.

We are now halfway through an 8-year program to help reform the Afghan elementary school curriculum, including the drafting, editing, and publishing of a complete set of textbooks and teacher's manuals. By the end of this fiscal year, 25 texts and manuals will have been completed with our assistance. Workshops are being held throughout the country to train teachers in the use of the new materials which are now being introduced into the first six grades.

U.S. advisers are helping instructors in India and Pakistan teach science and math with new techniques, using locally available materials rather than expensive imported equipment. A $2.5 million loan in fiscal year 1972 supporting the Korean Ministry of Education will make possible a full scale pilot model among 100,000 students. Based on new approaches and teaching materials in elementary and secondary schools, this project will test whether cheaper and more effective ways can be found to deliver education services.

We will also continue to help strengthen the graduate teaching and research programs at Indonesia's two leading agricultural universities. They in turn, are responsible for helping 22 smaller provincial universities improve their programs.

Early in 1971 the Turkish Supreme Court ruled that private schools of higher education were illegal under the Turkish Constitution. One of the institutions affected by this ruling was Robert College in Instanbul, which AID helped support in the 1960's under section 214 grants. In subsequent negotiations, the Turkish Government agreed to take over the college level portion of Robert, which was renamed Bosphorus University. The Government is maintaining the Western orientation of the university by continuing to train faculty abroad, by using English as the medium of instruction, and by giving the faculty rights of self-government unique in Turkey. In this transition period, we plan to help Bosphorus continue to provide quality university-level education by financing U.S. faculty members and U.S. training for Turkish faculty.

To reduce the critical shortage of trained planners, economists, engineers and managers, AID hopes to continue to provide U.S. and third country training programs for participants from Afghanistan, India, Indonesia, Nepal, Turkey, the Philippines, and Korea. In addition,

we also plan to provide training for some 475 students at American University in Beirut in agriculture, education, engineering and public administration.

Many former participant trainees now hold key positions in their country's development programs. For example, a quarter of the rectors in Indonesia's 40 public universities and colleges have benefited from AID-sponsored training. In Afghanistan, the current Deputy Prime Minister, a Governor, and four Cabinet Ministers are former AID participants.

INDUSTRIAL AND URBAN DEVELOPMENT

Rising employment, national income and tax revenues to finance public development programs in the less developed countries are all dependent upon the growth of industry. Industrial growth also presents an opportunity for the wider sharing of the benefits of development. For all these reasons, we intend to provide substantial development assistance to the industrial sectors of the development programs of several Asian countries.

A shortage of power and inadequate transportation and water supply systems are slowing industrialization in central and west Java—Indonesia's two most densely populated provinces. By collaborating with the IBRD and West Germany in a program to improve power and transport facilities, we hope to stimulate private investment, create new jobs and provide a better life for the 50 million people who live there. We are proposing approximately $65 million in fiscal year 1973 Development Loans for this project to help provide power generation, transmission and distribution systems in west Java. We also are considering a loan for improved water supply facilitis in central Java's main urban areas. In Turkey we have joined with the IBRD and Export-Import Bank to help finance the expansion of the modern steel mill at Eregli on the Black Sea.

To provide an adequate supply of raw material, spare parts, and equipment for the private industrial sector we proposed to provide from fiscal year 1973 loan funds $40 million for imports to Indonesia, $90 million to India, $65 million to Pakistan. We plan to continue our technical assistance to the Government of Afghanistan program designed to facilitate investment by developing simpler procedures and by devising appropriate tax or tariff incentives. In Korea we expect to continue support of the Institute of Science and Technology. The Institute provides scientific and technical expertise under contract to the private sector and government. Recently Institute scientists patented a process to make white pigment (used in the manufacture of paint and ceramics) from sand. The pigment had been imported from abroad and is expected to save $3 million a year in foreign exchange.

B. FISCAL YEAR 1973 BILATERAL ASSISTANCE REQUEST

[In millions]

	Fiscal year 1971	Fiscal year 1972	Fiscal year 1973
Development loans	$372.0	$277.0	$465.0
Technical assistance	44.9	36.1	38.1
Family planning	15.0	11.8	15.2
South Asia relief and rehabilitation		200.0	100.0
Narcotics control program (Turkey)		15.7	15.0
Total	431.9	540.6	633.3

The loan request for fiscal year 1973 includes an unallocated amount of $110 million in development loan funds to support programs in eligible countries covered by the Asia Bureau. In large part, the unallocated amount reflects the current uncertain situation in south Asia. There are also other potential requirements in Korea, the Philippines, Ceylon, Nepal, and Indonesia that are not covered by our specific country requests.

Fiscal year 1973 development loan request

	Millions
India	$90
Indonesia	115
Korea	25
Pakistan	75
Philippines	10
Turkey	40
Unallocated	110
Total	465

We are requesting $38.1 million for technical assistance to support modernization and reform of agriculture, improved education and management, and private sector expansion.

We also are requesting $25 million for Indus Basin grants and $18 million for Indus Basin loans in fiscal year 1973. As you know, this multilaterally financed project began in 1960 to distribute waters of the Indus Basin equitably between India and Pakistan through construction of a system of canals and dams. Approximately 50 million people in India and Pakistan will benefit from the land to be irrigated and made arable as a result of this cooperative undertaking. The United States, the World Bank, and seven other countries have pledged $1.5 billion of which the U.S. share (including grants, loans and Public Law 480-generated Pakistan rupees) is 41 percent. Contract work on the Tarbela Dam, the last major work, is back on schedule and is expected to be completed in fiscal year 1976.

KOREA

The Government of Korea is determined to maintain the momentum of growth. This year they have begun an ambitious third 5-year plan which will concentrate on investment in capital goods industries and on the rural/agricultural sector. The latter has grown slowly, reflecting relative neglect in the first two plans. In an effort to increase domestically generated resources for investment, the Government is undertaking a reform of the tax system designed to broaden the base and reduce exemptions. A 10-year commitment to family planning has contributed to one of the most successful programs in east Asia.

Research and policymaking institutions in the agriculture sector need revitalization if Korea is to produce more of its own food. In fiscal year 1973 a $25 million agriculture sector loan is proposed. It is likely that foreign exchange receipts in the 1972–76 period will be lower than anticipated because of a recently concluded textile agreement with the United States (limiting exports to the United States of woolen and synthetic cloth) and because of a reduction in the number of U.S. troops in Korea.

Successful completion of the third development plan is clearly in the U.S. interest and continued U.S. development loan and technical assistance through this period will help bring it about.

TURKEY

Despite the political problems Turkey is now experiencing, we believe that the economic expansion which took place last year will continue since all political parties share a commitment to economic growth. At the same time, budget deficits and inflationary agriculture price supports contributed to a 22-percent increase in the consumer price index. The challenge for Government policy in the immediate future is to return to the relative price stability of the 1960's while maintaining economic growth.

Turkish plans call for an end to concessionary loan assistance in the mid-1970's. Turkey has for the time, at least, outgrown the need for AID program lending but continues to need concessional aid in project and sector financing. We intend to support Turkey's development targets in fiscal year 1973 with a $40 million irrigation and agriculture sector loan.

INDONESIA

In Indonesia, 5 years have passed since the end of the Sukarno regime. In contrast to the economic deterioration which marked the Sukarno period, the Suharto government has an impressive record of accomplishment. The economic stabilization record has been remarkably successful. Rehabilitation and expansion of transportation, communications, power and irrigation facilities is underway, and the development effort as a whole has gathered increasing momentum. Approximately $725 million has just been pledged by a large group of bilateral and multilateral donors to assist the Government's stabilization, rehabilitation and development programs for 1972–73. While Indonesian development is proceeding better than perhaps the most optimistic would have predicted 5 years ago, much still remains to be done if Indonesia's continued progress is to be assured. Rapid population growth does not leave much margin for improvement for the individual. The 40 million people who live outside of Java have not shared in that island's improved standard of living. Although the agricultural sector supports two-thirds of the population, expansion of food production is limited by the inadequacy of distribution facilities for seeds and inputs and by faulty research programs and extension services. The Government is addressing these problems, but solutions will not be easy or rapid. We propose to support the Government's efforts by lending $115 million in fiscal year 1973 to finance projects and commodity imports.

PHILIPPINES

Despite a concerted effort on the part of the Philippine Government to control inflation through tightened credit and reduced deficit, the price level rose 20 percent last year. The high rate of population growth, depressed rural sector and inadequate urban services and infrastructure to deal with migration to the cities, are major challenges. AID's assistance, determined in the context of the multilateral consultative group for the Philippines, is focused on programs in the rural sector and in family planning. One of the government's highest priorities is rapid expansion of diversification of agricultural production to increase rural incomes and consumption as well as exports. We plan to support this program with an agricultural sector development loan of $10 million in fiscal year 1973.

INDIA

With the election of a strong central government in India in March 1971, following a year of encouraging economic performance, it appeared that significant economic growth was in store. However, the financial burden of caring for millions of Bengali refugees from former East Pakistan and the subsequent India-Pakistan war was a heavy one. This slowed the pace of development. Provisionally, we are carrying $90 million in development loan assistance in fiscal year 1973.

PAKISTAN

The Pakistan Government is attempting to revive development programs stopped abruptly by its civil war, but the problems are staggering. These include a $3 billion debt burden, a drop in income, and widespread social and political unrest. The Government is attempting to meet these problems by seeking a rescheduling of the debt, initiating a land reform program, nationalizing key industries, and increasing taxes. The Pakistan debt payments, due since May 1, 1971, have been paid in blocked rupees. Approval by Pakistan's creditors of a World Bank proposal now under consideration would permit the resumption of badly needed consortium lending for a revived development program, including a $60 million U.S. commodity import loan under consideration this fiscal year. In fiscal year 1973 we are proposing development loan assistance of $75 million of which $65 million will finance commodity imports and $10 million projects in the agriculture sector.

AFGHANISTAN AND NEPAL

The economies of Afghanistan and Nepal are at an early stage of development. Improvements in jobs, health and educational opportunities have been slow. We plan to continue our support of Government development programs with technical assistance in fiscal year 1973 and both countries remain eligible for loan assistance in fiscal year 1973.

BANGLADESH

Relief for the displaced population and reconstruction of the war damaged economy are the most pressing tasks facing the 75 million people of Bangladesh. Bridges, port facilities, power and communication systems were seriously damaged in the war. High unemployment and communal tensions contribute to social and political unrest. Foreign exchange reserves are small; industrial production is severely curtailed by the lack of raw materials. A struggling civil service must deal with these problems in addition to importing and distributing 200,000 tons of food grains monthly before the next major rice harvest. To date we have committed over $70 million in food and $42 million in grants in support of the government's and voluntary agencies' efforts. We are requesting an additional $100 million in fiscal year 1973 under the South Asia relief and rehabilitation appropriation which will enable us to continue to provide our fair share of the requirements. Some of these requirements for reconstruction will be met by international organizations such as the UN and the IBRD to which the United States and others would make contributions. Such contributions are intended to be used, in accordance with the procedures of the administering agency, to accomplish specific relief reconstruction tasks.

COST SHARING

In closing, Mr. Chairman, I would like to stress the United States no longer provides the major part of assistance to those countries for which we are requesting loan and grant funds in fiscal year 1973. Other members of consortia and consultative groups for the six largest AID recipients in the area—India, Indonesia, Pakistan, Turkey, Korea, and the Philippines—have increased their aid while the U.S. share has declined. Total consortia assistance to these countries increased from $2.1 billion in fiscal year 1962 to $3.3 billion in fiscal year 1971; the U.S. bilateral contribution has dropped from $1.5 billion in 1962 to $870 million in 1971. Not only has the aid group mechanism served to spread the aid burden more equitably among the developed countries, it has forced a close look by other donors and recipients at priorities for external assistance.

There is, I believe, a strong case now for reversing the trend of declining U.S. assistance in relation to assistance provided by other donors in Asia. U.S. leadership has been instrumental in encouraging other donors to increase their aid and we have succeeded. But, the major Asian recipients effectively can use even larger allocations. Otherwise, rising debt service will reduce net transfers of aid. More aid now can help the countries of Asia achieve self-sufficiency more rapidly and enhance their capacity to manage the struggle for development and stability through peaceful means.

I am convinced the assistance we are proposing in fiscal year 1973 can be an important help to these governments in maintaining the momentum of development and in providing a better life for their people.

Mr. PASSMAN. Thank you, Mr. MacDonald; now we will hear from Mr. Davies.

GENERAL STATEMENT OF THE DEPUTY ASSISTANT SECRETARY OF STATE FOR NEAR EASTERN AND SOUTH ASIAN AFFAIRS

Mr. DAVIES. Mr. Chairman and members of the subcommittee, in his statement, Mr. MacDonald has described the economic progress that has been achieved, the obstacles that stand in the way of further advance and the plans for dealing with those pressing problems that remain. I should like to expand briefly on his remarks as they pertain to the Middle East and South Asia and to place our appropriations requests in the broader framework of the situation which confronts us in this vast area and the policies we have formulated to deal with it.

Recent history is a powerful reminder of the volatility that is so pervasive throughout much of this region. How vital peace and a sense of security are to the whole complex process of development were made abundantly clear by the events in South Asia and the Middle East during the past couple of years.

Less than 2 years ago, the existence of the moderate Jordanian Government was placed in serious jeopardy when terrorist elements resorted to armed action within the country and the armed forces of a neighboring Arab state sought to invade Jordan. That combination of forces was decisively defeated. Although further threats may arise in the future and Jordan must maintain an unrelaxed vigilance and preparedness, it has been gradually able to turn its attention increasingly

to the important task of economic construction. The Government is now working on the development of an economic strategy and plan with assistance from the international agencies. We hope that in the near future the plan will be ready for consideration by interested donors.

In neighboring Israel the shield formed by the maintenance of the arms balance has been a deterrent to renewed conflict and has preserved the cease-fire along the Suez Canal. This environment, coupled with generous levels of U.S. private and official financial support, has enabled Israel's economy to make very rapid advances. This in spite of the heavy expenditure on defense which Israel is compelled to sustain.

Let me cite one other example—that of Iran. This is a country which is spending on a significant scale to maintain a military force designed to discourage military adventurism in the area and insure its independence. But at the same time it has been investing heavily in development. Its economy has attained a truly impressive momentum, and there has been commensurate social progress.

Turkey—a country with which we have long enjoyed close cooperation—furnishes yet another illustration. Determined to preserve its independence, Turkey has for many years accepted the sacrifices entailed in maintaining a military force capable of making an effective contribution to Turkish and NATO defense. Nevertheless, it has been able, especially during the past several years, to inject real momentum to the pace of its economic development. A major impetus has come from the employment of thousands of Turkish workers in Western Europe, whose repatriated earnings have increased severalfold in recent years. This economic progress has continued despite political instability growing out of violent acts by left-wing terrorists. With the anticipated restoration of internal order and the enactment of a considerable body of reform legislation expected soon, Turkey's political situation should stabilize in the near future.

In South Asia the delicate fabric of peace was ripped apart by civil strife and war. In no part of the world are the pressures of population on land and other resources greater; in no part of the world is the urgency of economic development more compelling. One of the tragic consequences of hostilities was the serious setback to development and the concomitant of increased human misery. However, the countries of the region have now turned to the business of reconstruction and economic development.

Clearly the need is for durable peace in South Asia and the Middle East. It is that simple but lofty word—peace—which is the fundamental inspiration of our policy in the region. We must recognize, however, that the construction of peace arrangements is basically the responsibility of the antagonists in a dispute. It is, after all, their will for peace which is the ultimate determinant of the strength and durability of any settlement. Moreover, our ability to influence other nations, large and small, on issues involving their perception of their security interests is limited.

Too many times within the past 20–25 years, the differences between Arabs and Israelis and Indians and Pakistanis, have exploded into violence. Yet, despite this tragic history—or perhaps because of it—there are opportunities for peaceful reconciliation. Patently, the obstacles to be surmounted are formidable, but they can be overcome.

In the Middle East, the cease fire along the Suez Canal is approaching its second anniversary. But a cease fire is not a substitute for a permanent peace agreement; rather, it is an essential precondition. Surely, its continuation signifies that both sides have derived benefits from it—if no other than the most precious one of saving lives. Moreover, so long as it continues, the cease fire preserves the opportunity for diplomacy to concentrate on the search for peaceful reconciliation.

In South Asia, also, a cease-fire, albeit an uneasy one, prevails. In the past weeks, senior Indian and Pakistani officials met to prepare for a meeting between President Bhutto and Prime Minister Ghandi. It is our earnest hope that this prospective meeting will pave the way for the building of a permanent situation of peace in the area.

As President Nixon said in his foreign policy report to the Congress, "The 700 million people of the subcontinent deserve a better future than the tragedy of 1971 seemed to portend. It is for them to fashion their own vision of such a future. The world has an interest in the regional peace and stability which are the preconditions for their achieving it."

The hostilities in South Asia have created new problems, both for the countries concerned and for us in our relations with them. The emergence of an independent Bangladesh, the strain in our relations with India, the restructuring of government in Pakistan, and the relation of these three countries with each other represent the most important of these problems.

Pakistan has moved rather quickly to establish a new civilian governmental structure, both at the center and in the provinces, under an interim constitutional arrangement. And, as Mr. MacDonald has indicated, the Government has also set in motion a number of reform measures. In Bangladesh the authorities have had to start virtually from scratch to construct the machinery of government. At the same time, the country has to devise ways of coping effectively with the massive problems of rebuilding a shattered economy and providing the elementary necessities of food and shelter for its desperately impoverished people. In India, the Government has won a substantial victory in state elections. With this reinforced strength, it has now turned its attentions back to development.

But critical to the prospects for development will be the ability of Pakistan, India, and Bangladesh to establish new directions in their relations with each other. If each can emerge from the discussions and negotiations which lie ahead confident of the permanence of their neighbor's peaceful intentions, then an environment can be created in which the energies of these 700 million people can be more fully devoted to the urgently needed improvements in human welfare.

The paramount diplomatic challenge for the year ahead for us is to find ways by which we can help strengthen the basis for durable peace arrangements in the Middle East and South Asia. I would underline the word help in describing our role because, as I mentioned earlier, peace is primarily the responsibility for the two sides to these disputes.

I would not wish to minimize the difference between hope and reality. The obstacles to peace are many. But by the same token I think it would be a mistake to overlook the grounds for hope. The cease-fire which obtain in the Middle East and South Asia provide the founda-

tion on which a durable structure of peace can be built. And within such a structure, our economic assistance can play an important role in helping millions of people create a better life.

Mr. PASSMAN. Thank you, Mr. Davies. Next is Mr. Hummel.

GENERAL STATEMENT OF THE DEPUTY ASSISTANT SECRETARY OF STATE FOR EAST ASIAN AND PACIFIC AFFAIRS

Mr. HUMMEL. Mr. Chairman, distinguished members of the committee, I welcome this opportunity to appear with Mr. MacDonald before your committee to discuss our request for development loans and technical assistance for East Asian countries in fiscal year 1973. In his statement before this committee on April 18, 1972, Assistant Secretary Marshall Green discussed the basic policies that underlie all of our assistance programs in East Asia. Supplementary to that statement, I would like to talk briefly about how these policies relate to the economic programs which Mr. MacDonald has outlined in detail.

INTRODUCTION

In the task of nation-building it is the will and effort of the countries themselves that counts. Unless a country mobilizes its own psychological, human, and material resources, our assistance cannot be effective. Given that will and effort, however, our assistance can make the critical difference—to the development of the recipient nations and to world stability and peace. While this proposition is particularly significant in areas where the United States is reducing its military presence, it also applies to countries which already have achieved a degree of self-reliance and growth. Korea, Indonesia, and the Philippines are certainly good examples of countries that are gaining in self-confidence. Though their political systems and cultural heritages differ, they all share the same desire—to stand on their own feet.

An element that greatly assists in fostering their self-reliance has been the multilateralization of development planning and coordination of the assistance effort. Consultative groups and consortia have been formed for Korea, Indonesia, and the Philippines to guide the Governments of these countries in dealing with the many complex economic and financial problems inherent in the development of their nations. These countries are now being exposed to the expertise and counsel of international groups. The contacts and discussions that take place in these forums foster a growing maturity and confidence. The countries are to a lesser extent than before dependent on U.S. aid and advice, and this movement away from bilateral negotiations has had healthy results for all concerned.

Thus, in the world of the seventies our economic aid is a catalyst for self-sufficiency. We recognize that people do things better when they are on their own, when their own initiatives are sparked. It is consistent with the countries' own sense of nationalism, the strongest force in Asia.

Against this background, I would like to make a few observations about the three aforementioned countries.

INDONESIA

Indonesia is one of the most stable countries in Southeast Asia, and its moderate, constructive influence in the region has been very much in the American interest. Dedicated to economic development with a rare singleness of purpose, the Indonesian leadership has won broad popular support for its policies and programs. Last year, in the first national elections since 1955, the Government-backed coalition of functional groups won over 60 percent of the vote, and President Suharto appears sure of reelection next year.

Although many of the Government's major leaders are military men, civilian experts in the Cabinet are the architects of much of the Government's policy, particularly on the economic and foreign policy side. The Government's determination to improve the lot of its people is reflected in the consistent policy of holding military expenditures to the absolute minimum in order to put all available resources into development programs.

In the international sphere, Indonesia has been one of the strongest proponents of regional cooperation and responsibility. Strongly anti-Communist and devoted to a nonalined, self-reliant stance in international affairs, Indonesia is a stanch supporter of the Association of Southeast Asian Nations (ASEAN) and has consistently sought to make that organization a pillar of regional stability. Through a series of state visits President Suharto recently made significant progress in continuing efforts to improve cooperation with Australia, New Zealand, the Philippines, and Japan, and Indonesia continues to maintain especially close ties with Malaysia. In short, the Indonesian role in the area is a prime example of how the Nixon doctrine can work in Southeast Asia.

THE PHILIPPINES

In this century, the United States has made a major investment in the creation and preservation of a viable, friendly and independent Philippines. Since its independence, the Philippines has maintained its democratic form of government, providing for a peaceful transfer of political leadership through a regular election process. Philippine leaders have worked vigorously to promote economic development, moving toward multilateral cooperation within an IBRD-sponsored consultative group for this purpose, and has been increasingly active in Southeast Asian affairs. The unique, special relationship which existed between our countries in the past is evolving into a different and perhaps more suitable relationship based on common interests and values. The Republic of the Philippines remains one of our most loyal friends and allies.

In addition to this historic relationship, the United States has important economic and security interests in the Philippines. U.S. investment totals nearly $1 billion and trade between our two countries amounts to about $800 million annually. Trade and investment should continue to expand and will continue to play an indispensable role in Philippine development. On the security side, the United States and the Philippines are linked by a mutual defense treaty and by the mili-

tary bases agreement. The latter agreement provides the basis for our military installations in the Philippines which constitute a fundamental element in the U.S. security posture in the western Pacific.

REPUBLIC OF KOREA

The Republic of Korea has taken positive steps in the direction of defense self-reliance and also made progress toward the reduction of tensions which have existed on the Korean peninsula since the end of World War II. Republic of Korea forces now man virtually the entire demilitarized zone, where a reduction in authorized strength of 20,000 U.S. military personnel was accomplished in fiscal 1971. With the assistance we are providing under the 5-year program for modernization of Republic of Korea military forces, the Koreans will be able to assume a substantially greater share of the burden of their own defense.

At the same time, the Koreans have taken the initiative to ease tensions vis-a-vis the North. In August 1971, the Republic of Korea proposed talks between the Red Cross societies of North and South Korea on the subject of divided families; the preliminary talks now taking place at Panmunjom are the first real contact between North and South since the Korean conflict and have raised hopes that some of the problems on the Korean peninsula can be resolved through dialog rather than armed force.

President Park Chung Hee also has offered to take additional steps toward reducing tensions if the North will renounce the use of force. The ROK has proposed a three-step approach toward settling the Korean question: discussion of humanitarian issues, next moving on to nonpolitical problems and finally taking up the political issues that confront both sides. The North has countered with its own proposals which appear more propagandistic than serious. We are hopeful, however, that there will be further development of North-South relations, leading toward peaceful resolution of the issues that have divided the peninsula for almost a quarter century.

CONCLUSION

Economic growth is an essential ingredient in achieving self-reliance on the part of the countries of east Asia. It is also a vital aspect of our overall strategy for peace in the Pacific. In order to maintain and to accelerate the emerging trends toward shared responsibilities and to derive the greatest benefits from the easing of tensions, we must retain the confidence of our friends and provide them with the sinews for economic development. The programs which we are here requesting are both necessary and appropriate for this purpose.

JUSTIFICATION MATERIAL

Mr. PASSMAN. Thank you for your statement. We will insert certain justifications in the record at this point.

(The material follows:)

PROGRAM SUMMARY
(In millions of dollars)

FISCAL YEAR	Total	Agricul. & Rural Develop.	Population & Health	Education & Man-power Training	Industry, Transpor-tation & Urban Dev.	Non-Project Loans & Other	Program Develop. & Support
1971							
Devel. Loans	372.1	55.0	- 1/	6.0	41.1	270.0	-
Tech. Assist.	43.9	12.8	.9	15.3	1.9	-	12.9
Population	15.0	-	15.0 2/	-	-	-	-
Other	1.5	1.5	-	-	-	-	-
Total	432.5	69.3	15.9	21.3	43.0	270.0	12.9
1972							
Devel. Loans	277.0	37.0	-	2.5	132.5	105.0	-
Tech. Assist.	36.1	11.4	.7	12.1	.7	-	11.2
Population	11.8	-	11.8	-	-	-	-
Other	15.7	-	-	-	-	15.7	-
Total	340.7	48.4	12.5	14.6	133.2	120.7	11.2
1973							
Devel. Loans	465.0 3/	75.0	-	-	75.0	315.0 3/	-
Tech. Assist.	38.1	13.4	.3	12.9	1.2	-	10.4
Population	15.2	-	15.2	-	-	-	-
Other	15.0 4/	-	-	-	-	15.0 4/	-
Total	533.4 5/	88.4	15.5	12.9	76.2	330.0 3/	10.4

/1 Excludes population grant programs.
/2 Funded from development loan funds.
/3 Includes $110 million in currently unallocated Development Loans to support programs in eligible Asian countries.
/4 International Narcotics Control assistance.
/5 Excludes $17.7 million in Technical Assistance and Population programs for Vietnam, Laos, Thailand, Jordan and East Asia Regional, administered by the Supporting Assistance Bureau.

Social and economic development is a long-term matter. It involves a profound transformation of society: from one with fixed social relationships, little upward movement and low expectations, to one with social mobility, economic opportunity and a new style and quality of life. Development means a steady rise in life expectancy, increased literacy, the removal of caste and other social restrictions on individuals' upward movement, and the end to the conditions of abject poverty in which many people of these countries still live.

Economic and social development has been a priority objective of public policy of the Asian countries for the past fifteen years. Their development programs have meant among other things:

-- the achievement of food-grain self-sufficiency for many;
-- larger and stronger private industrial and commercial sectors, producing and distributing a large variety of consumer goods;
-- primary schooling for the rural youngsters and vocational training for the city youth, so that the labor force is increasingly literate.

But despite the phenomenal progress created by sustained national efforts supported by foreign aid --

-- the landless laborers in the countryside and the illiterate immigrants to the city remain desperately poor and undernourished;
-- the rate of population growth continues to erode the gains made by the total economy and limits any real progress in the reduction of poverty;
-- the lack of skilled manpower weakens the capacity of both public and private sectors to manage resources efficiently and to undertake steadily expanding social and economic development programs.

A gap remains not only between the less developed and developed countries, but also between the less developed themselves. The following table illustrates this.

Comparing Social Well Being
(data from 1969 or 1970)

	U.S.	Turkey	India
Life Expectancy (at birth)	70	54	50
Persons per hospital bed	120	510	1670
Persons per physician	620	2260	4610
Primary Students, as % of 5-14 age group	91	53	40
Literacy, as % of total population	98	46	28
Daily newspapers (per 1000)	306	41	13
Telephones (per 1000)	580	16	2

PROGRESS AND PROBLEMS

A great deal of progess has been made in the last twenty years. Per capita growth in the less developed world before the Second World War averaged 1/2 of 1%.

But in the past two decades annual per capita output in most Asian countries increased on the average of 2 to 3%.

The decade of the 1960s saw a quickened rate of social progress and economic development.

South Asian agricultural growth rates accelerated sharply in the late 1960s -- from 1% a year in the early 1960s to 5% a year after 1967 -- while agricultural ouput in other countries rose less dramatically. On the other hand, industrial growth in most Asian countries dropped slightly from 8 to 9% a year in the early 1960s, to about 7% in the late 1960s, with the exception of Korea where industry grew at the exceptional rate of 19% a year. Although these rates of economic growth did not affect everyone equally, and the gains were eroded by the high rate of population growth, nonetheless, as the following table indicates, there was significant improvement through the 1960s.

Per Capita Annual Rates of Growth of GNP

	Average 1960-65	Average 1965-70
India	0.8	2.1
Turkey	1.7	4.3
Philippines	2.2	2.5
Korea	3.5	9.5

Life expectancy rose dramatically in the 1960s:

	1960	1970
Korea	52	58
India	41	50
Philippines	49	55

This change was achieved by a large investment in hospitals, clinics, sanitation and extensive innoculation compaigns, as well as some improvement in nutrition. For example, the number of people per physician has dropped:

	1960	1970
India	5700	4610
Philippines	1600	1390

The countries of Asia poured their increasing funds into primary education, increasing the enrollment ratios dramatically:

	1960	1970
India	29%	40%
Korea	60%	67%

Similar improvement can be noted in all aspects of ordinary Asian life. The consumption of textiles, footwear, bicycles and simple household implements has risen dramatically.

What were the main causes of the quickening rate of growth in the 1960s?

The Introduction of High Yielding Varieties (HYV). The introduction of the HYV transformed the agricultural sector of many of the countries of Asia. The shorter growing period of the new varieties makes possible multiple-cropping and the introduction of new crops. Since the new seeds required a combination of fertilizer and water, governments increased investments in land and water development programs, and in new fertilizer plants. The need for efficient distribution of a much greater volume of fertilizer and seeds led governments to change their distribution, pricing and credit policies for agricultural inputs and products. Since the production of seeds appropriate for the climatic conditions in the different Asian countries required research and testing, the governments began to improve research laboratories, train more research specialists and carry out more test demonstrations.

Increased Investment & Savings. The growth of output and the expansion of social services rested on a sustained volvume of investment in industries and infrastructure. As the total output of countries increased, they were able to invest more, both absolutely and as a percentage of national output. For example: Turkey invested 18% of its national product in 1960/62 and increased this to 21% by 1969/70; Philippines investment rose from 13% to 20%.

Between 80% and 90% of this investment came from the domestic savings of the countries themselves. Governments were more prepared to tax for development. In the early 1960s, for example, Korean taxes were 10% of the gross national product, but by 1970 they had reached almost 15%. Investment brought into being not only new industrial firms, roads, bridges, dams and power stations, but also schools and clinics. Better medical services and better food made stronger workers; more grade schools increased their literacy; more vocational schools and plant training increased their productivity. The average worker in Turkey in 1950 had three years of schooling; by the late 1960s workers entering the Turkish labor force had five years of schooling. The same occurred in other Asian countries: for Korea from 5 years to 8 years, and for the Philippines from 7 years to 9 years.

More Freedom for the Economy. The governments responded to the changing economic situation by modifying economic and social policies. Korea, for example, undertook a major reform in 1964 involving devaluation, import liberalization and increases of the interest rate on domestic savings. Indonesia introduced monetary and fiscal reforms, changed the exchange rate and opened the door to foreign investment after the fall of the Sukarno government. As the supply of food grains increased after 1967, the Indian government abolished restrictions on the inter-State movement of grains, which had been in force for many years.

What Remains to be Done?

The less developed countries of Asia need to:

-- develop social and economic programs specifically designed to achieve a reduction of rural underemployment and urban unemployment;

-- expand family planning programs, evaluate current population efforts, and undertake new approaches to reduce the crude birth rate;

-- sustain the momentum of the Green Revolution by devoting more resources to reasearch and experimentation, by keeping under constant scrutiny the effects on agricultural output and the distribution of agricultural income of pricing policies, distribution arrangements, land tenure legislation and agricultural credit facilities;

-- increase taxation of the economic sectors which are growing most rapidly, especially the agricultural sector which has grown most in the past five years and has been taxed less than proportionally;

-- focus attention on the export sector as a means to sustained general economic growth;

-- strengthen the capacity of government -- central, provincial and local -- to identify social and economic problems, and to design and implement programs to overcome them.

Need for Aid From Abroad

Accelerated growth has been supported by an increased volume of concessional aid from abroad. The United States has been associated with other aid donors in consortia and consultative groups since the early 1960s. These multilateral aid arrangements have had two primary objectives: (1) to distribute the aid burden more widely among the developed countries, and (2) to concentrate the attention of aid donors and recipients on key development issues and their resolution. The consortia also achieved improvement of the terms under which aid is provided; a substantial part of bilateral assistance is now given with long grace periods and low interest rates. The consortia and consultative groups have also become the primary means for considering arrangements for an equitable sharing of debt relief, as in the cases of India and Indonesia.

Total aid to the six Asian countries which have consortia or consultative groups more than doubled between 1962 and 1971, rising from average of $1.6 billion in 1962-63 to $3.2 billion in 1971.

78-827 O - 72 - pt. 2 - 75

DONOR CONSORTIA AID TO SIX ASIAN COUNTRIES 1/
($Millions)

	1962	1963	1969	1970	1971
U.S.					
Development Loans	746.1	787.1	399.8	422.2	371.9
Supporting Assistance (Grant)	199.2	179.6	-	-	-
PL 480 (Indonesia only) 2/	2.1	5.3	183.0	150.2	96.3
Export-Import Bank	48.7	39.2	53.1	160.0	296.9
Total U.S.	996.1	1,011.2	635.9	732.4	765.1
U.S. as % of Total	68.6%	57.2%	21.8%	23.3%	24.0%
Other Bilateral Aid	274.6	410.8	1,563.7	1,637.2	1,573.7
IBRD/IDA	254.1	311.4	563.3	590.7	625.1
Other Multilateral	26.8	34.3	147.6	185.8	218.1
Total Multilateral	280.9	345.7	710.9	776.5	843.2
GRAND TOTAL	1,451.6	1,767.7	2,910.5	3,146.1	3,182.0

1/ The six countries are: India, Pakistan, Turkey, Indonesia, Korea and the Philippines.
2/ Food shipped to other countries under PL 480 agreements were not provided under consortia commitments. If such aid were included, the U.S. share of total aid to the six countries would be higher.

As the table indicates, the U.S. bilateral aid share has fallen from two-thirds at the beginning of the 1960s to one-quarter in 1971, while other bilateral donors have more than quintupled their level of concessional lending. Thus, although the Asian countries have been able to rely increasingly on multilateral and regional lending agencies (e.g., IBRD and Asian Development Bank), bilateral assistance has been essential for them to sustain their development momentum. However, net assistance rose far less rapidly as rising debt service has reduced gross assistance.

The less developed countries of Asia have also drawn on the US, the major European aid donors, Japan, and the UNDP and its specialized technical agencies for a wide range of technical assistance: teams of resident advisors, short-term consultants, and the training of their own people in foreign institutions of higher learning.

FY 1973 A.I.D. PROGRAM

Development Loans South Asia. Economic development was seriously interruped in South Asia in FY 1971 and FY 1972 by the outbreak of civil war in East Pakistan in March 1971 and by the war between India and Pakistan which followed in November and December. Following disruption of Pakistan's development effort, the United States made no new Development Loan commitments to that country after March 1971. In the case of India, part of the program loan pipeline was suspended on December 6 during the war with Pakistan because of a determination that a general economic development program, for which such aid was intended, could not be carried forward. The partial suspension remains in effect.

In the aftermath of the war, new situations have been created which must be taken into consideration in framing aid policy toward the major countries of the area. For these reasons aid plans for development assistance in South Asia are unusually fluid. In the new nation of Bangladesh, before consideration can be given to orderly resumption of economic development, the immediate needs for relief of the large displaced population and rehabilitation of the war-torn economy must be met. We are providing such humanitarian assistance under the special legislative authority enacted for that purpose. In Pakistan, the task of picking up the thread of interrupted economic development is already under way, but the organizational and resource problems are large and raise an urgent requirement for external assistance. The first task of the Consortium, which has supported Pakistan's development program for so many years, is to reschedule debt which has been in default since May 1, 1971. A World Bank sponsored debt rescheduling would provide the basis for the economic reform program Pakistan needs to counter the economic slow-down and resume its development efforts. It would also again make a development lending program possible. In that context Development Loans are currently planned at $60 million for FY 1972 and $75 million for FY 1973 for Pakistan. In regard to India, U.S. economic assistance relationships are under review. Indian leadership is placing increasing emphasis on self-reliance and seeks to reduce the country's dependence upon economic aid from foreign nations. The $90 million in Development Loans provisionally carried for India in the FY 1973 program reflects all of these current uncertainties.

East Asia. The proposed Development Loan program for FY 1973 includes $75 million for project loans to Indonesia, primarily for power generators, transmission and distribution systems and $40 million for purchase of industrial raw materials and agricultural inputs for use by the Indonesian private sector. As one of its first orders of business, the Indonesian Government in the late 1960s emphasized the rehabilitation and expansion of the country's deteriorated and inadequate infrastructure. In keeping with this conclusion, the A.I.D. loan program has focused on power and transportation.

The proposed loan level also includes $25 million for Korea to be used for agriculture and program assistance. A $10 million loan to the Philippines will support its rural development effort.

Near East. The only Development Loans proposed in the Near East are for Turkey and amount to $40 million for a land leveling project to be undertaken by the irrigation department and for essential imported agricultural equipment and supplies.

Unallocated. The FY 1973 Development Loan request includes an unallocated amount of $110 million to support development programs in eligible Asian countries identified here. The fluid situation in South Asia is a major factor in this treatment. The loan proposal for Pakistan could be a minimum considering the economic disruption caused by the war and the loss of East Pakistan. As noted above, U.S. economic assistance for India is under review. There are also claims for Development Loans by the South Asian neighbors of India and Pakistan, as well as other Asian countries. We, as well as other members of the IBRD-sponsored Ceylon Consortium, have indicated a willingness to extend Development Loans to Ceylon to support an

economic reform program needed to stop the continuing deterioration of their economy. Ceylonese action might occur in FY 1973. In Nepal we have also begun to consider a loan for equipment for the Transport Ministry's Construction, Operation and Maintenance Center which might be ready for financing before the end of FY 1973. Although both Korea and the Philippines have adhered to the terms of their stabilization programs with the IMF, improvements in the balance of payments have not been as good as expected, and additional loan assistance may be needed to maintain development momentum in both countries. Finally, in Indonesia, the number of projects ready for financing in FY 1973 is expected to exceed the planning figure of $115 million.

Technical Assistance

The proposed FY 1973 Technical Assistance request of $38.1 million continues our support for critically needed programs in agriculture, education and training in management administration and techniques. These projects are directed to the solutions to the problems facing the Asian countries in the coming decade; they build on the sustained work in these areas which have been carried out in the past two decades by the joint efforts of A.I.D. and the aid recipient countries.

Population Assistance

The request for $15.2 million for family planning programs will finance specialized advice on operations and research and critically needed contraceptives and medical supplies. The request also includes funds to finance a portion of the local costs of the Philippine program.

INVESTING IN AGRICULTURE

The Green Revolution. From 1950 to the early 1960s agricultural output grew less rapidly than industrial production because: (a) governments allocated insufficient funds for agricultural investment; (b) prices of agricultural products were fixed and kept low; and (c) there was little change in agricultural technology. The growth that did occur resulted from opening up new land and expanding existing irrigation systems.

Agriculture was marking time until the "miracle seeds" --wheat varieties developed in Mexico and rice in the Philippines -- were introduced in the mid-1960s, creating the basis for a "Green Revolution." The new seeds were high-yielding, rapid maturers which made multiple cropping possible. But since the new seeds require fertilizer and a controlled supply of water, the Asian countries had to re-order their investment priorities and produce or import fertilizer, pumps, and tubewells, and invest in expanded drainage systems. Fortunately, they could draw on a growing number of better staffed agriculture universities, and expanding extension and research station staffs for the organizing and implementation of the new programs; the investment in training begun in the early 1950s with U.S. assistance paid off in the 1960s. In the first years of the Green Revolution large amounts of vitally needed fertilizer, pumps and equipment for tubewells were imported under A.I.D. loan program. Governments not only allocated additional funds but also removed restraints on the trade and distribution of agricultural products and inputs and allowed the price of grains to rise so as to encourage farmers to grow more food.

In the six years since the first new seeds were sown, the acreage of rice and wheat planted with the new high yield varieties in the Asian region has risen from 40,000 to 50 million acres; 13% of the total acreage of rice is now planted to the new varieties and 22% of wheat acreage is in the high yield seeds. Virtually all of India's and Pakistan's irrigated wheat acreage is planted with the new seeds. Half of the Philippines rice acreage is planted with the new seeds. The yield of the new wheat varieties is 2 1/2 to 3 times that of traditional varieties if there are adequate inputs of fertilizer and water while the yield of the new rice varieties are about 25-30% above those of tradional strains. Research being carried out in Asian research stations has also produced new drought resistant wheat varieties which may mean that productivity will rise in the non-irrigated areas.

The 1971 India wheat crop was double the average annual harvest of 1961-65. The Philippines' rice crop rose by one-third. To sustain this growth, 1969-70 fertilizer consumption in Asia was more than twice that of 1961-65. The number of tubewells in the Punjab area of Pakistan multiplied threefold between 1965 and 1970. Steadily rising agricultural output and income are creating opportunities for farm families to eat better, improve their housing, and for new entrants into the labor force to seek employment in the new small industries and service trades in towns serving the farmers.

The Main Tasks for the Future

-- Continued adaptive research is needed to produce new wheat and rice seed varieties which better suit the particular soil and climatic conditions of Asian countries and are more resistant to pests and disease.

-- The dependence of the new varieties on adequate water requires a much larger effort to solve drainage problems and improve water management.

-- Increased food grains output depends on timely distribution of adequate supplies of fertilizer and other inputs. The countries have to create more efficient marketing arrangements and institutions.

-- Countries that are now growing sufficient grains must begin to diversify and grow new crops, particularly those which provide a more nutritional diet.

-- Governments must continue to improve the efficiency and responsiveness of their agriculture ministries and development agencies.

-- Governments must re-examine their general policy framework for agriculture. Questions of pricing, taxes, credit, land tenure, the distribution of income within the sector, and other matters affecting the flow of investment and pace of innovation in agriculture must be reconsidered.

Research. The introduction of new varieties is well advanced in the Asian Subcontinent. By 1969 the pure Mexican varieties, which were introduced in 1964, had been replaced by new varieties developed from crosses made in the Subcontinent's agriculture universities. A.I.D. assisted in research and extension for more than a decade. American teams have worked particularly in the areas of varietal modification, plant protection, fertilizer application, and farm implement design.

Turkish specialists and American scientists from Oregon State University are continuing their tests of Mexican, Turkish and Russian wheat varieties in the rainfed central plateau.

Last year we planned to begin a new project in Pakistan to extend earlier efforts in adaptive research and help overcome the problems posed by the new agricultural technology. This effort will be undertaken in FY 1973 if conditions permit. This five year project will help the new Pakistan Agriculture Research Council coordinate all agricultural research, adapt imported seeds to Pakistan's climate and soils, improve domestic varieties, identify diseases attacking the new varieties, and carry out research in new crops, especially peanuts and soybeans.

While Indonesia has a large number of existing research institutions, the quality of agricultural research has suffered from a shortage of adequately trained personnel and the absence of a national framework for planning and execution of research. The US is supporting a coordinated national research program for rice and related crops in Indonesia utilizing existing facilities and institutions through a contract with the International Rice Research Institute (IRRI), Philippines. Japan, the Netherlands and the Ford Foundation are also assisting Indonesian research program.

The US is also supporting the IRRI assistance to Indian and Korean research programs. Korean scientists working with IRRI have developed a temperate zone "miracle rice," which should increase Korean rice yields by 25 percent.

Water Management. One quarter of India's cropped area is irrigated; growing concern over water resource use has led the Government to concentrate on minor, fast-producing, rather than large water development projects, and to establish new limits on pumping. A.I.D. is assisting the Ministry of Agriculture and the Indian Central Groundwater Board in a six-year effort to help improve groundwater assessment. Experts from the U.S. Soil Conservation Service are working with Indian specialists in studies of water management problems of a newly irrigated plateau area, drainage problems in a major water basin, water management problems of the canal irrigation system and privately owned tubewells in one state. Both the Central Government and the States are carrying out soil conservation and water control programs including contour terracing, treatment of water logged areas, and lining of water channels; A.I.D. non-project loans finance some of the equipment used in these large public works.

For the past several years, A.I.D. has supported Turkish efforts to carry out small irrigation works and to study more effective water usage on farms. The Turkish Irrigation and Land Leveling Agency has steadily expanded the program of involving small farmers in water conservation practices and a development loan to this agency is under consideration.

Marketing and Distribution. One of the biggest problems farmers have faced has been a lack of agricultural supplies when they are needed. As output increases and the countries meet most of their fertilizer requirements from domestic production as against importing from abroad, distribution and storage must be more efficient. Eventually, a major proportion of Indonesia's fertilizer requirements will be met from domestic productive facilities, including the expanded PUSRI plant for which multi-donor financing is being provided. In further support of market development in Indonesia, A.I.D. financed a TVA group to conduct a training program and policy seminar for public and private fertilizer marketing personnel. American advisors are working with Indian government agencies and private organizations to improve methods of marketing, distributing, and storing fertilizers and seeds, so that small farmers, as well as larger land owners, will be able to obtain required supplies in adequate amounts and at the proper time. A.I.D. financed a study of handling, marketing and storage to help the National Fertilizer Planning and Control Board plan future requirements, investments and facilities. To encourage the use of fertilizer the Korean Government has reduced the price of phosphate fertilizer, authorized unrestricted sale on credit, and undertaken a reform of marketing arrangements. American specialists will help design better storage and processing facilities.

New Crops. The wider use of the new varieties, with their shorter maturation period, has brought about a great expansion of multiple-cropping. In India, for example, about 150 million acres are now multi-cropped, triple that of three years ago. Clearly governments will need to provide a wider range of advice, and swifter implementation of programs, for farmers who shift to multi-cropping. We are interested in helping countries develop new crops, such as soybeans, which offer a great potential for upgrading nutrition. We are undertaking new projects in Pakistan and India which will involve not only research on production but also questions of pricing, distribution and processing.

Government Administrative Capacity. U.S. technicians are working with Philippine provincial governors, Development Councils, and universities to improve rural government administration and development services and their development plans. The program includes evaluating developmental programs and designing improved methods of rural tax assessments and collections. A.I.D. is also considering a loan of $10 million in FY 1973 to support the Philippine Government's rural development program. Administrators of Turkish agricultural programs are coming to the US under the A.I.D. program to become acquainted with our methods of designing research and organizing the administration and implementation of programs.

Government Policy Framework. One of the major factors affecting agricultural production is the need for changes in government policy. These changes relate to the internal structures and the relationships of different government organizations, to the roles of the government and the private sector with respect to the distribution and pricing of inputs and crops. These questions are extremely complex, going far beyond technical or administrative issues. While the Green Revolution has improved the position of agriculture as a whole, and has supported the growth of the entire economy, its effects on different classes have been uneven though less harmful to the small farmer than some had anticipated. These are matters for the governments to consider. When such assistance is requested, we are helping in the design and execution of research studies and the review of alternative administrative and technical schemes. One example is a project in Turkey to help the Ministry of Agriculture organize its work effectiveness generally and improve the management of the purchase and storage of food stuffs under the government price support program. Another example is the A.I.D.-financed survey of the Korean agricultural sector being carried out by a team from Michigan State University. The study will provide a basis for the Korean Government and aid donors to review agricultural policies and development programs. The major areas to be covered are land and water resources, production, livestock, fertilizer, seed and the organization of producer coops. When the study is completed and the Government of Korea has taken policy actions, aid donors will be in a better position to consider agricultural sector lending. A.I.D. has included an agricultural sector loan in the FY 1973 request on the assumption that the study will indicate areas where investment would be productive.

CONTROLLING POPULATION GROWTH

The Problem. The present rate of population growth in Asia ranges from 2.2% per annum in Korea to 3.4% in the Philippines. The countries with the largest populations -- India and Indonesia -- are growing at about 2.6% per annum, a rate which will double the population of these countries by the end of this century. An annual rate of population growth in excess of 2% was unheard of prior to the Second World War. For example, European industrialization and economic growth in the mid-19th century was associated with a sharp rise in the population growth rate, which at its height reached only about 1%; since 1900 the European population growth rate has declined to about 0.8% now.

Reducing the population growth rate is a long-term effort that relies as much on social and economic change as on the contraceptive methods made available by modern science. At the present time the crude birth rate of the developed countries is about 18 per thousand and the death rate is 10. In the less developed world the crude birth rate is between 41 and 43 per thousand, and the death rate now stands at about 17 per thousand. It is likely that the death rate will continue to fall with continuing improvement in nutrition, public health and a steadily wider use of simple preventive medicine.

An interim goal of most family planning programs in the developing world is to bring the crude birth rate to 25 per thousand, a reduction of close to 40%, in the next five to ten years. It is clear that this objective cannot be achieved in so short a time and it is unlikely that improved modern contraceptive methods and increased numbers of clinics will do the job alone. New contraceptive methods may be developed which will help. But the historical experience of the developed world and analyses of available social, economic and demographic data from developed and underdeveloped countries suggest that other factors have a very significant bearing on the number of children which families wish to have. These are: the number of years which children of both sexes go to school, particularly if reasonable literacy is achieved; the proportion of girls completing at least four years of schooling; the proportion of women in the labor force, (excluding those working on family farms): the percentage of the total population living in urban areas; and the percentage of children who die in the early years of life.

Since these factors affect the demand for contraception, family planning program goals will be achieved only if social and economic development take place. Thus, expanded government programs for the education for 6 to 10 year olds, maternal and child health care, and industrialization play a very important role in creating the climate for receptivity to and participation in family planning programs. Given the size of the problem, it was necessary in the early 1960s for governments to undertake programs to increase the supply of contraceptives and to create a climate for the dissemination of family planning information. Over the next decade it will be important to sustain progress on the supply side while continuing to expand development programs which will affect the demand for family planning.

Instituting Family Planning Programs. Asian governments took their first steps in the early and mid-1960s. India, which first endorsed family planning in 1951, provided only limited amounts of money for the program until the mid-1960s. The Indian budget for family planning rose from $2 million a year in the early 1960s to $55 million in 1968 and to $80 million last year. The Indian Parliament passed a liberalized abortion law in the summer of 1971 and is considering new legislation on the minimum age for marriage. In 1962 the Korean Government initiated a 10-year family planning program and repealed the law which had prohibited the sale of contraceptives. A separate family planning division in the Ministry of Health was established in 1963. The Turkish Government removed the ban on importation, production and sale of contraceptives in 1965, and permitted the dissemination of family planning information. The leading private Turkish university medical school established an Institute of Population Studies in 1967. The Government of Pakistan expanded its budget for family planning in 1965/66 and sought foreign assistance at the same time. The Philippine Government established a Population Commission in 1967, representing private and public sectors, which recommended a national policy in 1968. In 1971 the Philippine Congress passed the Family Planning Act and appropriated funds.

The Character of Government Programs. In general the governments have created a system of clinics devoted either solely to family planning programs, or to family planning and maternal and child health programs because joining family planning to established health programs seemed more effective and less costly. In either case, these efforts involved large training programs for family planning workers, the purchase of equipment, the creation of a distribution system for contraceptive supplies and a continuing effort at mass education. India, which undertook the most massive effort in Asia, initially tried to have all clinics run by fully trained medical personnel. However, the enormous size of the task led to more varied approaches in the last few years. Furthermore, India has carried out very large male sterilization campaigns which can be carried out relatively easily and safely without requiring a large clinic system. In FY 1970 the United States granted India $20 million to help the government increase its financial outlays for family planning beyond that provided for in the Fourth Plan. This grant which financed imports for the general economy, permitted India to meet part of the cost of training of family planning workers, increasing the staff of family planning clinics, the purchasing of mobile equipment, and building of new clinics. A.I.D. has also provided technical and scientific advisors as well as specialists in in-service training, management and mass media.

The Pakistan Government's program had an impressive beginning, but faltered in 1969 because of the troubled political situation, and the planned expansion of the program proved more rapid than the numbers of trained personnel could manage. The program reached a critical stage in 1970 and the government concluded that operations should be restructured around a smaller and better qualified permanent staff, a larger staff of field workers and that more time should be devoted to the training of workers. The Training, Research and Evaluation Center in Lahore will be used for this. A.I.D. provides Pakistan technical advisers and critically needed equipment and supplies.

The Indonesia Government budget for family planning rose from $100,000 in 1968 to $3 million in 1971. This

supported a doubling of the number of clinics in Java and Bali (where 2/3rds of the population lives) and a rapid increase in training programs and the number of field workers. The United States provides equipment for these new clinics, contraceptive supplies, vehicles, and assistance in the training programs. In addition, we are helping Indonesia collect and evaluate demographic and clinical data.

Voluntary Agencies in Family Planning. In each of the Asian countries voluntary groups have formed to promote family planning and A.I.D. has assisted these where it seemed appropriate. Such groups have been particularly interested and successful in starting pilot programs with new approaches. For example, family planning associations in Pakistan have established family planning motivation centers in local cooperatives and have set up small clinics attached to industrial centers. In the case of the Philippines, the government has chosen to rely heavily on private and church supported groups, such as the Responsible Parenthood Council, created by lay Catholics which operates clinical programs in eight provinces. A.I.D.'s programs in the Philippines finance local costs and supplies and equipment for these clinics, and provides technical advisors to these voluntary groups. A.I.D. is also relying on American voluntary associations to carry out pilot studies and programs. For example, A.I.D. is financing a Johns Hopkins University program in India trying out different methods of providing family planning services in several locations to test acceptability and sustained effectiveness. The Pathfinder Fund is experimenting with a mobile team approach in Turkey. The Medical Association Program has undertaken an "out-reach" effort in a number of rural areas of Afghanistan.

Incentives and the Private Sector. It is clear that motivation of people is essential. Since the presence of clinics and the availability of contraceptives and family planning information will not do the whole job, and social change is a slow process, various "motivational" schemes have been devised involving either payments to people for joining the program or subsidization to reduce the price of contraceptives. The Indian Government has, for example, not only paid family planning workers a small "fee" for individuals they themselves have brought to clinics but have also paid Indians who have joined the program a nominal amount. Asian governments have also subsidized the sale of non-prescription contraceptives through private retail outlets thus reducing the financial barrier to potential users. A.I.D. has provided technical advisors to governments which have undertaken such pilot schemes for retail distribution of contraceptives.

Educating People About Family Planning. Bringing the message of family planning to the illiterate masses of rural Asia has proven an extremely difficult task. Governments have responded by training health education workers to answer the questions put to them by village people. Recently Turkey, Korea and India have considered introducing the question of population growth into the primary school curriculum. American health educators have worked with the Ministries of Health and Education in these countries.

Tasks for the Future. The first task for countries which have just begun family planning programs is to collect and analyze social and demographic data. A.I.D. is assisting Afghanistan and Nepal collect data on a simple basis. This will strengthen the capacity of these countries to collect data for other purposes. Countries more advanced and already carrying out large family planning programs are discovering that a good deal more has to be understood about "attitudes" toward family planning. The Turkish State Planning Office has undertaken a survey with the support of the Ministry of Health and the help of A.I.D. financed consultants. The organizing of services needs to be examined. Governments have found that large networks of clinics is not always the most effective way to carry out family planning programs. The Johns Hopkins University study of the effectiveness of different methods of organizing family planning services hopefully will offer useful suggestions. Pakistan is considering delivering the services and contraceptives to the individual families by having teams of health workers join with village people in making individual house calls. Results in the first pilot areas indicate a much higher sustained commitment by clients than the traditional clinical program. A.I.D. will finance contraceptives for this new

program if the Government of Pakistan seeks our assistance.

The work which has been going on in the field of nutrition should lead to a wider acceptance of family planning. The Indian Government with our help is promoting pre-school feeding programs and is subsidizing the fortification of basic foods. We are providing the Philippine government and voluntary agencies with Title II food for similar purposes. If the food of young children becomes more nutritious, the mortality of children below three years certainly will decline. The long-term effect of this is likely to be a reduction in the size of the "completed family".

INVESTING IN PEOPLE AND THEIR EDUCATION

Education means access to better jobs and an escape from poverty. Asian Governments are under great pressure to accommodate more children in the primary schools, expand the secondary school system, create new technical schools and higher educational institutions. In the last decade primary school enrollment more than doubled. In India alone primary school enrollment has now reached 55 million children. Enrollment in secondary schools and colleges throughout Asia has risen and requires increased budgets for new schools, additional faculty, more equipment and books. Despite continuing efforts to expand and improve the educational system, serious problems remain which are being attacked with the help of A.I.D. other bilateral donors and the United Nations assistance agencies.

Five areas have been identified as critical for the improvement of the formal educational systems of Asian countries. We will continue to help governments:

-- raise the quality of the elementary school curriculum by (a) modernizing the methods of teaching reading, writing, mathematics and the basic sciences, (b) using examples from the contemporary world in texts and teacher handbooks, and (c) introducing the study of health, agriculture and technical arts;

-- bring modern concepts of science and mathematics into the secondary school curriculum, thus preparing graduates for employment or enrollment in higher technical and scientific schools;

-- create new institutions of higher education to train scientists and other professionals, administrators and managers;

-- upgrade and expand staffs of existing higher educational institutions to increase the total enrollment of young people preparing for scientific, administrative and managerial posts; and

-- improve the competence of ministries of education to plan and evaluate education programs.

Achievement of these objectives requires collaborative efforts. Some examples of such efforts are:

Improving the Elementary School Curriculum. In 1966 Afghanistan asked for help in reforming its primary school curriculum. A team of eight advisors from Teachers College, Columbia University, is now in the fourth year of an eight-year program to revise the reading and math texts used in the six primary grades, and add social studies, health, agriculture and mechanical arts to the traditional subjects. The reform also involves the introduction of new methods of teaching mathematics and simplifying the teaching of the Afghan languages. Since this will be the first time texts will be distributed to primary schools throughout Afghanistan, the reform has required the Afghan Education Ministry to organize a large staff to write, test, print and distribute the new texts. The new reading texts, using stories and examples from contemporary Afghan life and illustrated by Afghan artists, will be tested in schools before being printed and distributed.

Consultants have helped develop a new project in India to use "programmed instruction" in science and mathematics in the elementary school systems of one large city, one small city and one rural district. The curricula for grades 1-5 will be redesigned in sequential form and "programmed texts"

will be prepared and tested in Bombay and the other two pilot school systems.

Introducing Modern Methods of Teaching Science and Mathematics. Indian and Pakistani teachers assisted by American Specialists, conducted "summer teacher training institutes" to improve science and mathematics teaching in secondary schools and colleges. Techniques developed in the United States by National Science Foundation consultants were modified to suit the situations in these two countries. For five summers American scientists helped teach new approaches to Indian teachers, and from 1967 to 1970 a similar group of Americans helped the Pakistan program. By 1970 when A.I.D. ended its support of the Indian project, 31,000 Indian teachers had been trained. At present NSF consultants are helping Indian State Ministries of Education prepare texts and teaching guides.

Creating New Institutions of Higher Education - The Kabul University Faculty of Engineering in Afghanistan is an example of successful assistance to a new institution. When A.I.D.-funded assistance ends next year, 65 Afghan participants will have studied in the United States. The school's curriculum has been developed through the cooperative efforts of the American advisors and the Afghan faculty, especially the returned participants; laboratory and practical work is fully integrated in the curriculum. Research projects related to the private sector are being undertaken by fourth year students. The Engineering Faculty has about 450 students. Its graduates work in the Ministries of Public Works and Agriculture designing roads, bridges, dams and irrigation systems, and in the private industrial sector.

Upgrading Existing Institutions of Higher Education. The Turkish Government has agreed to maintain the distinctively modern character of what was the college and graduate divisions of American supported Robert College. The new Bosphorus University, like Middle East Technical University in Ankara, offers an alternative to Turkey's traditional institutions of higher learning. Its administration and faculty are western-trained and, because of their long association with Robert College, are accustomed to experimenting with curricula. To maintain its position in the forefront of Turkish higher education Bosphorus University must be able to attract both highly qualified Turkish and foreign faculty. The University means to keep a significant proportion of visiting foreign staff; it also wishes to offer senior Turkish staff members opportunities to broaden and up-date their career interests through research grants and one year academic appointments in the United States. A.I.D. plans to help Bosphorus University achieve these goals by providing a basic grant -- diminishing over time -- and matching funds against those raised privately by the University for faculty development.

A second example is our program to help the two leading Indonesian Agricultural Universities develop graduate teaching and research programs. These two national "centers of excellence", in turn, will help 22 smaller provincial universities strengthen their programs.

A.I.D. has assisted eight Indian agricultural universities for the past decade by financing an advisory group of 6 to 8 Americans for each University. This team helped the Indians develop modern curricula, integrate laboratory work into classroom teaching and relate agricultural research to practical agriculture, economic and social questions. Following the return of a large number of Indian scientists from A.I.D. - financed training in the United States, the Indian universities are reaching the stage where they are able to proceed on their own. However, these universities must still achieve sufficient depth in selected subject matter areas so that they can provide technical assistance to the eight new Indian agricultural universities which have been established since 1968. The older and more advanced Indian universities need continued access to current, advanced work being carried on in developed countries, particularly the United States, to be able to advise the newer schools. Consequently, A.I.D. is developing a new approach which will involve assistance to the Indian Council of Agricultural Research (ICAR), the coordinating arm of the agricultural scientific community. We will rely on the Indian universities and ICAR to determine their consultant and essential training requirements. A few fulltime American specialists will work with ICAR to help the new universities in planning and administration. Short-term advisors will be

called upon for help in specific subject fields. Attention will be directed to strengthening the agricultural research system as a whole rather than to individual elements within it.

Improving the Capacity of Governments to Plan and Evaluate Education Programs. In FY 1968 A.I.D. began a five-year program to help the Turkish Ministry of Education create a research and evaluation staff to advise the Minister on the relative merits of programs developed by technical departments, and to develop alternative approaches. The unit is studying past investment in education and the implications of present curricula.

The Indonesian Government is completing a national assessment of education with Ford Foundation assistance. In addition to providing a broad overview of educational problems and priorities, the assessment will include in-depth studies of such areas as math and science education, vocational education, educational planning, finance and administration. The United States contribution includes a consultant team to assist in the survey of science education from the secondary through the university levels. A number of other donors -- UNDP, UNESCO, UNICEF, the World Bank and the Ford Foundation -- are now providing or considering assistance.

Upgrading the Skills of the Labor Force. The scarcity of analytical and managerial skills weakens the capacity of the Asian countries to design and implement development programs. A.I.D. finances participant training in the United States, at the American University of Beirut and other qualified third-country universities in order to increase the number of administrators, economists, statisticians, planners and industrial engineers who can assume leadership roles in the planning and management of development programs.

The Financial Administration Improvement project in Afghanistan provides training and a team of advisors to improve revenue collection. A.I.D. is drawing on the expertise of New York State's Budget Division to help the Turkish Budget Directorate develop a program budget system. New York State budget officers are helping the Directorate run a summer training program which has already graduated nearly 400 Turkish budget personnel. In addition, on-the-job training is provided in Albany for Ministry of Finance personnel and budget personnel from other Turkish agencies.

There are critical shortages of trained government civil servants in every Asian country. The private sector demand for managerial personnel has also increased with the sustained economic growth. The increasing demand generated by the Green Revolution for more and better government services in the rural areas has created a growing demand for development-oriented civil servants. To help meet this demand, we are financing general participant training programs in Afghanistan, India, Indonesia, Nepal, Turkey and the Philippines. The Turkish government participants are drawn from the Ministry of Finance and the State Planning Organization, the private sector trainees from industrial and commercial firms. The private sector program is managed by the Turkish Education Foundation, a private organization of businessmen and educators which is financing its own overseas training program. All private sector trainees contributed the equivalent cost in Turkish currency to an endowment fund which will finance additional private sector training scholarships. The Indian program is administered by the Government Department which organizes the foreign training of all top Indian civil servants. Indians are being sent to study manpower planning, tax administration, agricultural credit, auditing, and railroad and port management. The Indonesian project provides training for about 100 new participants annually. Particular emphasis is placed on training for personnel responsible for designing and implementing development programs, especially sectors which A.I.D. loans are supporting. An increasing number of Afghan participants are attending the Tehran University's Faculty of Public and Business Administration, established in 1956 with United States assistance. A.I.D. continues to finance graduate and undergraduate training at the American University of Beirut. A.I.D. will finance 435 scholarship students this year. About half come from Afghanistan, Jordan and Pakistan; the rest from Lebanon, Cyprus, Iran, Turkey and Nepal. A quarter of the students are pursuing agriculture degrees; a third are taking degrees in education; the remainder are studying business and public administration, engineering, nursing and public health.

INDUSTRIAL DEVELOPMENT

Non-project lending, which has represented a major share of A.I.D. development loans to Asia, primarily supports investment and growth in the private and public industrial sector. These loans have financed raw materials and semi-finished products as well as machinery, transportation equipment and spare parts. In addition, A.I.D. made loans for specific industrial or infrastructure projects (e.g. the Eregli Steel Mill in Turkey and the PUSRI fertilizer plant and power facilities in Indonesia) and to intermediate credit institutions which in turn lend to the private industrial sector.

The development lending program in Indonesia includes financing rehabilitation and expansion of transport and power infrastructure. The Djakarta-Bogor Highway, the most heavily travelled road in Indonesia, passes through one of the most densely populated areas of the world and Indonesia's most rapidly developing industrial area. In order to carry projected traffic, construction of a new alignment was proposed and A.I.D. authorized an $800,000 loan in FY 1970 for engineering design. Existing electric power facilities in the West Java area are overloaded and must be rehabilitated and expanded to meet existing and projected demand. The IBRD, West Germany and the United States are cooperating to finance the renovating and improvement of the integrated power systems in the areas of West and Central Java. The West Java High Voltage Transmission Project involves the development of a high voltage transmission loop to tie into systems in Central Java being financed under existing A.I.D. and German loans. In addition, we plan to lend for the West Java Power Distribution Project, directly related to the High Voltage Transmission Project, to rehabilitate and improve the distribution systems of the major West Java cities.

For some years A.I.D. urged Afghanistan to consider reducing its extensive restrictions on the private industrial sector and to support that sector through an independent Industrial Development Bank and an Industrial Advisory Center. A technical assistance project was initiated last year to help the government simplify its complicated investment application system and vitalize the new Investment Advisory Center. The advisory team has worked with the government's Investment Committee to set up simplified guidelines and criteria for reviewing and approving investment applications, and the Advisory Center to establish a system evaluation of investment proposals.

A.I.D. proposes to assist the Korean Ministry of Science and Technology to study industrial environmental problems, the application of atomic energy to industry, technical problems in agri- and polymer-chemicals, metal alloys, electrical and chemical engineering and food technology, and the management of research programs. The Ministry hopes to link Korean private industry to applied science of the western world. A.I.D. expects to rely on short-term consultants from such organizations as the National Academy of Science, the National Science Foundation and the National Bureau of Standards.

FOREIGN ASSISTANCE ACT ECONOMIC PROGRAMS - SUMMARY OF PROGRAM BY AREA AND COUNTRY
Fiscal Years 1971, 1972 and 1973

REGION: ASIA

(in thousands of dollars)

TABLE I

COUNTRY	TOTAL			DEVELOPMENT LOANS			TECHNICAL ASSISTANCE			POPULATION			OTHER		
	1971	1972	1973	1971	1972	1973	1971	1972	1973	1971	1972	1973	1971	1972	1973
ASIA - TOTAL	969,858	936,540	1,387,061	391,348*	295,800	465,000	66,652	45,377	49,982	(19,510)**	15,963	21,079	511,818	579,400	851,000
Asia Bureau - Subtotal	432,501	340,660	533,369	387,086	298,700	465,000	43,915	36,122	38,132	(15,010)	11,838	15,237	1,500	--	15,000
Afghanistan	8,766	26,560	6,720	1,740b/	20,000	--	7,026	6,285	6,300	(1,740)	275	420	--	--	--
India	205,918	9,575	99,590	196,540	--	90,000	9,378	8,325	8,600	(540)	1,250	990	--	--	--
Indonesia	78,507	121,140	122,975	72,459	115,500	115,000	6,048	3,940	5,475	(1,759)	1,700	2,500	--	--	--
Korea	60,617	25,325	28,600	56,660	21,500	25,000	3,957	3,025	2,800	(1,660)	800	800	--	--	--
Nepal	2,587	2,532	1,883	706b/	--	--	1,881	1,730	1,550	(706)	802	333	--	--	--
Pakistan	7,095	62,485	79,800	2,078b/	60,000	75,000	5,017	2,200	2,300	(2,078)	285	2,500	--	--	--
Philippines	11,089	29,400	20,565	5,376	20,000	10,000	4,213	4,000	5,030	(5,000)	5,400	5,535	1,500c/	--	--
Turkey	53,602	58,945	58,000	50,078	55,700d/	40,000	3,524	3,245	2,700	(78)	--	300	--	--	15,000e/
Near East Regional/CENTO	4,320	4,698	5,236	1,449b/	--	--	2,871	3,372	3,377	(1,449)	1,326	1,859	--	--	--
Unallocated	--	--	110,000	--	--	110,000	--	--	--	--	--	--	--	--	--
Supporting Assistance Bureau - Subtotal	537,358	595,880	853,692	4,263	3,100	--	22,777	9,255	11,850	(4,500)	4,125	5,842	510,318	579,400	836,000
Cambodia	70,000	37,100	75,000	--	--	--	--	--	--	--	--	--	70,000a/	37,100a/	75,000a/
Israel	--	50,000	50,000	--	--	--	--	--	--	--	--	--	--	50,000a/	50,000a/
Jordan	6,000	45,550	41,200	--	--	--	1,000	550	1,200	--	--	--	5,000a/	45,000a/	40,000a/
Laos	48,935	48,600	51,370	925b/	1,100d/	--	6,560	--	--	(925)	500	870	41,450a/	47,000a/	50,500a/
Thailand	22,541	18,000	28,745	1,395b/	1,500d/	--	4,150	--	--	(1,395)	1,500	2,145	16,996a/	15,000a/	26,600a/
Vietnam	376,656	385,825	585,846	--	500d/	--	--	--	--	(238)	325	346	376,656a/	385,000a/	585,500a/
East Asia Regional	13,226	10,805	21,531	1,943b/	--	--	11,067	8,705	10,650	(1,943)	1,800	2,481	216a/	300a/	8,400a/

* Includes development loan funded grants for population programs under Title X of the Foreign Assistance Act.
** Funded from development loan funds and $238,000 from Supporting Assistance for Vietnam.

a/ Supporting Assistance.
b/ Population only.
c/ Contingency Fund.
d/ Narcotics funds.
e/ Includes $15.7 million Narcotics funds.

REGION: ASIA

SUMMARY OF PROGRAM BY COUNTRY AND SECTOR

(in thousands of dollars)

TABLE II

COUNTRY	Total			Agricultural and Rural Development			Population and Health			Education and Manpower Training			Industry, Transportation and Urban Development			Non-Project Loans and Others			Program Development and Support		
	1971	1972	1973	1971	1972	1973	1971	1972	1973	1971	1972	1973	1971	1972	1973	1971	1972	1973	1971	1972	1973
AFGHANISTAN	8,766	26,650	6,720	1,665	21,621	1,345	1,740	275	420	2,930	2,547	2,719	320	128	349	-	-	-	2,111	1,989	1,887
INDIA	205,918	9,575	99,590	11,920	5,498	6,114	789	1,664	990	1,185	905	1,075	387	-	-	190,000	-	90,000	1,637	1,508	1,411
INDONESIA	78,507	121,140	122,975	651	250	475	1,759	1,700	2,500	2,782	1,405	2,710	41,062	70,890	75,330	30,000	45,000	40,000	2,253	1,895	1,960
KOREA	60,617	25,325	28,600	49,803	17,704	15,823	1,660	800	800	7,722	3,583	806	549	2,215	455	-	-	10,000	883	1,023	716
NEPAL	2,587	2,532	1,883	562	545	505	820	882	373	532	575	410	-	-	-	-	-	-	673	530	595
PAKISTAN	7,095	62,485	79,800	761	57	10,400	2,322	285	2,500	832	80	300	311	-	90	-	60,000	64,000	2,869	2,063	1,510
PHILIPPINES	11,089	29,400	20,565	3,287	2,014	13,153	5,326	5,600	5,745	991	843	652	376	20,000	-	-	-	-	1,109	943	1,015
TURKEY	33,602	58,945	58,000	676	679	40,585	78	-	300	1,822	1,738	1,252	-	40,000	-	50,000	15,700	15,000	1,026	828	863
REGIONAL	4,320	4,698	5,236	-	-	-	1,449	1,326	1,859	2,502	2,969	2,978	-	-	-	-	-	-	369	403	399
UNALLOCATED	-	-	110,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	110,000	-	-	-
Total	432,501	340,660	533,369	69,325	48,368	88,400	15,943	12,532	15,487	21,298	14,645	12,902	43,005	133,233	76,224	270,000	120,700	330,000	12,930	11,182	10,356

* International Narcotics Control assistance.

SUMMARY OF PROGRAM BY COUNTRY AND SECTOR
(In thousands of dollars)

REGION: OTHER PROGRAMS

TABLE II

COUNTRY	Total			Agricultural and Rural Development			Population and Health			Education and Manpower Training			Industry, Transportation and Urban Development			Non-Project Loans			Program Development and Support		
	1971	1972	1973	1971	1972	1973	1971	1972	1973	1971	1972	1973	1971	1972	1973	1971	1972	1973	1971	1972	1973
JORDAN	1,000	550	1,200	51	20	625	-	-	-	377	300	300	175	80	115	-	-	-	397	150	160
LAOS	7,460	500	870	-	-	-	900	500	870	1,557	-	-	-	-	-	-	-	-	5,003	-	-
THAILAND	5,550	1,500	2,145	-	-	-	2,128	1,500	2,145	873	-	-	1,170	-	-	-	-	-	1,379	-	-
VIETNAM	200	325	346	-	-	-	200	325	346	-	-	-	-	-	-	-	-	-	-	-	-
EAST ASIA REGIONAL PROGRAMS	12,967	10,505	13,150	3,281	2,110	1,450	2,549	2,420	3,120	5,427	4,483	6,688	-	-	350	-	-	-	1,710	1,492	1,542
Total	27,177	13,380	17,711	3,332	2,130	2,075	5,777	4,745	6,481	8,234	4,783	6,988	1,345	80	465	-	-	-	8,489	1,642	1,702

ECONOMIC AND SOCIAL DATA

REGION: ASIA

COUNTRY	POPULATION					HEALTH			EDUCATION				
	TOTAL (MID-1971)	ANNUAL GROWTH RATE	PERCENT IN URBAN AREAS		PERCENT OF LABOR FORCE IN AGRI-CULTURE	NUMBER OF PEOPLE PER DOCTOR	LIFE EXPEC-TANCY	INFANT DEATHS PER 1,000 LIVE BIRTHS	PRIMARY AND SECONDARY STUDENTS				LITERACY RATE
									1960	1968	1960	1968	
	MILLIONS	PERCENT	1960	1970			YEARS		THOUSANDS		AS PERCENT 5-19 AGE GROUP		PERCENT
Afghanistan	17	2.7	7	8	87	20,440	38	190	192	556	4	10	8
India	565	2.6	18	20	73	4,610	50	118	37,000	65,100	25	36	28
Indonesia	123	2.6	15	17	70	27,780	48	140	9,702	13,815	33	38	43
Korea	32	2.2	28	38	50	2,130	58	41	4,440	7,658[a]	52	64[a]	71
Nepal	11	2.2	3	5	92	39,780	41	162	188	472[b]	6	13[b]	9
Pakistan	60	2.7	22	25	68[c]	4,510	51	135	2,680	4,328[b]	17	23[b]	16
Philippines	40	3.4	30	34	57	1,390	55	82	4,859	9,111[d]	47	64[d]	72
Turkey	36	2.5	26	35	72	2,260	54	119	3,348	5,854	36	48	46

NOTE: Where year is not stated, data are most recent information available. Data for developing countries often represent approximate orders of magnitude rather than precise measurements and may not be fully comparable between countries.

a/ - 1970.
b/ - 1966.
c/ - For East and West Pakistan.
d/ - 1969.

ECONOMIC AND SOCIAL DATA

REGION: ASIA

COUNTRY	GROSS NATIONAL PRODUCT				AGRICULTURAL PRODUCTION		INTERNATIONAL COMMODITY TRADE				
	TOTAL PER 1971 a/	PER CAPITA GNP, 1971 a/	AVERAGE ANNUAL GROWTH RATE 1966-71		AVERAGE ANNUAL GROWTH RATE 1966-71		EXPORTS (F.O.B.)		MAIN EXPORTS	IMPORTS (C.I.F.)	
			TOTAL GNP	PER CAPITA GNP	TOTAL	PER CAPITA	1966	1971 EST.		1966	1971 EST.
	$ MILLIONS	DOLLARS	PERCENT		PERCENT		$ MILLIONS		ITEM	$ MILLIONS	
Afghanistan	1,500 b/	88 b/	n.a.	n.a.	n.a.	n.a.	70 c/	84 d/	Fruits, nuts, karakul skins, natural gas, cotton	151 c/	133 d/
India e/	55,160	97	5.3	2.7	6.3	3.8	1,556	2,130	Jute prod., tea, iron ore, cotton products	2,749	2,590
Indonesia	12,600 b/	105 b/	n.a.	n.a.	2.8	0.4	714	1,298	Oil & products, rubber	596 f/	1,358 f/
Korea	9,047	278	11.4	9.0	1.1	-1.0	250	1,068	Textiles, clothing, plywood, fish	716	2,394
Nepal	885 b/	80 b/	n.a.	n.a.	n.a.	n.a.	16 g/	24 d/	Food, jute	48 g/	52 d/
Pakistan h/	9,000 i/	150 i/	6.4 j/	3.7 j/	6.0	3.2	266	462	Rice, leather, fish	625	678
Philippines	10,890	274	6.2	2.6	4.8	1.4	828	1,060	Cocomuts, wood, sugar	957	1,280
Turkey	9,870	273	6.7	4.1	3.0	0.4	491	677	Tobacco, nuts, cotton	724	1,060

n.a. - Not available.

a/ - Estimates based on 1970 prices and exchange rates.
b/ - 1970.
c/ - FY 1966/67.
d/ - Estimate for FY 1970/71.
e/ - GNP and trade data are for fiscal years beginning April 1.
f/ - Imports f.o.b.
g/ - FY 1966/67.
h/ - Trade data exclude trade with East Pakistan.
i/ - Provisional estimate for FY 1970/71.
j/ - Growth rate for FY 1964/65 - 1969/70.

REGION: ASIA

COUNTRY	GOLD & FOREIGN EXCHANGE[a]			CENTRAL GOVERNMENT FINANCES[a]							
				EXPENDITURES						DOMESTIC REVENUES	
				TOTAL		DEFENSE EXPENDITURES					
				AMOUNT		AMOUNT		AS % OF GNP[c]			
	1969	1970	1971	1970	1971	1970	1971	1970	1971	1970	1971
	$ MILLIONS			$ MILLIONS				PERCENT		$ MILLIONS	
Afghanistan	41	46	61	155	164	31	32	2.1	2.1	129	126
India[d]	1,095	1,052	1,205[e]	8,620	9,781	1,816	2,039	3.4	3.6	6,993	7,845
Indonesia	123	n.a.	n.a.	1,840	2,374	467	543	3.7	n.a.	1,498	1,809
Korea	553	610	571	1,604	2,099	332	437	4.0	4.4	1,447	1,830
Nepal	88	95	108	66	80	5	6	0.6	0.6	46	45
Pakistan[f]	324	182	181	3,039	n.a.	652	n.a.	3.7	n.a.	1,987	n.a.
Philippines	121	251	381	1,243	1,306	170	187	1.7	1.5	926	1,153
Turkey	245	431	772	1,865	2,406	416	540	4.5	4.7	1,784	2,167

n.a. - Not available.

a/ - Official reserves, gross basis, end of yea End 1971 gold is valued at $38 an ounce and foreign exchange at realigned exchange rates.
b/ - Converted at 1970 exchange rates; 1971 dat are estimates.
c/ - Derived from current price data.
d/ - Gold and foreign exchange data are for fi al years ending March 31 of following year. Government finances data are for fiscal years beginning April 1.
e/ - December 31, 1971.
f/ - Government finances data are for fiscal year beginning July 1, 1970; data are for East and West Pakistan.

FISCAL YEAR 1973 REQUEST FOR ASIA

Mr. PASSMAN. Your 1973 estimate is $533,369,000, is that correct?

Mr. MACDONALD. Yes, Mr. Chairman.

Mr. PASSMAN. That exceeds by $192,709,000 the amount you programed for fiscal year 1972, is that correct?

Mr. MACDONALD. Yes, Mr. Chairman.

Mr. PASSMAN. I guess you subscribe to the often repeated statement of that great AID Administrator, Dr. Hannah, that there is an asking price and a taking price. So I would assume that the $533,369,000 is your asking price?

Mr. MACDONALD. Yes, sir, Mr. Chairman.

Mr. PASSMAN. And we will arrive at the taking price at a subsequent date?

Mr. MACDONALD. Yes, Mr. Chairman.

Mr. PASSMAN. I appreciate your frankness. For many, many years, you understand, we had witnesses who said, "This is the asking price and the last price." It took that great Administrator Dr. Hannah to come right down out of the clouds and say, "Of course, we inflate our requests"—those are not his words, but, in effect he said: "we inflate our requests and we expect you as responsible Members of Congress to find the excess and take it out."

Thank you very much, gentlemen, for your frankness.

I think we should say for the record one more time that the foreign assistance program is not being reduced, but it is being drastically increased every year.

When the budget request came down last year we found if we put all the pieces together that the budget had requested new authorizations or appropriations for foreign aid of $13,528 million. We thought that was an all-time high; that never again would we ever put together total requests in that amount, but when we go through the budget this year we find out that the total request is $18.5 billion, $5 billion above that of last year when you put all the pieces together.

BUDGET REQUESTS FOR INTERNATIONAL FINANCIAL INSTITUTIONS

We recently were confronted with a request for all the International Financial Institutions entitled the "Maintenance-of-Value" dollar request.

When we devalued the dollar we felt this would allow us to be more competitive in world markets. We didn't actually know that was going to be followed by a budget request asking for 8.57 percent on our contributions to so many different organizations that it would take a half a page to list them. We found out a little later that handling that request would be the responsibility of this committee; that is, the Appropriations Committee, and we would approve this 8.57 percent covering the International Monetary Fund, the World Bank, the International Development Association, the Asian Development Bank, and the Inter-American Development Bank, so when you put it all together, it is about $1,600 million. There are so many different spigots of foreign aid that it is almost impossible to find them all.

Look at the International Development Association. They came in about 11 years ago and said, "We want $73 million."

There was no particular objection. We moved along because they said, "We have entered into these obligations" and we tried to cooperate.

It was so easy they came back the following year and said, "We want to move out on 4 years at $61 million a year." Well, we protested, but we went along with it.

That was so easy when that had expired they came back and said, "Now, we want $104 million a year for 3 years."

They again came back and said, "Now, we want $160 million a year for 3 years."

Now this year they have doubled the last amount and they want $320 million a year for 3 years.

We found out the legislation authorizing these new amounts was signed on March 10 into law.

That looked bad enough but we found out that they wanted $320 million tomorrow as a supplemental. They then wanted the second installment appropriated as of July 1 for fiscal year 1973.

We didn't give them the supplemental.

Do you know the terms offered by IDA? Fifty years. No interest at any time. Only three-quarters of 1 percent service charge. How is it paid back, if ever? You have a 10-year grace period. The first 10 years you don't pay anything back. Just take it and go your way, and during the second 10 years 1 percent a year. Then the final 30 years, 3 percent a year with the right to cancel the entire loan.

But even on this 50 year credit, if it should ever come back, none of it ever comes back into the Treasury.

Now, that is one strange branch of foreign aid and it is just about as bad when you look at the other things.

Remember, this aid program is greatly inflated. I don't blame the President because a computer says it takes 1,293 men to do everything that is issued in the name of the President. It is the bureaucrats who work this up and it is a matter of policy for him to approve it.

I wish that you would cooperate and when we get ready to arrive at your taking price let's get your taking price down, gentlemen, because we have to borrow this money. We have no way of ever paying a nickel of it back. This public debt will be repudiated in all probability through some system of inflation.

So that's the story.

POPULATION PROGRAM IN INDIA

Before I ask any questions, I am going to yield to Mr. Shriver and then I will return to my questions.

Mr. SHRIVER. Mr. MacDonald, in your statement, on page 5 you talk at length about the family planning programs and you specifically mention India. What is planned in connection with our aid program of family planning for that country for the next fiscal year?

Mr. MACDONALD. Mr. Congressman, you will recall that the AID relationship with India is under review by the administration. The figures we have in the fiscal year 1973 Congressional Presentation for India are provisional figures. For 1973 we have a planning figure for population programs of $990,000.

Mr. SHRIVER. That is for planning?

Mr. MACDONALD. It is a provisional figure, sir.

U.S. RELATIONS WITH INDIA

Mr. SHRIVER. What is the present attitude of India toward the United States? Are you going ahead with an AID program there?

Mr. MACDONALD. As I say, sir, the question——

Mr. SHRIVER. I understood what you said, but what is the present situation?

Mr. MACDONALD. A decision has not yet been made on the fiscal year 1973 AID program for India, Mr. Shriver. Perhaps you would care to have Mr. Davies comment on your overall question.

Mr. SHRIVER. If you would.

Mr. DAVIES. Our relations with India, Mr. Shriver, are under strain, not only by virtue of the U.S. interpretation of developments in the subcontinent last year, which differs from the Indian interpretation, but also because more recently the Indian position on Vietnam has been strikingly critical of the United States, has taken absolutely no account of the North Vietnamese invasion of South Vietnam. All these have tended to add further strain to our relations.

We have protested to the Indian Government the statements on Vietnam that have been made by the Prime Minister and the Foreign Minister. Indian officials, however, indicate that they do desire a dialog with the United States, as do we, indeed. They have indicated that they recognize the importance of economic self-sufficiency, but also that some outside assistance is going to be essential if they are going to carry out their developmental plans.

Their position has been that they will take aid from any side, provided that it is not conditioned by political factors.

TOTAL U.S. FOREIGN ASSISTANCE TO INDIA

Mr. SHRIVER. Would you put in the record at this point how much aid we have provided to India since the beginning of the AID program?

Mr. PASSMAN. Would the gentleman yield?

Mr. SHRIVER. Yes.

Mr. PASSMAN. The net aid to India through fiscal 1971 was $8,003,600,000. Now, we will have to add to that disbursements to India for fiscal year 1972. Do those figures correspond with yours?

Mr. MACDONALD. They are quite close; yes.

Mr. PASSMAN. They were given to me by AID. I am glad they are close. I don't dare put these out until you people say they are correct.

So, it has been in excess of $8 billion. That is correct, isn't it?

Mr. MACDONALD. Yes; in excess of $8 billion through fiscal year 1972.

Mr. SHRIVER. Thank you, Mr. Passman.

AID CONTACT WITH PATHFINDER FUND

On page 6 of your statement you mention the "Pathfinder Fund." What is that?

Mr. MACDONALD. It is a private organization, Mr. Shriver, active in population and family planning work. We have engaged that organization to assist voluntary groups in various countries develop family planning and population programs.

Mr. SHRIVER. You have them under contract?

Mr. MACDONALD. Yes, sir.

RELIEF AND REHABILITATIONN FOR SOUTH ASIA

Mr. SHRIVER. There is $100 million for South Asian relief and rehabilitation in the request. Is that for Bangladesh?

Mr. MACDONALD. Entirely for Bangladesh.

Mr. SHRIVER. Specifically how do you intend to use $100 million.

Mr. MACDONALD. We have sent a team of four men to Bangladesh this week. I hope to join them early next week, to wind up the examination of Bangladesh s requirements for grant assistance there. I believe you will recall that the United Nations has sent two teams recently, one that concentrated basically on estimated that Bangladesh's needs at about $600 million worth of food for the next year or so. A World Bank team, sent to determine requirements for rehabilitation estimated that $648 million is needed for rehabilitation of the economy. That is $1.2 billion in all.

We are focusing on the areas of rehabilitation in which we have had most experience in the past and in which we could move quickly. We foresee financing the repair of the coastal embankments that have been damaged in the cyclones of the last 2 years. This also would have a healthy effect on the employment situation in those poverty-stricken areas of the country.

We also foresee financing in the reconstruction of transportation facilities, bridges, communication facilities that were damaged during in the civil strife and the war that followed and finally the reconstruction of schools, hospitals, clinics, and other public buildings that were damaged.

As I say, we have a team there examining it now and I hope soon to have more specific proposals.

Mr. SHRIVER. I think my 5 minutes are up, Mr. Passman. Thank you.

HISTORY OF U.S. FOREIGN ASSISTANCE PROGRAM

Mr. PASSMAN. I believe, as we look at what we refer to as the foreign aid and assistance program, it is now in its 25th year, isn't it?

Mr. MACDONALD. Yes, sir.

Mr. PASSMAN. I believe when we started the AID program, after World War II, with the tremendous amount of money we spent we had a borrowed money public debt of $269 billion. Since then, I believe that we have had what we have referred to as a semi-period of peace, interrupted, of course, by the Korean conflict and the Vietnam conflict.

But I believe that this 25-year period, or, let us say, 26 year period on the whole was about the most prosperous period in the history of America. Would that be an accurate statement in your opinion?

Mr. MACDONALD. I agree with you, sir.

Mr. PASSMAN. And the greatest revenues accruing to the Government from tax receipts were received during that same period, is that not correct?

Mr. MACDONALD. Yes, sir.

Mr. PASSMAN. When the foreign aid program started it took a rather courageous member, one well fortified with seniority, to go down in the well of the House and say, "Mr. Speaker, we are now embarking upon a program that could conceivably take us into as many as 17 countries of the world. It may require 5 years to complete this program and the cost could soar to $15 billion."

Now, let's look at the record. Five years? No. It has been 26 years. Seventeen nations? No, 127 nations.

Cost of $15 billion? No. Now over $212 billion net has been disbursed on foreign aid, when we include the interest we pay on the money we have borrowed to give away.

This gives you an idea, Mr. Secretary, Mr. MacDonald, and gentlemen, of how we can let a program get out from under control. A man doesn't have to be smart to know that there is some good accomplished out of this, but just look at how broad it has become.

Undoubtedly you will agree with me that during this most prosperous period when the intake was at an all-time high, when you pushed the public debt in 26 years from $269 billion to $430 billion and spent over $212 billion on foreign aid, we have to look and say, "We borrowed that money to spend on foreign aid, didn't we?" Is that right, sir?

Mr. MACDONALD. Yes, sir.

Mr. PASSMAN. You are very fair about it. Over half of your public debt is money we borrowed to give away. You are dedicated Americans. You are patriotic Americans. But you and some of the other people have become addicted to this policy that if we give away our wealth we are going to bring security. It is just not working.

SOVIET PRESENCE IN INDIA

Let's look at India. I believe that the Russians have Mig plants down in India. Is it one or two Mig plants?

Mr. MACDONALD. I believe there is an assembly and manufacturing——

Mr. PASSMAN. I believe the Russians have a Mig plant in India, do they not?

Mr. MACDONALD. I am quite certain that is the case, sir.

Mr. PASSMAN. And the Mig is a fighting plane?

Mr. MACDONALD. Yes, Mr. Chairman.

Mr. PASSMAN. And I believe they are building a submarine base there too, aren't they?

Mr. MACDONALD. Forgive me, I must plead ignorance to that.

Mr. PASSMAN. What do you know about it, Mr. Secretary?

Mr. DAVIES. I don't think the evidence is all in, but certainly their ships will be welcomed in Indian ports.

Mr. PASSMAN. They have a Mig plant there?

Mr. DAVIES. The Russians have equipped a plant to assemble them.

Mr. PASSMAN. They are assembling them and shipping them out?

Mr. DAVIES. For the Indian Air Force, yes, sir.

Mr. PASSMAN. They are still Mig plants and the Mig is a Russian plane and it is built to fight, isn't it?

Mr. DAVIES. Yes, sir.

Mr. PASSMAN. Now, is it true that all countries, large or small. rich or poor, insist on having a military?

Mr. DAVIES. It is, sir.

Mr. PASSMAN. And if they try to survive out of their own resources, then they have to take their own resources to pay for the military, do they not?

Mr. DAVIES. And they usually, have, I think, sir.

Mr. PASSMAN. I say they do?

Mr. DAVIES. They do.

Mr. PASSMAN. Now, if we come along as a great benefactor of these countries and we supply credit to them, as we have in India to the tune of over $8 billion, so that they may requisition the commodities they need for domestic consumption, does that not release to them their own resources to buy military equipment from Russia or any other country they want to buy from? Is that right, Mr. MacDonald?

Mr. MACDONALD. Mr. Chairman, if you will permit me, I think that experience has shown that when a country feels there is inadequate financing to cover the requirements both for defense and economic development, it lets the economic development go by the board.

You will recall that when the Soviet Union terminated economic assistance to China, China did not significantly, if at all, reduce its defense expenditures.

Mr. PASSMAN. You are not answering my question. You are lecturing and you have a right to lecture because I lecture, but it follows nevertheless if we pour in billions of dollars to India to take care of their needs in their domestic economy, then they can use their resources to pay for military equipment, whoever they want to buy it from, is that right?

Mr. MACDONALD. Yes, sir.

Mr. PASSMAN. Well, thank you. Of course we know that.

Now, it causes me a lot of concern when we provide a tremendous aid program to India and they say, "We will do as we please. We will take your aid but don't tell us how to use it or tell us what we are going to do."

I have been told previously, and I believe it, that we have no designs on any person's land, and we are not necessarily trying to change people's minds about the form of government they have, but I don't think we are being quite fair to the American taxpayer when we go out and borrow this money and charge it to unborn generations and give it to a country like India.

I have tried to make this case every year. Have you ever heard of a nice statement Indian diplomats have made about our country?

No. Well, they do make them about the Russians.

Now, the chickens are coming home to roost. I just hope we never go back to any of this aid program for India unless they change their position.

The following is from part 1 of last year's hearings on page 140:

Mr. PASSMAN. If I am not mistaken, India has several MIG assembly plants in operation at the present time, is that correct?

General WARREN. Part of the Soviet credit has been devoted to the construction of a three-factory complex for the production of MIG-21 interceptors. The main plant near Bombay produces airframes, currently with an estimated 75 percent indigenous content, and completes final assembly of planes. An engine plant near India's east coast and an electronics/avionics factory at Hyderabad are operational, but have not reached as high a level of domestic content in their respective outputs.

ASIAN COUNTRY WITH U.S. FOREIGN ASSISTANCE PROGRAMS

How many nations are in your area?

Mr. MACDONALD. I am not sure I can give you the total number.

The nations in Asia in which we have programs I can tell you very rapidly.

Mr. PASSMAN. Mr. MacDonald, in the Agency for International Development you have three directors and each has a category of nations.

Mr. MACDONALD. That is correct.

Mr. PASSMAN. You represent one particular area, do you not?

Mr. MACDONALD. Asia, sir.

Mr. PASSMAN. How many nations in Asia do you consider and cover in your AID program?

Mr. MACDONALD. Excluding the countries in Asia that are the responsibility of Mr. O'Connor, who is the Assistant Administrator for Supporting Assistance, there are 34 other countries in Asia.

Mr. PASSMAN. What is the grand total?

Mr. MACDONALD. There are 41 countries in Asia.

Mr. PASSMAN. You have an AID program going in 41?

Mr. MACDONALD. No, sir. There are nine countries in Asia receiving development and humanitarian assistance, including Bangladesh; all but Bangladesh also receive Public Law 480 assistance. There are 10 receiving Public Law 480.

Mr. PASSMAN. Would you mind putting them all together? I think you said 34. There are 34 if you pick up the different spigots disbursing some type of aid?

Mr. MACDONALD. No, sir. There are 34 countries in Asia excluding those receiving supporting assistance. Of the 34, only nine are receiving development——

Mr. PASSMAN. We were told earlier that we have some type of AID program going into 100 nations of the world. Of those 100 nations, in how many do you have a program?

Mr. MACDONALD. I am responsible for AID programs in nine countries of Asia. In addition, there are 10 countries receiving Public Law 480 assistance which do not get development assistance. There are also MAP programs in three additional countries in Asia.

UNDISBURSED FUNDS FOR ASIAN PROGRAMS

Mr. PASSMAN. You are up to 22 nations. Now, could you tell the committee the amount of undisbursed funds in all categories, in the pipeline, to be disbursed subsequently, as of June 30?

Mr. MACDONALD. You want all spigots, Mr. Chairman?

Mr. PASSMAN. All spigots.

Mr. MACDONALD. $1,295 million, all spigots.

Mr. PASSMAN. Does that include Vietnam?

Mr. MACDONALD. No, sir.

Mr. PASSMAN. Exclusive of Vetnam?

Mr. MACDONALD. Exclusive of Vietnam, Laos, Cambodia, and Jordan.

Mr. PASSMAN. Well, you don't put Jordan in the Far East, do you?

Mr. MACDONALD. It is in the supporting assistance category——

AVERAGE ANNUAL DISBURSEMENTS FOR ASIA

Mr. PASSMAN. What is the annual average disbursements in the same category?

Mr. MACDONALD. Just over $1 billion.

Mr. PASSMAN. So then in reality, if the Congress should not provide any additional funds—and don't think I am not optimistic—then you couldn't start new programs but you could maintain the same outflow for approximately a year and a half.

Mr. MACDONALD. Well, the pipeline represents committed but unexpended funds obligated over a number of fiscal years.

Mr. PASSMAN. Didn't I say you couldn't start any new programs, but that the rate of expenditure per month could go for 18 months?

Mr. MACDONALD. It could actually be somewhat less than that.

Mr. PASSMAN. Tell me how much less. I picked up your own figures. You gave me the pipeline figure which you said was $1,295 million.

Mr. MACDONALD. We could run a little more than a year hypothetically.

Mr. PASSMAN. What do you mean "hypothetically"? You could run a year.

Mr. MACDONALD. Yes; we would, but some of the existing project agreements, under which those funds were obligated would be expended only over a 3- or 4-year period.

OUTSTANDING DEVELOPMENT LOANS FOR ASIA

Mr. PASSMAN. Of the development loans in your area, could you place in the record at this point the total amount of them outstanding?

Mr. MACDONALD. Yes, Mr. Chairman.

(The information follows:)

CUMULATIVE DEVELOPMENT LOANS IN ASIA

As of December 30, 1971, there were 84 loans with unexpended balances totaling $534,070,000.

LOAN DEFAULT BY SYRIA

Mr. PASSMAN. Do you have many loans in arrears or are most of them up to date?

Mr. MACDONALD. We have one loan in default in Syria, Mr. Chairman, and——

Mr. PASSMAN. Place in the record at this point the total delinquent development loans as of the present time under the Development Loan Fund.

Mr. MACDONALD. We shall provide that.

(The information follows:)

List of Delinquent Loans in Asia as of March 31, 1972

Loan Number and Title		Balance Outstanding	Delinquent From	Delinquent* Interest
SYRIAN ARAB REPUBLIC				
276-H-006	Grain Storage Project	427,000.00	07/15/67	16,008.11
PAKISTAN				
391-H-039	Iron and Steel Imports	88,161,016.75	06/14/71	661,207.62
391-H-042	Electric Corporation	18,093,442.80	05/01/71	135,700.82
391-H-043	East Pakistan Power Distribution	6,333,407.62	10/11/71	23,752.05
391-H-045	Railway IV RW/BD (E/W)	30,276,880.18	10/18/71	113,566.30
391-H-046	Program Loan I	40,676,036.32	10/29/71	152,535.14
391-H-052	East Pakistan Forest Industry FIOC	169,626.40	05/15/71	1,274.59
391-H-053	Malaria Eradication Program	2,554,848.02	06/28/71	19,197.29
391-H-054	Airport and Airways Equipment	1,780,579.40	08/05/71	13,379.28
391-H-055	Salinity Control and Reclamation Project No. 2	9,360,929.69	09/23/71	70,338.62
391-H-056	Program Loan II	29,387,683.17	05/27/71	220,820.88
391-H-057	Chalna Anchorage Project	2,337,903.23	09/30/71	17,547.17
391-H-058	Feasibility Studies	1,215,635.83	06/15/71	9,134.36
391-H-059	Coastal Embankment Project	4,242,965.74	10/21/71	15,727.69
391-H-060	Operations and Maintenance - Rechna Doab Project	576,465.21	09/23/71	4,331.59
391-H-062	General Consultants	4,329,096.18	10/26/71	16,234.11
391-H-066	Program Loan III	67,242,923.39	06/02/71	505,267.52
391-H-068	General Advisory Services in Public Health Eng.	1,486,661.69	08/11/71	11,170.87
391-H-069	General Investigations and Cons. Services	5,583,156.65	09/28/71	41,952.19
391-H-070	Railway V	13,904,789.14	05/25/71	104,481.46
391-H-071	Telecommunications Facilities, T&T	4,312,595.77	05/24/71	32,122.41

Loan Number and Title		Balance Outstanding	Delinquent From	Delinquent* Interest
PAKISTAN - Continued				
391-H-072	Machinery Pool Organization, WAPDA	4,673,022.01	10/02/71	17,523.83
391-H-073	Mechanical Equipment	1,297,493.37	08/05/71	9,749.82
391-H-078	Sui Gas Transmission Company, Ltd.	2,641,946.92	07/25/71	19,851.75
391-H-079	Water and Sewage System	1,714,423.34	06/28/71	12,882.29
391-H-080	Program Loan IV	99,227,346.90	07/31/71	745,622.49
391-H-081	Karnafuli Hydroelectric Unit III	3,800,000.00	07/15/71	24,389.15
391-H-082	Siddhirganj Thermal Plant	8,141,322.08	10/21/71	29,436.88
391-H-083	Lyallpur Thermal General Facility	16,066,637.57	09/17/71	120,747.10
391-H-084	Malaria Eradication Program	9,872,395.38	06/29/71	74,181.79
391-H-085	Railway IV	7,447,059.27	10/20/71	28,300.02
391-H-086	Expansion of Distribution System	4,378,546.72	05/10/71	32,900.67
391-H-087	SCARP II B	10,036,632.21	09/25/71	74,073.13
391-H-088	Machinery Pool Org. II	5,927,630.18	06/23/71	44,540.58
391-H-089	Railway VII	8,184,283.71	10/05/71	30,691.06
391-H-090	West Pakistan Power Distribution	12,262,133.94	06/20/71	92,160.96
391-H-091	East Pakistan Transmission Lines	2,256,349.06	07/08/71	13,829.31
391-H-092	Dacca-Aricha Road	10,377,438.77	06/22/71	74,913.38
391-H-094	Chittagong Port Facilities	2,323,210.67	07/27/71	17,264.12
391-H-096	Iron and Steel Commodity	137,750,440.69	07/14/71	1,035,058.57
391-H-102	Mangla Transmission Lines I	7,018,632.25	06/06/71	70,361.79
391-H-103	Lahore Multan Highway	553,294.64	07/24/71	5,546.77
391-H-104	Sui Gas Transmission	2,637,331.54	09/13/71	26,439.24
391-H-106	PWR Locomotives	4,799,286.85	09/13/71	48,112.84
391-H-107	West Pakistan General Consultants	5,931,829.77	09/20/71	59,466.53
391-H-115	Program Loan	49,224,051.78	08/05/71	493,468.04
391-H-117	Program Loan	69,940,884.07	05/15/71	701,167.91
391-H-121	Program Loan	69,884,354.34	08/28/71	700,687.81
391-H-124	WAPDA Consultants	890,811.75	06/27/71	7,109.15
391-H-126	Mangla Transmission II	3,216,619.19	07/27/71	29,578.37
391-H-127	Program Loan	23,720,741.43	08/28/71	237,763.32
391-H-128	Malaria Eradication	3,334,965.24	06/18/71	33,433.03
391-H-129	West Pakistan Railway Diesel Locomotives	15,061,647.20	06/17/71	137,763.58
391-H-131	Program Loan	113,327,317.99	07/17/71	2,278,098.88
391-H-135	Malaria Eradication	5,346,324.66	09/28/71	106,954.15
391-H-136	Public Health Eng.	939,646.44	07/08/71	18,886.36
391-H-139	Seed Potato Multi.	21,300.95	08/20/71	428.75
391-H-140	Program Loan	66,646,884.44	09/08/71	1,340,407.36
391-H-142	Consulting Services	1,295,364.91	06/15/71	13,412.84
391-H-143	Groundwater Survey	57,075.82	09/19/71	1,012.50
391-H-144	Program Loan	16,915,172.27	10/17/71	170,273.97
391-H-148	Program Loan	85,980,506.61	10/19/71	594,373.18
			TOTAL	11,742,605.23

* There is no delinquency on principal repayments on any of these loans.

Mr. PASSMAN. Of this total amount there is but one loan delinquent?

PAYMENTS ON AID DEVELOPMENT LOANS

Mr. MACDONALD. I hadn't finished my sentence. We are in a situation with Pakistan, where Pakistan has put into a blocked rupee account the amount of payments due on all AID dollar loans over the course of the last year.

Mr. PASSMAN. The Development Loan Fund is a bilateral window of the Agency for International Development, is it not?

Mr. MACDONALD. Yes.

Mr. PASSMAN. These loans are repaid in dollars with interest. At the concessional rate, it is repaid in dollars?

Mr. MACDONALD. Yes.

Mr. PASSMAN. Your experience with these loans has been very good?

Mr. MACDONALD. Extremely good.

Mr. PASSMAN. This money comes back into the U.S. Treasury. Even though you may request legislation to permit you to relend the money, it does come back in?

Mr. MACDONALD. Yes, sir; it returns to the Treasury.

Mr. PASSMAN. To my way of thinking, this is a much better program than to have the money go out into an international organization where none of it ever comes back.

If you must have this type of loan operation, I would hope that the Congress would come around to its senses and provide it on a bilateral basis. On the bilateral development loan program, I believe you stated that repayments are made back to our Government direct——

Mr. MACDONALD. Yes, sir.

Mr. PASSMAN (continuing). Whereas under the international organizations they are made to the organizations, and there is no provision for it to be returned to the Treasury.

Mr. MACDONALD. Correct.

DEBT RESCHEDULING OF DELINQUENT AID LOANS

Mr. PASSMAN. I would assume that to keep the Development Loan Fund under the Agency for International Development on an orderly basis, you have to roll over some of these loans.

Mr. MACDONALD. We have done so on occasion, Mr. Chairman.

Mr. PASSMAN. That is part of the system, is it not, to keep a nation current, even if you have to roll over the loans?

Mr. MACDONALD. We have avoided their being placed in positions of delinquency, Mr. Chairman.

Mr. PASSMAN. That is what I am saying. They become delinquent, and rather than get in a quarrel with them and possibly place the loan where you would have no opportunity of collection, you try to keep it up to date by, if necessary, rolling over the loans.

I would not quarrel with that as a businessman handling millions of dollars in paper. That is the first thing we would do when an account became delinquent. We would go out and make some type of arrangement, even reducing the installments, so as to keep it where he could keep up the payments, at least the interest. That is what I am talking about by rolling over.

Mr. MACDONALD. Yes.

Mr. PASSMAN. You do practice that procedure where it is necessary?

Mr. MACDONALD. On occasion, yes, sir.

Mr. PASSMAN. Will you place in the record the number of loans and the amount and the name of the country where you have had to practice this procedure so as to keep the loans up to date?

Mr. MACDONALD. We shall do so, sir.

(The information follows:)

Resecheduled Amounts of AID Loans to Asian Countries

	Date of Rescheduling	Amount Rescheduled
China (Taiwan)		
484-A-008 Pioneer Chemical Co.	4/7/67	$126,114.63
Philippines		
492-A-006 and 012 Bataan Pulp & Paper Mills Inc.	4/29/71	923,561.05
492-A-007 Mindanas Cement Plant	4/18/68	4,860,869.18
Indonesia		
497-B-001 Commodity Assistance	4/24/70	10,389,228.91
497-K-013 Commodity Assistance	4/24/70	19,816,369.48
India		
386-B-001 Commodity Assistance	4/27/59,6/24/68, 6/25/69,6/25/70, 6/25/71	84,118,034.09
Pakistan		
391-B-001 Commodity Assistance	3/9/60	6,496,627.68
Turkey		
277-A-020 Eregli Steel Mill	8/30/66	515,444.25
277-A-020A Eregli Steel Mill	6/27/68	18,705,006.00
277-A-021 Koruma Tarim Ilaclar, AS	7/20/67	455,127.51
277-B-001 Commodity Assistance	12/1/59,11/19/65, 9/1/68	25,157,000.00
277-B-002 Commodity Assistance	12/1/59,11/19/65, 9/1/68	21,095,968.68
277-B-003 Commodity Assistance	12/1/59,11/19/65, 9/1/68	5,294,862.78
U.A.R. (Egypt)		
263-H-014 Viscose and Cellophane Plant	12/20/71	107,392.38
263-H-015 Grain Storage	12/20/71	44,611.33
263-H-020 Cairo West Power Plant	12/20/71	1,145,372.97
263-H-022 Paper Plant	12/20/71	215,856.24
263-K-016 Economic Stabilization	12/20/71	15,549,041.59
263-K-019 Economic Stabilization	12/20/71	7,558,740.59

OUTSTANDING BALANCE ON LOANS TO PAKISTAN

Mr. PASSMAN. Let's take one country, Pakistan. What are the outstanding development loans for Pakistan?

Mr. MCDONALD. The outstanding indebtedness of Pakistan——

Mr. PASSMAN. Under the Development Loan Fund?

Mr. MACDONALD. Under the Development Loan Fund it is $1.541 billion.

Mr. PASSMAN. Is that repayable in dollars or local currency?

Mr. MACDONALD. Repayable in dollars. There is additional debt repayable in local currency.

Mr. PASSMAN. How much of it is delinquent?

ESTABLISHMENT OF BLOCKED RUPEE ACCOUNTS BY PAKISTAN

Mr. MACDONALD. As I said, they have not paid the dollar amounts due for the last year. In the case of AID, this amounts to about $11.7 million of interest due in the last year, there was no principal due. They have put in blocked rupee accounts the rupee equivalent of that amount pending their ability to convert to dollars.

Mr. Chairman, we anticipate participating in a rollover on behalf of Pakistan.

Mr. PASSMAN. These rupees are something you put in an account that is dormant. It is just a bookkeeping entry.

Mr. MACDONALD. In a Government of Pakistan account.

Mr. PASSMAN. It is a bookkeeping entry?

Mr. MACDONALD. That is essentially correct.

Mr. PASSMAN. It is not usable. You cannot convert it.

Mr. MACDONALD. That is correct.

Mr. PASSMAN. How does that improve the value of the account if you switch it from unconvertible currency which is nothing but a lot of paper that you cannot use, to carrying it as a bookkeeping entry?

Mr. MACDONALD. The difficulty, Mr. Chairman, is that Pakistan has gone through a year of crisis, of civil strife and war.

Mr. PASSMAN. I know all that. This printed currency cannot be used. All it does is go into a blocked, dormant account, and it remains there.

Mr. MACDONALD. That is correct.

Mr. PASSMAN. By this arrangement, that shows that they are up to date on that part of the account, does it not?

Mr. MACDONALD. Yes, Mr. Chairman.

Mr. PASSMAN. That is what I do not like about this procedure. You can twist the bookkeeping, the figures and the arrangements around and show things that, on the surface, look all right, but in reality are not all right.

Would it not have been better understood by the American taxpayer if we had just carried this in a delinquent state, rather than let them print up a lot of unconvertible paper and just put it in a dormant account? How long has that account remained dormant?

Mr. MACDONALD. It has been in this state since the spring of 1971.

Mr. PASSMAN. So, what you have actually done is taken loans that were supposed to be repaid in dollars, and they could not repay the dollars, so you permit them to print up Pakistan rupees and put that in a dormant account.

Mr. MacDonald. The Government of Pakistan unilaterally acted to withhold dollar payments and to establish their blocked rupee accounts pending the time that something could be done to change that.

Mr. Passman. That is a nice statement, but did I make a correct statement? I want you to say "yes" or "no." I am not trying to put words in your mouth. We switched over a dollar repayment account to a rupee dormant account.

Mr. MacDonald. We did not do that, sir. The Government of Pakistan did it.

Mr. Passman. That is what I say. It has been accomplished and you have accepted it. Is that the only nation that has followed this procedure in your area?

Mr. MacDonald. I did mention a delinquent——

Mr. Passman. That was delinquent. I am talking about printing useless, unconvertible currency and crediting it to our account.

Mr. MacDonald. I know of no other in my area. I will search the records and correct myself if that is not accurate.

Mr. Passman. Will this establish a precedent, since we made ourselves a party to that?

Mr. MacDonald. I would not think so, Mr. Chairman.

Mr. Passman. Why not?

Mr. MacDonald. Because of the extremely unusual circumstances that Pakistan found itself in. There was no way it could service its foreign exchange debt. I would hope that other nations indebted to us will not find themselves in civil wars.

LOANS TO PAKISTAN IN DELINQUENT STATE

Mr. Passman. What is the total amount involved where they took it upon themselves to print useless and unconvertible currency and credit it to our account? How much was the total amount in dollar equivalent?

Mr. MacDonald. I cited a figure of $11.7 million.

Mr. Passman. Did you indicate to them that you will cooperate but you will carry this in a delinquent state so the record will reflect what it is, rather than let you show it as being current by giving us something we cannot spend?

Mr. MacDonald. Yes. As I said, Mr. Chairman, it is carried in our own books as a delinquency.

Mr. Passman. I understand. So, this is an agreement they have reached among themselves?

Mr. MacDonald. A unilateral act on their part, sir.

Mr. Passman. So, this was an agreement that Pakistan officials reached among themselves?

Mr. MacDonald. Yes, Mr. Chairman.

Mr. Passman. That is understandable. Thank you.

OUTSTANDING BALANCE ON LOANS TO INDIA

How about India?

Mr. MacDonald. India is current in all her debt payments to us.

Mr. Passman. What do they owe us in the way of development loans?

Mr. MACDONALD. The grand total of their indebtedness, which includes not only development loan but Public Law 480, is $3.5 billion.

Mr. PASSMAN. You say they are current?

Mr. MACDONALD. They are current, sir. They are not delinquent.

Mr. PASSMAN. I believe most of those loans were made some 6 or 7 years ago.

Mr. MACDONALD. Yes; in the 1960's.

Mr. PASSMAN. They had a 10-year grace period, did they not?

Mr. MACDONALD. Yes, sir.

Mr. PASSMAN. How in the world could they be delinquent? You make loans and give them a 10-year grace period and have them start coming due. Certainly, they would not be delinquent.

Mr. MACDONALD. They paid the United States $122 million debt service in 1971. They are meeting total annual servicing of more than $600 million a year.

Mr. PASSMAN. That is not much out of over $8 billion.

Mr. MACDONALD. No, sir.

Mr. PASSMAN. Have I made a statement of fact that the reason they are not delinquent is simply because these were concessionary loans with a 10-year grace period, and they have not yet started coming due?

Mr. MACDONALD. That is correct, these debts will be coming due in the next few years.

Mr. PASSMAN. Thank you. I just wanted to make the record. Let's not have the record show they are all that good, because they may not pay any of it.

STATUS OF LOAN AGREEMENTS IN ASIA

Would you place in the record at this point the status of other development loan accounts in your area?

Mr. MACDONALD. We shall, sir.

(The information follows:)

STATUS OF ACTIVE DEVELOPMENT LOANS SUMMARY

Unliquidated as of 12/31/71

COUNTRY: AFGHANISTAN

(In Thousands of Dollars and Equivalent)

TABLE IV

Loan No.		Date		Grace Period (years)	Life of Loan (years)	Interest Rate (%)		Amount Authorized	Amount Disbursed	Currency of Repayment	Principal Repayments	Interest Collected
		Authorized	Loan Agreement			Grace Period	Amortization					
306-H-009	Kandahar Diesel Electric Generators	2-21-66	11-5-66	10	40	1	2½	$ 800	$658	U.S. $		$33
306-H-012	Land Reclamation	6-21-67	5-13-68	10	40	1	2½	$ 4,600		U.S. $		
306-H-013	Kajakai Hydroelectric Plant	6-21-67	5-13-68	10	40	1	2½	$12,000	$750	U.S. $		$ 2
306-H-014	Land Inventory	6-29-67	6-17-68	10	40	1	2½	$ 400		U.S. $		
	Total.....	XXXXX	XXXXXX	XXXX	XXXX	XXXXXXX	XXXXX	$17,860	$1,407	XXXXX	X	$35

STATUS OF ACTIVE DEVELOPMENT LOANS SUMMARY

Unliquidated as of 12/31/71

COUNTRY: CEYLON

(In Thousands of Dollars and Equivalent)

TABLE IV

Loan No.		Date		Grace Period (years)	Life of Loan (years)	Interest Rate (%)		Amount Authorized	Amount Disbursed	Currency of Repayment	Principal Repayments	Interest Collected
		Authorized	Loan Agreement			Grace Period	Amortization					
383-H-014	Commodity Import Loan	5/22/69	8/8/69	10	40	2	3	4,999	3,906	U.S.$		80
	Total.....	XXXXXXX	XXXXXXX	XXXX	XXXX	XXXXX	XXXXX	5,000	3,906	XXXXX		80

STATUS OF ACTIVE DEVELOPMENT LOANS SUMMARY

Unliquidated as of 12/31/71

COUNTRY: INDIA

(In Thousands of Dollars and Equivalent)

TABLE IV

Loan No.		Date		Grace Period (years)	Life of Loan (years)	Interest Rate (%)		Amount Authorized	Amount Disbursed	Currency of Repayment	Principal Repayments	Interest Collected
		Authorized	Loan Agreement			Grace Period	Amortization					
386-H-068	Ramagundam Thermal Power	6/29/62	5/21/63	10	40	3/4	3/4	7,900	7,322	US $		250
386-A-126	Beas Dam	8/31/64	6/16/66	10	30	3-1/2	3-1/2	18,000	12,579	Rupees		1,336
386-H-143	Dhuvaran Thermal Power	6/26/65	6/1/66	10	40	1	2-1/2	18,750	15,081	US $		134
386-H-200	Private Sector Capital Equipment	7/3/69	10/16/69	10	40	2	3	20,000	8,884	US $		37
386-H-201	Indian Farmers Fertilizer Coop., Ltd (Two Step)	7/3/69	6/18/71	10 (4-1/2	40 15	2 8-1/2	3 8-1/2)	21,000	5,123	US $		
386-H-207	Production Loan - 1970	5/20/70	6/23/70	10	40	2	3	158,999	134,687	US $		1,150
386-H-212	Production Loan - 1971	3/3/71	7/9/71	10	40	2	3	190,000	61,440	US $		200
	Total	XXXXXXXX	XXXXX	XXX	XXX	XXXX	XXXXX	434,649	245,116	XXXX	XXXX	3,107

1219

STATUS OF ACTIVE DEVELOPMENT LOANS SUMMARY

Unliquidated as of 12/31/71

COUNTRY: INDONESIA

(In Thousands of Dollars and Equivalent)

TABLE IV

Loan No.		Date		Grace Period (years)	Life of Loan (years)	Interest Rate (%)		Amount Authorized	Amount Disbursed	Currency of Repayment	Principal Repayments	Interest Collected
		Authorized	Loan Agreement			Grace Period	Amortization					
497-H-017	Commodity Financing	04/15/69	05/02/69	10	40	2	3	43,913	40,959	US$		845
497-H-018	Gresik Cement MFG Plant Expansion	06/19/69	07/25/69	10	40	2	3	6,300	4,252	US$		22
497-H-019	Central Java Electric Power	04/17/70	05/22/70	10	40	2	3	16,800	143	US$		
497-H-020	PUSRI Fertilizer Plant Expansion	05/26/70	07/02/70	10	40	2	3	20,000		US$		
497-H-021	Djakarta-Bogor Hwy Desigh	05/25/70	08/20/70	10	40	2	3	800	95	US$		
497-H-022	Medan Electric Power	06/26/70	09/19/70	10	40	2	3	13,800		US$		
497-H-023	Commodity Financing	07/02/70	07/06/70	10	40	2	3	30,000	26,103	US$		144
497-H-024	Semarang Steam Power Plant	06/15/71	11/03/71	10	40	2	3	19,700		US$		
497-H-025	Ketenger Power (T&D)	06/15/71	11/03/71	10	40	2	3	21,000		US$		
497-H-026	Commodity Financing	07/13/71	08/26/71	10	40	2	3	15,000	9	US$		
497-H-027	Project Development	07/15/71	11/03/71	10	40	2	3	5,000		US$		
	Total	XXXXXX	XXXXXX	XXX	XXX	XXXXX	XXXXX	192,313	71,561	XXX	XXXX	1,011

STATUS OF ACTIVE DEVELOPMENT LOANS SUMMARY

Unliquidated as of 12/31/71

COUNTRY: KOREA

(In Thousands of Dollars and Equivalent)

TABLE IV

Loan No.		Date		Grace Period (years)	Life of Loan (years)	Interest Rate (%)		Amount Authorized	Amount Disbursed	Currency of Repayment	Principal Repayments	Interest Collected
		Authorized	Loan Agreement			Grace Period	Amortization					
489-H-030	Feasibility Studies	9/8/65	9/9/65	10	40	1	2-1/2	1,996	1,249	US$		35
489-H-033	Seoul Thermal Power Plant	12/29/65	2/5/66	10	40	1	2-1/2	21,000	18,756	US$		492
489-H-034	Seoul Water Works	12/29/65	6/2/66	10	40	1	2-1/2	3,260	2,726	US$		41
489-H-038	Seoul Sewage Treatment Plant	6/9/66	7/13/66	10	40	1	2-1/2	3,500	364	US$		7
489-H-039	Air Navigational Dev.	6/9/66	6/22/66	10	40	1	2-1/2	4,200	3,599	US$		78
489-H-046	Yongnam Thermal Power Plant	5/26/67	6/29/67	10	40	1	2-1/2	16,500	13,681	US$		179
489-H-047	Power Trans. and Dist.	5/9/67	6/17/67	10	40	1	2-1/2	12,700	4,360	US$		37
489-H-048	Inchon Water Works	5/23/67	6/30/67	10	40	1	2-1/2	1,800	1,629	US$		23
489-H-051	Korea Dev. Finance Corp	12/1/67	1/31/68	10	40	2	2-1/2	2,900	2,500	US$		29
489-H-052	Korea Development Bank	5/17/68	6/26/68	10	40	2	2-1/2	14,585	4,185	US$		57
489-H-054	Korea Institute of Science & Tech.	6/26/68	11/7/68	10	40	2	2-1/2	1,900	1,580	US$		36
489-H-060	Program Loan No. 4	4/10/69	6/5/69	10	40	2	3	10,000	9,533	US$		224
489-H-065	ChungJu Fertilizer Plant	6/18/69	9/25/69	10	40	2	3	5,000	665	US$		5
489-H-066	Tong Suh Acrylonitrile Plant	6/20/69	10/20/69	10	40	2	3	5,000	2,897	US$		27
489-H-073	Program Loan No. 5	4/15/70	6/3/70	10	40	2	3	10,000	3,887	US$		6
489-H-079	Rice Procurement	1/29/71	3/16/71	10	40	2	3	35,000	31,838	US$		244
489-H-080	Agricultural Credit	5/28/71	6/24/71	10	40	2	3	14,000		US$		
489-H-081	Korea Advanced Institute of Science	6/25/71	8/31/71	10	40	2	3	6,000		US$		
489-H-083	Second Feasibility Studies	11/22/71	1/20/72	10	40	2	3	2,000		US$		
	Total	XXXXXX	XXXXXX	XXX	XXX	XXXX	XXXX	171,341	103,449	XXXX	XXXXX	1,520

STATUS OF ACTIVE DEVELOPMENT LOANS SUMMARY

Unliquidated as of 12/31/71

COUNTRY: PAKISTAN

(In Thousands of Dollars and Equivalent)

TABLE IV

Loan No.		Date		Grace Period (years)	Life of Loan (years)	Interest Rate (%)		Amount Authorized	Amount Disbursed	Currency of Repayment	Principal Repayments	Interest Collected
		Authorized	Loan Agreement			Grace Period	Amortization					
391-H-059	Coastal Embankment Project	3-14-63	8-15-63	10	40	3/4	3/4	4,330	4,243	U.S.$		116
391-H-071	Expansion and Extension of Telecommunication Facilities	6-29-63	10-29-63	10	40	3/4	3/4	4,700	4,313	U.S.$		60
391-H-081A	Karnafuli Hydroelectric Unit III	6-22-67	12-01-67	10	40	1	2-1/2	1,500	282	U.S.$		-
391-H-082	Siddhirganj Thermal Plant	4-22-64	8-28-64	10	40	3/4	2	8,500	8,048	U.S.$		150
391-H-087	Salinity Control and Reclamation Project II-B	5-29-64	12-30-66	10	40	3/4	2	14,100	9,879	U.S.$		66
391-H-091	E. P. Transmission Lines	6-25-64	9-17-64	10	40	3/4	2	2,800	2,109	U.S.$		5
391-H-092	Dacca-Aricha Road	6-27-64	1-11-65	10	40	3/4	2	14,000	10,354	U.S.$		95
391-H-094	Chittagong Port Facilities	6-29-64	10-14-64	10	40	3/4	2	3,400	2,326	U.S.$		7
391-H-124	WAPDA Consultants	6-21-67	2-08-68	10	40	1	2-1/2	2,400	779	U.S.$		16
391-H-126	Mangla Transmission II	6-22-67	2-09-68	10	40	1	2-1/2	3,437	3,154	U.S.$		27
391-H-129	Pakistan Western Railway	6-29-67	1-25-68	10	40	1	2-1/2	15,100	14,927	U.S.$		19
391-H-131	Commodity Assistance	3-01-68	3-26-68	10	40	2	2-1/2	113,398	113,328	U.S.$		3,842
391-H-139	Seed Potato Multiplication	6-26-68	8-10-68	10	40	2	2-1/2	420	21	U.S.$		-
391-H-140	Program Loan	12-05-68	8-11-69	10	40	2	3	67,215	66,647	U.S.$		1,334
391-H-142	Consulting Services	6-27-69	8-05-69	10	40	2	3	3,000	1,194	U.S.$		1
391-H-143	Groundwater Survey	6-27-69	10-02-69	10	40	2	3	1,500	57	U.S.$		-
391-H-144	Program Loan	6-30-69	11-19-69	10	40	2	3	20,000	16,915	U.S.$		239
391-H-148	Program Loan	4-06-70	4-13-70	10	40	2	3	99,500	73,134	U.S.$		122
391-H-149	Chittagong Power Distribution	6-29-70	10-14-70	10	40	2	3	9,500	-	U.S.$		-
	Total.....	XXXXXX	XXXXX	XXX	XXX	XXXXX	XXXX	388,800	331,710	XXXXX		6,099

STATUS OF ACTIVE DEVELOPMENT LOANS SUMMARY

Unliquidated as of 12/31/71

COUNTRY: PHILIPPINES

(In Thousands of Dollars and Equivalent)

TABLE IV

Loan No.	TITLE	Date		Grace Period (years)	Life of Loan (years)	Interest Rate (%)		Amount Authorized	Amount Disbursed	Currency of Repayment	Principal Repayments	Interest Collected
		Authorized	Loan Agreement			Grace Period	Amortization					
492-H-023	Feasibility (& Related) Studies	6-21-67	9-14-67	5	25	3½	3½	2,000	568	U.S.$		24
492-H-025	Rural Electric Cooperative (VRESCO) (Two Step)	6-27-68	8-31-68	5 5	25 25	3½ 5	3½ 5	2,130	1,805	U.S.$		46
492-H-026	Rural Electric Cooperative (MORESCO) (Two Step)	6-27-68	8-31-68	5 5	25 25	3½ 5	3½ 5	1,330	1,108	U.S.$		23
492-H-027	Engineering Consultative Services-Rural Electrification	10-13-71	11-15-71	10	40	2	3	600		U.S.$		-
	TOTAL	xxxxx	xxxxx	xxx	xxx	xxxxx	xxxx	6,060	3,481	xxxx		93

STATUS OF ACTIVE DEVELOPMENT LOANS SUMMARY

Unliquidated as of 12/31/71

COUNTRY: TURKEY

(In Thousands of Dollars and Equivalent)

TABLE IV

Loan No.		Date Authorized	Date Loan Agreement	Grace Period (years)	Life of Loan (years)	Interest Rate (%) Grace Period	Interest Rate (%) Amortization	Amount Authorized	Amount Disbursed	Currency of Repayment	Principal Repayments	Interest Collected
277-H-052	Aerial Mineral Survey Equipment	5/28/64	11/24/64	10	40	3/4	2	320	229	U.S.		8
277-H-053	Gokcekaya Dam Ciceroz	6/15/64	12/02/64	10	40	3/4	2	20,400	11,305	U.S.		217
277-H-060	Gokcekaya Transmission Lines	5/28/65	8/27/65	10	40	1	2-1/2	5,690	4,047	U.S.		63
277-H-063	Keban Dam	6/29/65	8/31/66	10	40	1	2-1/2	40,000	23,782	U.S.		654
277-H-068	Family Planning & Rural Health Services	6/07/66	10/04/66	10	40	1	2-1/2	2,100	1,702	U.S.		8
277-H-070	Turkish Coal Industry	6/24/66	4/04/67	10	40	1	2-1/2	28,100	16,096	U.S.		313
277-H-076	Black Sea Copper	5/17/67	5/31/68	10	40	1	2-1/2	30,500	25,109	U.S.		226
277-H-077	Ataturk Medical University	6/22/67	10/23/67	10	40	1	2-1/2	2,000	1,800	U.S.		33
277-H-078	Eregli Steel Mill	6/29/67	5/15/68	10	40	1	2-1/2	14,200	10,341	U.S.		132
277-H-080	Middle East Technical University	6/29/67	10/23/67	10	40	1	2-1/2	4,500	684	U.S.		3
277-H-083	Hacettepe Science Center	6/29/67	10/23/67	10	40	1	2-1/2	4,500	2,829	U.S.		22
277-H-084	Industrial Development Bank	7/19/67	5/18/68	10	40	1	2-1/2	7,500	2,466	U.S.		32
277-H-086	Agricultural Development & Control	6/25/68	9/06/68	10	40	2	2-1/2	3,000	1,283	U.S.		22
277-H-087	Industrial Investment & Credit Bank	6/24/68	9/17/69	10	40	2	2-1/2	5,000	103	U.S.		
277-H-088	Eregli Sintering Plant	6/26/68	11/27/68	10	40	2	2-1/2	12,500	9,059	U.S.		28
277-H-091	Program Loan	6/12/70	7/10/70	10	40	2	3	64,999	47,566	U.S.		301
277-H-092	Development Program	6/01/71	7/26/71	10	40	2	3	25,000		U.S.		
277-H-093	Expansion of Steel Mill	7/14/71		10	40	2	3	15,000		U.S.		
	Total.....							285,309	158,401			2,062

1224

STATUS OF ACTIVE DEVELOPMENT LOANS SUMMARY

Unliquidated as of 12/31/71

COUNTRY: IRAN

(In Thousands of Dollars and Equivalent)

TABLE IV

Loan No.		Date		Grace Period (years)	Life of Loan (years)	Interest Rate (%)		Amount Authorized	Amount Disbursed	Currency of Repayment	Principal Repayments	Interest Collected
		Authorized	Loan Agreement			Grace Period	Amortization					
265-H-025	Management Assistance for Electric Power	6/10/66	1/16/67	5	25	3-1/2	3-1/2	6,213	3,747	U.S.		245
	Total.....	XXXXXX	XXXXXX	XXX	XXX	XXXXX	XXXXX	6,213	3,747	XXXXX	XXXXX	245

PUBLIC LAW 480 AGREEMENT FOR EDUCATION PROGRAM IN ISRAEL

Mr. PASSMAN. I was in Israel about a year ago, accompanied by a staff member, and others. We met with our distinguished Ambassador, Mr. Barbour, and Mr. Sapir, the Finance Minister of Israel. They were having a look at the amount of money that Israel owed the United States in Public Law 480 and other loans.

Inasmuch as we are embarking on a rather extensive education aid program for Israel, we would take the residue of these loan accounts and I believe Israel would then match these funds and would make an appropriation for the total amount and turn it over to this educational fund so the educational fund may use the income from this money for a certain number of years.

Their original plan had it that we would just give them the funds. I said let's don't do that. Let's stipulate at a certain time this comes back to our country.

I am told that they followed my recommendation that we would not give away this indebtedness, but when it had served its purpose, it would return and become an obligation again.

Have I stated it correctly so far?

Mr. MACDONALD. I believe so, sir.

Mr. PASSMAN. I think what we have to do now is decide upon when this money will again become available and would revert back to a debt to the United States. I trust that you will work that out.

Mr. MACDONALD. Yes, Mr. Chairman.

Mr. Passman. Certainly, it is better at a subsequent date, using this hypothetically, to let these people use $60 million. It is not due now, anyway. They cannot pay us when it comes due. But if you keep it within the economy, they could utilize it. So, it is a lot better to let them use it in that way than it would be to permit it to remain dormant. Do you agree on that.

Mr. DAVIES. I do, sir.

Mr. PASSMAN. I think I stated it correctly. I can always point to the fact that I may have saved the American taxpayers $60 million by this statement. Instead of giving it away completely, let them use it and then, when it has served its purpose, it becomes an active debt to the United States again.

COMPARISON OF AID PROGRAMS IN ASIA REGION—FISCAL YEAR 1971–FISCAL YEAR 1973

Mr. PASSMAN. Would you furnish for the record a table showing the actual fiscal year 1971 program, the fiscal year 1972 program and the proposed program for fiscal year 1973 for each country in your area?

Mr. MACDONALD. Yes, sir. We will be happy to oblige.

(The table follows:)

[In thousands of dollars]

County and fiscal year	Development loans	Technical assistance	Population	Contingency funds	Other (narcotics)	Total
Afghanistan:						
1971 actual		7,026	1,740			8,766
1972 estimate	20,000	6,285	275			26,560
1973 request		6,300	420			6,720
India:						
1971 actual	196,000	9,378	540			205,918
1972 estimate		8,325	1,250			9,575
1973 request	90,000	8,600	990			99,590
Indonesia:						
1971 actual	70,700	6,048	1,759			78,507
1972 estimate	115,500	3,940	1,700			121,140
1973 request	115,000	5,475	2,500			122,975
Korea:						
1971 actual	55,000	3,957	1,660			60,617
1972 estimate	21,500	3,025	800			25,325
1973 request	25,000	2,800	800			28,600
Nepal:						
1971 actual		1,881	706			2,587
1972 estimate		1,730	802			2,532
1973 request		1,550	333			1,883
Pakistan:						
1971 actual		5,017	2,078			7,095
1972 estimate	60,000	2,200	285			62,485
1973 request	75,000	2,300	2,500			79,800
Philippines:						
1971 actual	376	4,213	5,000	1,500		11,089
1972 estimate	20,000	4,000	5,400			29,400
1973 request	10,000	5,030	5,535			20,565
Turkey:						
1971 actual	50,000	3,524	78			53,602
1972 estimate	40,000	3,245			15,700	58,945
1973 request	40,000	2,700	300		15,000	58,000
Regional:						
1971 actual		2,871	1,449			4,320
1972 estimate		3,372	1,326			4,698
1973 request		3,377	1,859			5,236
Unallocated:						
1971 actual						
1972 estimate						
1973 request	110,000					110,000
Grand total:						
1971 actual	372,076	43,915	15,010	1,500		432,501
1972 estimate	277,000	36,122	11,838		15,700	340,660
1973 request	465,000	38,132	15,237		15,000	533,369

TOTAL FISCAL YEAR 1973 UNEXPENDED BALANCE

Mr. PASSMAN. What is the anticipated unexpended balance for the fiscal year 1973 program countries in your area, including the regional programs, as of June 30, 1972?

Mr. MACDONALD. We anticipate an unexpended balance as of June 30, 1972, of $1,295,065,000.

TECHNICAL ASSISTANCE PROJECTS INITIATED IN FISCAL YEAR 1973

Mr. PASSMAN. Would you furnish for the record a list of projects, by country, which you propose to initiate in fiscal year 1973, showing the name of the project, the fiscal year 1973 cost, the estimated cost to complete the project, and the final year of obligation?

Mr. MACDONALD. Yes, sir. We will be glad to do so.

(The table follows:)

	Thousands		
	Proposed fiscal year 1973 obligation	Estimated cost to completion	Final obligation date
Afghanistan: Higher education	$828	$2,073	1975
India:			
Soybean development	564	2,124	1977
Agricultural universities development (phase II)	550	6,250	1978
Calcutta Technical Teachers Training Institute	200	1,000	1977
Korea:			
Agriculture planning and research	823	2,423	1976
Science and technology	201	1,301	1977
Nepal:			
Integrated health services	40	40	1973
Administration and management	130	470	1977
Manpower development training	100	(1)	(1)
Pakistan: Functional literacy	100	300	1975
Philippines: Rural industry	163	643	1977
Turkey: Bosphorous University	335	1,250	1977

[1] Continuing.

FISCAL YEAR 1972 DEOBLIGATIONS

Mr. PASSMAN. Please also furnish for the record a table, by country, showing the projects which have had funds deobligated from them and the amount deobligated through your latest available accounting date, and your best estimate as of June 30, 1972.

Mr. MACDONALD. Yes, sir.

(The information follows:)

Deobligations by country, and project as of March 31, 1972, and our best estimate as of June 30, 1972, is as follows:

ASIA BUREAU DEOBLIGATIONS, FISCAL YEAR 1972

[In thousands of dollars]

			Family planning			Development loans
	TA	SA	DL	SA	TA	
Actual (July 1, 1971, to Mar. 31, 1972)	2,005	157	2,288	237	11	11,365
Projected (Apr. 1 to June 30, 1972)	838	.....	217	1	.....	4,000
Total	2,843	157	2,505	238	11	15,365

FY 1972 PROJECT DEOBLIGATIONS - TECHNICAL ASSISTANCE
(7/1/71 through 3/31/72)
(in thousands of dollars)

Project No.	Project Title	Amount Deobligated
AFGHANISTAN		
306-11-999-000	Technical Support	66
306-11-190-002	National Agriculture Development	19
306-56-370-036	Air Transportation Development	4
306-11-755-080	Economic Planning	(2)
306-12-960-081	National Film Laboratory	(18)
306-11-950-087	Private Sector Development	1
306-11-995-090	Helmand Valley Regional Development	37
306-11-690-091	Elementary and Secondary Education	4
306-11-690-092	Agriculture Education	3
306-11-660-093	Technical Education	15
	TOTAL	129
INDIA		
386-15-410-109	Trade Union Development	3
386-11-660-226	Science Education Improvement	(2)
386-11-110-281	Agriculture University Development	(6)
386-11-140-282	Agriculture Production Incentives	(2)
386-11-220-342	Rural Electric Cooperative Development	4
386-11-110-366	Agriculture Production Promotion	23
386-11-190-367	Agriculture Inputs Development	50
386-11-120-368	Soil and Water Management	93
386-11-560-380	Nutritional Foods Development	2
386-15-260-384	Export Promotion	115
386-15-790-414	Development Training	4
	TOTAL	284
INDONESIA		
497-11-999-000	Technical Support	114
497-11-690-185	General Participant Training	108
497-11-690-186	Development and Use of Educational Materials	56
497-11-110-190	Agricultural Higher Education	1
	TOTAL	279

Project No.	Project Title	Amount Deobligated
KOREA		
489-15-930-677	Private Enterprise Development	(2)
489-15-755-674	Korea Institute for Development	63
489-15-910-654	Investment Promotion	3
489-11-790-652	Public Administration	8
489-11-680-650	Education Policy and Planning	37
489-15-260-647	Marketing	3
489-11-710-644	Public Safety	24
489-11-230-634	Institutional Industrial Technical Applied Science	18
489-15-210-629	Mineral Development	9
489-11-250-609	Water Resources Planning	9
489-15-230-606	Industrial Development	29
489-11-330-600	Improvement of Transportation Capabilities	3
489-11-110-594	Rural Policy Planning and Survey	34
489-15-750-588	Economic Planning	19
489-15-999-000	Technical Support	37
	TOTAL	294
NEPAL		
367-11-999-000	Technical Support	15
367-11-511-014	Malaria Eradication	29
367-11-110-054	Food Grain Technology	19
367-11-140-056	Agriculture Credit and Cooperatives	1
367-11-610-060	Teacher and Technical Education	6
367-11-720-074	Management Improvement and Training	(1)
367-11-810-090	Panchayat Development	13
367-11-120-207	Groundwater Investigation	18
	TOTAL	100
PAKISTAN		
391-11-999-000	Technical Support	141
391-11-780-037	Statistical Services	22
391-11-660-053	Teachers Training Institute	(4)
391-12-710-113	Public Safety	23
391-11-910-137	Investment Advisory Center	8
391-52-571-139	Malaria Eradication	(2)
391-11-720-140	Government Administration	2
391-11-110-143	Agriculture Organization, East Pakistan	134
391-11-110-145	Agriculture Area Development, West Pakistan	7
391-11-660-146	Agriculture University, West Pakistan	2
391-11-120-257	Hydrologic Monitoring and Research	1
391-16-240-258	East Pakistan Small Industries Development	174
391-11-740-282	Assistance Development Agriculture, East Pakistan	6
391-11-660-296	Agriculture Research	3
391-11-760-299	Government Administration Staff Improvement	5
391-11-780-303	Government Financial Management	7
	TOTAL	529

Project No.	Project Title	Amount Deobligated
PHILIPPINES		
492-11-120-233	Water Resources Development	1
492-11-180-226	Inland Fisheries	1
492-11-190-126	Agricultural Services	126
492-11-511-013	Malaria Eradication	15
492-11-710-231	Internal Security	93
492-11-230-683	Urban Planning	4
492-11-995-166	Equipment Pool Improvement	(2)
492-11-995-236	Provincial Development	26
492-11-995-237	General Participant Training	9
492-11-999-000	Technical Support	7
	TOTAL	280
TURKEY		
277-15-999-000	Technical Support	4
277-11-740-364	Development Statistics	20
277-11-995-396	Development Administration Training	59
277-15-490-397	Labor Relations Services	(1)
277-11-190-425	Integrated Agriculture Services	2
277-11-120-426	On-Farm Water Development	8
277-11-130-444	Cereals Production	(2)
277-11-660-445	Higher Education Development	7
277-11-190-594	Agriculture Administration and Planning	(2)
	TOTAL	95
CENTO		
290-11-999-113	Technical Support	6
290-11-995-200	Support of Specific Technical Assistance Activities	9
	TOTAL	15
	GRAND TOTAL TA	2,005

Numbers in parenthesis ( ) indicate upward adjustments.

78-827 O - 72 - pt. 2 - 78

FY 1972 PROJECT DEOBLIGATIONS - SUPPORTING ASSISTANCE
(7/1/71 through 3/31/72)
(in thousands of dollars)

Project No.	Project Title	Amount Deobligated
CENTO		
290-22-330-103	Turkey - Iran Railroad	100
KOREA		
489-11-710-644	Public Safety	4
AFGHANISTAN		
306-52-220-041	Helmand Arghandab Valley Electric	53
	TOTAL SA	157

FY 1972 PROJECT DEOBLIGATIONS - FAMILY PLANNING
(7/1/71 through 3/31/72)
(in thousands of dollars)

Project No.	Project Title	Amount Deobligated DL	SA	TC
AFGHANISTAN				
306-11-570-110	Population/Family Planning	54	-	-
INDIA				
386-51-580-332	Family Welfare Planning	15	-	1
INDONESIA				
497-15-580-188	Family Planning	185	86	6
KOREA				
489-11-580-649	Health and Family Planning	378	91	-
NEPAL				
367-11-580-096	Family Planning	22	-	-
PAKISTAN				
[illegible]-11-580-096	Family Planning	1,115	56	-
PHILIPPINES				
492-11-530-220	Family Planning	518	4	4
CENTO				
290-11-570-243	Family Planning	1	-	-
	TOTAL	2,288	237	11

FY 1972 DEVELOPMENT LOAN DEOBLIGATIONS
(As of March 31, 1972)

		Date Authorized	Current Amount of Loan	Disbursements Thru 3/31/72	Amount Deobligated
CEYLON					
383-H-012	Program Loan	2/24/67	7,371,471	7,371,471	19,000
383-H-014	Commodity Import Loan	5/22/69	4,653,744	4,109,000	345,700
					364,700
INDIA					
386-H-052	Cambay Thermal Power Project	1/19/62	33,109,346	33,109,346	15,400
386-H-062	Industrial Finance Corp.	3/23/62	17,162,584	17,162,584	128,300
386-H-063	Thermal Plant	5/29/62	17,715,502	17,715,502	(500)
386-H-084	Chandrapura Thermal Stage II	3/11/63	11,879,442	11,879,442	(3,800)
386-H-091	Tarapur Nuclear Power	6/28/63	72,240,184	71,772 000	601,700
386-H-101	National Engineering Industries	1/10/64	4,245,883	4,245,883	9,300
386-H-103	Non-Project Loan III	1/30/64	224,472,610	224,472,610	300
386-H-115	Consulting Services	6/26/64	514,916	514,000	4,300
386-H-118	Hindustan Motors	6/15/64	22,021,016	22,021,016	25,300
386-H-141	Geophysical Survey and Mineral Exploration	6/14/65	3,325,316	3,325,316	174,700
386-H-155	Program Loan	3/28/66	96,998,487	96,998,487	3,300
386-H-160	Program Loan	6/24/66	149,497,620	149,497,620	47,500
386-H-164	Higher Education	1/4/67	7,308,931	7,308,000	286,100
386-H-168	Program Loan	3/20/67	131,577,391	131,577,391	76,100
386-H-176	Commodity Imports	6/21/67	49,927,589	49,927,589	100
386-H-184	Commodity Finance	5/9/68	224,398,035	224,398,035	37,000
386-H-196	Program Loan	11/27/68	193,919,664	193,919,000	78,000
386-H-207	Production Loan - 1970	5/20/70	158,999,334	142,640,000	000
					1,487,000
PAKISTAN					
391-H-080	General Commodities	3/31/64	99,227,346	99,227,346	4,000
391-H-083	Lyallpur Thermal Gen. Facilities	4/22/64	16,066,637	16,066,637	8,000
391-H-085	Railway IV	5/28/64	7,447,059	7,447,059	82,000
391-H-090	West Pakistan Power Distribution	6/24/64	12,262,133	12,262,133	4,000

		Date Authorized	Current Amount of Loan	Disbursements Thru 3/31/72	Amount Deobligated
PAKISTAN (CONT'D)					
391-H-115	Program Loan	3/28/66	49,224,051	49,224,051	300
391-H-117	Program Loan	6/23/66	69,940,884	69,940,884	2,900
391-H-121	Commodity Imports	2/17/67	69,884,354	69,884,354	33,200
391-H-131	Commodity Assistance	3/01/68	113,397,996	113,327,317	42,100
391-H-135	Malaria Eradication	6/7/68	5,346,324	5,346,324	(18,100)
391-H-139	Seed Potato Multiplication	6/26/68	108,600	21,000	311,400
391-H-140	Program Loan	12/5/68	67,215,071	66,646,000	7,600
					480,600
TURKEY					
277-H-058	Program Loan	12/31/64	78,728,898	78,728,898	5,200
277-H-066	Program Loan	2/25/66	68,629,117	68,629,117	6,700
277-H-069	Ambarli Power Station Third Unit	6/24/66	12,005,173	11,972 000	294,800
277-H-071	Highway Equipment	6/24/66	14,884,444	14,884,444	25,500
277-H-074	Program Loan	3/20/67	64,551,461	64,551,461	2,400
277-H-082	Wheat Seed Project	6/29/67	3,335,232	3,335,232	1,200
277-H-085	Program Loan	2/27/68	39,544,435	39,544,435	17,600
277-H-089	Program Loan	12/27/68	38,738,142	38,738,142	31,200
277-H-091	Program Loan	6/12/70	64,917,105	54,594,000	13,700
					398,300

(CONT'D)

FY 1972 DEVELOPMENT LOAN DEOBLIGATIONS
(As of March 31, 1972)

		Date Authorized	Current Amount of Loan	Disbursements Thru 3/31/72	Amount Deobligated
INDONESIA					
497-H-015	Program Loan	10/18/67	6,973,028	6,973,028	1,20)
497-H-016	Program Loan	2/1/68	11,636,357	11,636,357	6,70)
497-H-017	Program Loan	4/15/69	41,718,708	40,963,000	2,281,40)
					2,289,30)
KOREA					
489-H-037	Third Diesel Locomotives	6/8/66	18,509,995	18,509,995	18,10)
489-H-040	Medium Industry Bank	6/13/66	7,017,570	7,017,570	182,40)
489-H-042	Development Bank	8/19/66	11,389,492	11,369,000	117,70)
489-H-049	Program Loan No. 3	12/2/67	9,930,436	9,930,436	44,30)
489-H-051	Korean Development Finance Corp.	12/1/67	2,900,000	2,782,000	102,90)
489-H-052	Development Bank	5/17/68	12,585,093	5,985,000	2,414,90)
489-H-060	Program Loan No. 4	4/10/69	9,998,197	9,572,000	1,80)
489-H-079	Financial Assistance	1/29/71	31,837,873	31,837,873	3,162,10)
					6,044,20)
PHILIPPINES					
492-H-023	Feasibility (& Related) Studies	6/21/67	1,730,000	669,000	270,00)
492-H-024	Irrigation Equipment	6/26/67	4,519,721	4,519,721	30,30)
					300,00)
	GRANT TOTAL 53 LOANS				11,364,800

PROJECTS TO BE TERMINATED IN FISCAL YEAR 1973

Mr. PASSMAN. Would you also furnish for the record a table, by country, showing the projects which will be terminated in fiscal year 1973 and the reason for this termination?

Mr. MACDONALD. Yes, sir. I will be pleased to do so.

(The information follows:)

LIST OF PROJECTS TERMINATING IN FISCAL YEAR 1973 AND REASONS FOR TERMINATION

AFGHANISTAN

National agriculture development.—Completion of assistance to Ministry of Agriculture and Irrigation in adaptive research and extension services related to the introduction of new HYV's of wheat.

INDIA

Rural electric cooperatives.—Five pilot rural electric cooperatives will have been established to accelerate rural electrification and demonstrate the impact of the cooperative approach.

NEPAL

Groundwater investigation.—It is anticipated that this information gathering activity will be completed in spite of delayed shipment of drilling equipment.

Integrated health services.—This is a 1-year pilot activity to plan the integration of autonomous health organizations of two regions.

PAKISTAN

Financial legislation.—The project was planned as a 3-year effort to improve the organization of the stock exchange.

Government administrative staff improvement.—The project has provided training for middle level civil service personnel although not in the number planned because of the war.

PHILIPPINES

Water resources development.—We anticipate completing our assistance to develop a centralized water resources planning organization.

Agricultural services.—It is anticipated that assistance can be terminated in the area of raising national crop production levels. The focus of the project is shifting to assistance to small farmers through coordinated packages of improved practices to increase farm production and productivity. This work is expected to continue under a new project after fiscal year 1973.

Provincial development.—Provincial development programs under this phase will have been mounted in 12 provinces involving drawing up development plans, channeling increased Philippine revenue into development activities at the local level, and establishment of an equipment pool to improve feeder roads and irrigation systems. We are currently examining proposals for an expansion of the project and extension to new areas. Activity is thus expected to continue after fiscal year 1973.

Island fisheries.—Two fish culture stations, one fresh water and the other brackish, have been constructed and are now in operation.

Malaria eradication.—The Malaria Eradication Service has been established and the incidence of malaria sharply reduced. Further limited assistance related to control measures and high incidence areas may be provided by W.H.O.

Internal security.—At present, eight of 10 coordinated provincial programs involving model city police programs and training centers in rural areas have been completed. Assistance may be required beyond fiscal year 1973 for completion of the remaining two programs. It is expected that the police communications and records work will be completed by the end of fiscal year 1973.

TURKEY

On-Farm Water Development.—Completion of assistance to National Irrigation and Soil Conservation Authority (TOPRAKSU); technical assistance, training, and limited commodities provided to improve TOPRAKSU's capability in extending irrigation and land leveling services to small farmers.

Development Statistics.—The State Institute of Statistics is well on the road to becoming a modern statistical organization with the ability to collect and evaluate the economic and demographic data required by Government of Turkey policymakers.

National Education Research & Planning.—We expect that the Planning Office of the Ministry of Education will have the technical skills and budget resources to analyze educational data, on the basis of which effective educational policy and plans can be formulated.

Budget Administration Improvement.—Completion of a 4-year program of assistance to the Directorate of the Budget; we expect the Directorate will have the capability to install modern program and performance budgeting procedures throughout the Government of Turkey.

Cereal Production.—This project is scheduled to terminate in fiscal year 1973. However, we now have a team in the field to assess possible Turkish requirements for additional assistance in adaptive research of new wheat varieties. The Team recommendations will be reviewed in AID/W. In the event the decision is to provide additional support in this area Congress will be informed.

AVERAGE COST PER PARTICIPANT

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. I will be happy to, sir.

(The table follows:)

NUMBER AND AVERAGE COST PER PARTICIPANT FOR THE LAST 5 FISCAL YEARS

	Number	Average cost (thousands)
1969 (actual)	1,923	$4,220
1970 (actual)	2,380	4,400
1971 (actual)	2,031	4,800
1972 (estimate)	1,971	5,500
1973 (request)	2,023	[1] 6,200

[1] The increase costs from 1971 through 1973 result from increased in tuition and per diem.

Mr. PASSMAN. How many participants are programed for your area in fiscal year 1973 and how many of these will be going to a third country?

Mr. MACDONALD. There are 2,023 participants programed in fiscal year 1973 of which 178 will be going to a third country. Most of the third country participants will be trained at the International Rice Research Institute in the Philippines, at the Chinese Center for International Training in Taiwan and at the National Farm Irrigation and Soil Conservation Agency in Turkey.

FOREIGN AID SINCE INCEPTION

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?

Mr. MACDONALD. The total amount of U.S. assistance to countries within the ASIA Bureau through fiscal year 1972 is $51,341,500,000.

DEVELOPMENT LOANS

Mr. PASSMAN. I believe you are proposing a development loan program for your area of $465,000,000 for fiscal year 1973. Would you furnish for the record a list of loans authorized by country in fiscal year 1972?

Mr. MACDONALD. We will be pleased to provide that for the record, sir.

(The information follows:)

FISCAL YEAR 1972 LOANS AUTHORIZED, AS OF MAY 18, 1972, BY COUNTRY

Country and Loan No.	Title of loan	Date authorized	Amount of loan (thousands)
Indonesia			$50,000
497-H-027	Project development (feasibility studies)	July 15, 1971	5,000
497-H-026	Program loan	July 13, 1971	30,000
497-H-026	Program loan (amendment)	Jan. 24, 1972	15,000
Korea			21,500
489-H-083	Second feasibility studies	Nov. 22, 1971	2,000
489-H-084	Rice loan	Jan. 27, 1972	17,000
489-H-085	Elementary/middle school pilot project	Apr. 18, 1972	2,500
Philippines			20,000
492-H-027	Engineering consultative services—Rural electrification.	Oct. 13, 1971	600
492-H-028	Rural electrification	Apr. 14, 1972	19,400
Turkey			40,000
277-H-093	Eregli Iron & Steel Works, Inc	July 14, 1971	15,000
277-H-093 (A)	do	Apr. 27, 1972	25,000
Total			131,500

Mr. PASSMAN. Have you rolled over or refinanced any loans in your area during the current fiscal year?

Mr. MACDONALD. In December, 1971 we rescheduled $24.6 million of principal and interest due under six AID loans to the U.A.R. The U.A.R. had been in default on these loans since February 1967. With this rescheduling the U.A.R. is expected to resume normal debt servicing. We are also now considering, with other Consortium donors, a joint rescheduling of Pakistan's debts which may involve $37 million of principal and interest payments due AID between May 1, 1971 and June 30, 1973. In June 1971 we rescheduled $8.7 million of India's debt, a portion of which covered payments that would have been due in fiscal year 1972.

Mr. PASSMAN. How many loans did you obligate in the last 10 days of the last fiscal year?

Mr. MACDONALD. We authorized two loans in the last 10 days of fiscal year 1971: a $35 million program loan to India authorized on June 25, 1971 and a $6 million loan for the Advanced Institute of Science in Korea on June 25, 1971. We authorized a total of 13 loans in all of fiscal year 1971.

Mr. PASSMAN. Would you provide a list for the record of the proposed development loans by country that form the basis for your fiscal year 1973 request?

Mr. MACDONALD. I will be pleased to do so.

(The information follows:)

Proposed fiscal year 1973 development loans, by country

[In millions of dollars]

	Amount
Indonesia:	
Program loan	30
Djakarta-Bogor Highway	32
East Kalimantan power	8
West Java power	35
Central Java water supply or rice storage	10
Total, Indonesia	115
Korea: Sector: Agriculture—to finance land, water development; marketing and distribution facilitites and agricultural credit	25
India: Program loan	90
Pakistan:	
Program loan	65
Project: Agriculture research—to finance consultant services in crop diversification, plant protection, and new seed development	5
Project: Irrigation—to help finance a series of pilot projects using labor intensive techniques for improved water management of the 32,000,000 acres now under irrigation	5
Total, Pakistan	75
Philippines: Sector: Agriculture—development of rural industry, primarily processing of agriculture products; and to support of joint rural development efforts through provision of U.S. equipment and supplies	10
Turkey:	
Sector: Agriculture—to finance imports of farm machinery and supplies, agriculture processing and storage equipment, pesticides and fertilizer	20
Project: Irrigation—to Turkish Irrigation Department (TOPRAKSU) to increase department's capability in land leveling; loan will finance land development machinery and equipment, maintenance equipment, and spare parts	20
Total, Turkey	40
Subtotal	355
Unallocated: For possible loans in Afghanistan, Pakistan, India, Ceylon, Nepal, Indonesia, Korea, and the Philippines. The fluid situation in South Asia is the major reason for this treatment.	
Grand total	465

FAMILY PLANNING PROGRAMS

Mr. PASSMAN. How many countries in your area presently have family planning programs?

Also, would you please list for the record the amount each country is to receive for this program as proposed for fiscal year 1973?

Mr. MACDONALD. Yes sir, I will be happy to oblige.

(The information follows:)

There are eight countries which presently have family planning programs. The amount planned for each country in fiscal year 1973 is as follows:

Afghanistan	$425,000
India	990,000
Indonesia	2,500,000
Korea	800,000
Nepal	333,000
Pakistan	2,500,000

Philippines	$5,535,000
Turkey	300,000
Regional	1,859,000
Total	15,237,000

Examples of the regional family planning programs are studies on regionwide planning family planning by the University of North Carolina and Johns Hopkins University research in India on the cost effectiveness of different delivery systems.

AID FROM COMMUNIST COUNTRIES

Mr. PASSMAN. What countries in your area are receiving aid from Communist countries as well as U.S. aid and in what amounts?

Mr. MACDONALD. In 1970 and 1971 Pakistan, Afghanistan, and Ceylon received new commitments of economic aid from Communist countries. Pakistan received $419 million, $200 million of which was from Communist China and the rest from U.S.S.R.; Afghanistan, $8 million from the U.S.S.R.; and Ceylon $25.5 million, all but $300,000 of which was from Communist China. India had its last commitment of Soviet aid in 1966 ($555 million), Turkey in 1969 ($166 million), and Nepal in 1968 ($2 million). Indonesia had received $483 million in Communist aid before 1966 but none to the present regime.

U.S. ROLE IN CONSORTIA

Mr. PASSMAN. You indicate on page 3 that the United States has been associated with other aid donors in consortia and consultative groups since the early 1960's. Could you tell the committee how much U.S. assistance in your area is funneled through these consortia and consultative groups?

Mr. MACDONALD. Practically all of the development assistance we provide bilaterally in this area is extended within the framework of consortia and consultative groups in which we participate with other aid donors. Consortia and consultative groups exist for Indonesia, Pakistan, India, Korea, Turkey, Ceylon, and the Philippines. These countries are, of course, the principal aid recipients in the region. There is no consultative group for Afghanistan or Nepal.

Mr. PASSMAN. Would you provide for the record a table showing the amounts contributed by the various donor countries to the nations in your area for the past 5 years and where loans are involved please provide the average terms?

Mr. MACDONALD. I will be glad to.

(The information follows:)

DONOR CONSORTIA AID TO 6 ASIAN COUNTRIES[1]

[In millions of dollars]

	1967	1968	1969	1970	1971
United States[2]	1,545	1,490	1,051	1,026	1,055
Other bilateral	1,395	1,360	1,564	1,580	1,539
Multilateral	185	332	749	720	912

[1] The 6 are India, Pakistan, Turkey, Indonesia, Korea, and the Philippines.

[2] Includes AID, EXIM Bank, Public Law 480 title I and debt relief. Terms of other donor aid range from 100 percent grant (Australia and Sweden) to 12 to 15 year credits at about 4 percent interest (Italy). Canada gives 50 year, 10 year grace, no interest loans only. Most donors loans carry 25 to 30 year maturities, 6 to 7 years grace and interest ranging from 0 percent (for Canada, Denmark and the United Kingdom) to about 4 percent (for France, Italy, and Switzerland.) Of the 4 largest donors to these Asian countries, the United States, Germany, the United Kingdom, and Japan, only Japan makes loans at more than 3 percent interest. Germany's is 2.6 percent to 2.8 percent and the United Kingdom's is 0 percent. Japan's interest rates have ranged between 4.7 percent and 6 percent but its maturities and grace periods are in line with those of most other donors.

FISCAL YEAR 1973 PUBLIC LAW 480 COMMODITIES

Mr. PASSMAN. Would you please 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 1973?

Mr. MACDONALD. I can give you tentative budget estimates for fiscal year 1973.

(The information follows:)

FISCAL YEAR 1973 ESTIMATES OF PUBLIC LAW 480 SALES AGREEMENTS AND DONATIONS

[In thousands of dollars at world market value]

	Title I sales	Title II donations
Afghanistan	6,100	18,000
Ceylon	9,000	5,157
India	1 105,000	57,330
Indonesia	80,000	7,920
Korea	138,000	4,500
Nepal	0	630
Pakistan	98,000	7,358
Philippines	27,500	6,300
Turkey	0	13,014

1 Provisional. Aid to India is under review.

REDUCED ECONOMIC ASSISTANCE

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. ———.

CONSULTANTS RECEIVING OVER $100 PER DAY

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. With pleasure, sir.

(The information follows:)

LIST OF CONSULTANTS RECEIVING MORE THAN $100 PER DAY FROM JULY 1, 1971–APR. 30, 1972

Country	Name of consultant/contractor	Field of activity	Daily rate	Number of days
India	John U. Newbauer	Engineering	$150	12
Turkey	Schoenike, Wolfe & Associates	do	200	60
Afghanistan	Robert Nathan, Nathan & Associates	Economics	173	14
Korea	Bruce C. Thompson	Finance	150	21
Indonesia	Lewis Solter	Education	138	33
Do	Thomas E. Hicks	do	113	33
Do	Edwin A. Phillips	do	126	33
Do	C. Thomas Olivo	do	125	33

PER CAPITA GNP GROWTH

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. Yes.

(The information follows:)

PERCENT CHANGE IN GNP PER CAPITA ESTIMATED ANNUAL AVERAGE RATES

	1950–60	1960–71	1960–65	1965–71
Aid recipients [1]:				
Turkey	3.3	3.4	1.8	4.8
Ceylon	[2]	1.9	1.3	2.4
India [3]	2.3	1.5	.9	2.0
Pakistan [4]	.4	2.6	3.3	2.0
Korea, South	2.1	6.8	3.7	9.4
Philippines	3.4	2.5	2.2	2.7
Nonaid recipients:				
Greece	4.8	7.1	7.5	6.8
Iran [3]	[2]	5.8	3.8	7.5
China (Taiwan)	4.3	7.0	6.5	7.4

[1] We have no data for Afghanistan, Indonesia, and Nepal.
[2] Not available.
[3] Fiscal year beginning Apr. 1.
[4] Fiscal year beginning July 1, Pakistan as constituted prior to December 1971.
[5] Fiscal year beginning March 21.

TERMINATING PROJECTS IN FISCAL YEAR 1972

Mr. PASSMAN. Last year you listed several projects which were scheduled to be terminated in fiscal year 1972. How many of those projects are you requesting funds for fiscal year 1973?

Mr. MACDONALD. Last year we planned to terminate 14 technical assistance projects in the Asia Bureau countries in fiscal year 1972. Of these ,eight were terminated as planned, three were terminated 1 year ahead of schedule (two projects because of the hostilities in Pakistan), and the termination date of three projects was extended. These three are:

1. The Helmand Valley regional development project (Afghanistan). The completion date was extended 2 years to help the Afghanistan Government meet new regional development targets;

2. Rural electric cooperative development project (India). This project is being extended 1 year to insure that the five pilot cooperatives receiving technical assistance become viable organizations; and

3. On farm water development project (Turkey). This project has been extended 1 year to permit technical assistance to the National Irrigation Agency in connection with a new, private sector emphasis in Agency irrigation programs.

ASSISTANCE TO COUNTRIES NOT HAVING DIPLOMATIC RELATIONS WITH THE UNITED STATES

Mr. PASSMAN. What assistance are we providing to nations in your area that do not have diplomatic relations with the United States?

Mr. MACDONALD. I will provide that for the record.

(The information follows:)

COUNTRIES WHICH BROKE RELATIONS WITH THE UNITED STATES PRESENTLY RECEIVING U.S. ASSISTANCE

[Fiscal year 1972]

Country	Type of assistance	Amount (thousands)
Peoples Democratic Republic of Yemen	Public law 480, title II, (UNICEF) Maternal child care	$90
Yemen Arab Republic	(UNICEF) Maternal child care; (CRS) Emergency relief	1,026
Syria	(UNRA) Maternal child health special health cases; exceptional adult feeding.	216
United Arab Republic	American University of Cairo:	
	(a) Sec. 214 grant	500
	(b) Asia regional population grant	275

Indus Basin Development Fund

Mr. Passman. Let us first look at the Indus Basin Development Fund for which the fiscal year 1973 estimate is $43 million, an increase of $21 million above the current fiscal year 1972 appropriation.

Would you provide for the record a table showing the amount contributed by each country or organization and break this down into grants, loans (provide the loan terms), and other services provided to this fund and what percent it represents of the total?

Mr. MacDonald. Yes, Sir.

(The information follows:)

INDUS BASIN DEVELOPMENT FUND[a/]

(U.S. Dollar Equivalent)

Country		Total Commitment	Terms	% of Total
Australia	Grant	$ 26,061,000	--	2
Canada	Grant	36,423,827	--	2
Germany	Grant	53,062,905	--	3
IBRD	Loan	80,000,000	Commitment charge of 3/4% on undisbursed amount. Interest rate is the current IBRD rate at time funds are called. Present rate is 7-1/4%.	9
IDA	Loan	58,540,000	10 year grace period of no interest charge 40 year repayment period with 3/4% on funds drawn down	
India	Grant	168,803,200	--	11
New Zealand	Grant	3,901,921	--	b/
Pakistan	Grant		--	26
in pounds sterling		1,188,000		
in rupees		404,045,107		
United Kingdom	Grant	91,288,270	--	6
United States				41
	Grant	295,590,000	--	
	Loan	121,220,000		
		(102 mill.	Loan funds provided to date	
		(70 mill.	Repayable in rupees over 30 years at 3-1/2%	
		(32 mill.	10 year grace period at 2% 40 year repayment at 3%	
	Grant Rupees	235,000,000		
		$ 1,575,124,830		

a/ The Indus Basin Fund is administered by the World Bank.

b/ Less than 1%.

FUNDING LEVELS

Mr. PASSMAN. I note on page L–1 that you list the Indus Basin grant program as being funded in fiscal year 1972 at a level of $16,512,000. If I remember correctly, the fiscal year 1972 appropriation bill only provided $10 million for the grant program. Would you please comment on why this grant program was increased by $6,512,000 above what was actually appropriated in fiscal year 1972?

Mr. MACDONALD. This committee noted in its report on the fiscal year 1972 appropriations last December that there was considerable uncertainty about the possible adverse effects of the Indo-Pakistan war on the pace of Indus Basin project construction which could have reduced requirements during the fiscal year. However, construction resumed rapidly after a brief interruption from the Indo-Pakistan war, and it was necessary to provide additional funds to avoid jeopardizing the construction schedule. We used $6,512,000 in funds appropriated under the International Organizations account as the Indus grant authorization permits us to use "any other funds available for such purposes." You may also recall that we were notified last fall by the World Bank that the original estimates of our fiscal year 1972 contribution on loans grants were increased above our original budget requests.

Mr. PASSMAN. I also note on the same page that the Indus Basin loan program was funded in fiscal year 1972 at a level of $13,750,000. Again the appropriation bill only provided $12 million for this program in fiscal year 1972. Would you please tell the committee why this loan program was increased by $1,750,000 above what was actually appropriated by the Congress last year?

Mr. MACDONALD. For substantially the same reasons as we increased the grant contribution. The fiscal year 1972 loan requirements had been increased above our original budget request, and the delay in construction associated with the war was very brief.

Mr. PASSMAN. The fiscal year 1973 budget request for the Indus Basin grant program indicates that you are requesting $25 million when in fact only $15 million has been authorized for this program in fiscal year 1973. How are you able to request $10 million above what was actually authorized for fiscal year 1973?

Mr. MACDONALD. The authorization for the extra $10 million is in the regular International Organizations grants section of the FAA (section 302(a)). The regular IO authorization for fiscal year 1973 is $138 million. Under that authorization, we are requesting $124. 8 million for U.N. and related programs and $10 million for Indus grants or a total of $134.8 million. We made this adjustment for Indus since the specific Indus grant authority of 302(b)(2) authorizes that appropriation "in addition to any other funds available for such purposes." Section 301(a) within chapter 3 expressly authorizes the President to make voluntary contributions on a grant basis to the Indus Development Fund administered by the World Bank. Thus our appropriation request for fiscal year 1973 is $15 million of Indus grants to be appropriated under the separate Indus grants authorization (section 302(b)(2)) and $10 million of Indus grants to be appropriated under the regular IO authorization (section 302(a)).

TOTAL U.S. COST

Mr. PASSMAN. When do you estimate the entire project for the Indus Basin will be completed and how much more will it cost the United States?

Mr. MACDONALD. Present estimates are that all work will be completed in fiscal year 1976. The United States would need to provide an additional $73.6 million in loan and grant funds to complete our commitment under the Indus Basin development fund.

Mr. PASSMAN. What will be the total U.S. contribution to this project when it is completed?

Mr. MACDONALD. I will provide the information for the record.

(The information follows:)

Dollar grant	$295,590,000
Dollar loan	121,220,000
Rupees	235,000,000
Total, U.S. contribution planned	651,810,000

Mr. PASSMAN. What is the total amount that the United States has contributed thus far to the Indus Basin development fund?

Mr. MACDONALD. I will provide a breakdown of our contributions through fiscal year 1972.

(The information follows:)

Dollar grant	$240,554,108
Dollar loan	102,635,161
Rupees	235,000,000
Total contributions to date	578,189,269

SOURCE OF CONTRACTS

Mr. PASSMAN. What portion of the construction and procurement has been contracted with U.S. firms as compared to the total required?

Mr. MACDONALD. The World Bank reports that, on the main civil engineering contracts, U.S. firms had been awarded $429.5 million of $784.3 million in bids tendered and accepted. These civil engineering contracts also include procurement of equipment. However, procurement contracts for equipment under the Indus Fund have been open to bidding on a worldwide basis. While no U.S. firms were awarded equipment procurement contracts, subcontracts were awarded to U.S. firms under the prime contracts. Because of the size and complexity of this operation and the fact that the records have not been arranged for this breakout, it is extremely difficult to place an estimate on the amount of equipment procured from the United States.

SOUTH ASIA RELIEF AND REHABILITATION

Mr. PASSMAN. The next program we will consider will be the South Asia relief and rehabilitation item for which the fiscal year 1973 estimate is $100 million, a decrease of $100 million below what was appropriated last year.

Would you please tell the committee how much of the $200 million that was appropriated last year for this item remains unobligated as of the present time?

78-827 O - 72 - pt. 2 - 79

Mr. MacDonald. As of early May the amount remaining unobligated of the $200 million appropriated in fiscal year 1972 was $129 million.

Mr. Passman. A couple of months ago in a newspaper article I read that hundreds of people were killed and wounded in a clash one weekend between Bengalis and Biharis in a southern Bangladesh city. Are they still having trouble of this sort in Bangladesh?

Mr. MacDonald. The incident to which you have reference is the Khulua incident of March 1972. There is no evidence that another confrontation like the Khulua incident has occurred. By and large, the Biharis still remain clustered in ghetto-like areas throughout the country. Only minor and isolated skirmishes between the two ethnic groups have been reported in recent months.

POSSIBLE U.S. AID TO BANGLADESH

Mr. Passman. On page M–11 you indicate that Bangladesh authorities estimate that it will cost $3 billion—including at least $1 billion in food and nonfood imports—to get the country to where it was prior to 1971. Do you have any estimates at the present time how much the United States is going to provide?

Mr. MacDonald. Estimates on the total reconstruction cost vary widely. The $3 billion amount includes the inputs required by Bangladesh itself. The U.N. has used total donor estimated requirements of $600 million for food and resettlement and $650 million for rehabilitation. The estimates are tentative at this point, but we expect to provide $200 million from fiscal year 1972 appropriations, $100 million, under request in the fiscal year 1973 legislation, and an estimated $125–150 million in Public Law 480 commodities over the 2 fiscal years.

ADMINISTRATION OF RELIEF EFFORT

Mr. Passman. Would you please tell the committee who is administering the total South Asian relief program?

Mr. MacDonald. The Bangladesh Ministry of External Assistance coordinates the multilateral assistance provided under the U.N. and that of the voluntary agencies. Assistance provided bilaterally is coordinated by the particular Bangladesh Ministry involved.

Mr. Passman. What U.S. agency is in charge of the U.S. funds for this South Asian relief effort?

Mr. MacDonald. AID has established an Office for Relief and Rehabilitation Operations in Dacca.

Mr. Passman. Is the U.S. complying with the recommendation made by Congress last year that the U.S. share should not exceed 40 percent of the total from all sources?

Mr. MacDonald. Yes, we are. At present, we are well within that guideline, and at this time we do not expect to provide more than a third of the total requirements for outside assistance.

Mr. Passman. Would you please provide for the record a table breaking the U.S. contribution down into the various categories?

Mr. MacDonald. I would be pleased to do so.

(The information follows:)

As of May 10, 1972, U.S. contributions to Bangladesh relief and rehabilitation were as follows:

	Millions
Dollar contributions	$43
Public Law 480	73
Total	116

There were no contributions of U.S. owned local currency.
The U.S. holds no Bangladesh currency.

TOTAL AID PROVIDED

Mr. PASSMAN. Could you provide for the record a list of the countries which are also providing contributions to the South Asian relief effort and in what amounts?

Mr. MACDONALD. The best information we have on what other countries are providing on bilateral basis is as follows:

Country:	*Millions*
Australia	$5.5
Canada	36.4
Denmark	3.5
India	156.6
Sweden	22.4
Switzerland	2.0
United Arab Republic	1.0
United Kingdom	27.9
U.S.S.R	51.6
Other[1]	1.1
Total bilateral contributions	308.0

[1] Argentina, France, Ireland, Italy, New Zealand and Norway. The $308 million provided by other countries represents approximately 55% of the $570 million contributed to date. Voluntary agencies around the world have raised about $100 million, mostly from private sources.

CURRENT POLITICAL SITUATION

Mr. PASSMAN. Would you please tell the committee what the current political situation is in Bangladesh?

Mr. MACDONALD. I will supply the information for the record.

(The information follows:)

BANGLADESH POLITICAL SITUATION

The Bangladesh Government's major asset is the tremendous personal appeal of its charismatic Prime Minister, Sheikh Mujibur Rahman, who is by far the dominant personality in Bangladesh. In addition, the Awami League government which he heads is a popular one whose legitimacy derives from the party's overwhelming election victory in December 1970.

Among the problems which the Government faces, however, are threats to law and order posed by labor unrest fueled by high levels of unemployment, and large numbers of arms available to various groups which possess disruptive potential. Other problems include the status of perhaps a million socially ostracized non-Bengalis known as Biharis who are accused of collaboration, many of whom, in fear of reprisal, are unable to work.

In addition, many problems remain to be sorted out with Pakistan, including such matters as exchanges of stranded civilians, the question of war crimes trials and division assets.

Bangladesh has declared that its polity will be based on democracy, nationalism, socialism, and secularism. Internationally, the Bangladesh Government has stated that it will follow a nonaligned, neutral foreign policy on the basis of "friendship toward all, malice toward none." Its immediate foreign policy objectives have included securing international diplomatic recognition and membership in international organizations.

On April 4, the United States announced recognition of Bangladesh and the desire to establish diplomatic relations at the Embassy level. At that time we announced that we looked forward to the development of friendly relations with the new nation. The Bangladesh Government has reciprocated our willingness to enter into diplomatic relations. Following the completion of the required formalities, embassies were opened in Dacca and Washington on May 18.

EFFECTIVE USE OF FUNDS

Mr. PASSMAN. If most of the U.S. funds are contributed through U.N. institutions for this relief effort, how do you insure that the U.S. funds are being spent effectively?

Mr. MACDONALD. We have tried to insure that U.S. funds be used effectively and, because of the need, with disptach. Before making our grant to the U.N. we outlined the sorts of things to be provided in some detail. There have been mutual consultations on implementation of the grants and there will also be periodic reports on funds disbursement.

INDO-PAKISTAN PEACE TALKS

Mr. PASSMAN. Could you tell the committee briefly how the peace talks are progressing between India and Pakistan?

Mr. MACDONALD. A preliminary meeting between emissaries of the Governments of India and Pakistan was held in Pakistan in late April. This meeting agreed on an agenda for a summit meeting between Prime Minister Gandhi of India and President Bhutto of Pakistan. The dates for this meeting have not yet been set, although it seems likely that the meeting may be held toward the end of June in New Delhi. Both sides have expressed the hope that these negotiations will lead to a settlement of the various issues arising from the 1971 Indo-Pakistan war. We share their hope that the summit meeting will contribute to a fair and honorable peace in South Asia and to a reconciliation among the various countries of the region.

ISRAEL BINATIONAL SCIENCE FOUNDATION

Mr. PASSMAN. Would you comment briefly on a United States-Israel Binational Science Foundation program that is in the negotiation stage at the present time? How will this Binational Science Foundation be financed and will the U.S. funds come back to the United States if the program should be terminated?

Mr. MACDONALD. The proposed Foundation is designed to support a range of nonmilitary scientific research which is of mutual interest to both countries. While the Foundation's research programs will be of direct benefit to the United States, they also will permit the United States to contribute to Israel's objective of building a broad base of scientific and technological expertise. Thus the Foundation will enable

us to support Israel's longer-range economic development goals at a minimum cost.

The proposed U.S. contribution of Israeli pounds is to be based on a prepayment by the Government of Israel of Public Law 480 local currency loans on which principal payments ordinarily would not be due until U.S. fiscal year 1988–2001. The funds will be transferred to the Foundation endowment fund under the authority of sections 104 (f) and 104(k), Public Law 480. Israel will match this contribution with other funds. Interest income from the Foundation endowment will provide the basic source of funding for research activities and administrative costs. No appropriated AID funds are involved.

The agreement will provide for the recapture of U.S. funds if the program should be terminated.

INCREASED TAXES IN LDC'S

Mr. PASSMAN. On page 3 you state that less developed countries of Asia need to increase taxation on the economic sectors which are growing most rapidly. Have these less developed countries started to increase their taxation?

Mr. MACDONALD. Indeed they have. Between 1967 and 1971 Korea's revenues increased 38 percent per year, Turkey's 25 percent, the Philippines 17 percent, and India's 14 percent, the latter excluding supplementary defense taxes levied in 1971. Pakistan's revenues increased 16 percent a year between 1967 and 1970. With the exception of the Philippines and of Turkey, very recently these countries have experienced very mild rates of inflation so that the increase in revenues is real. Turkey in 1971 and in its budget for 1972 increased its tax revenues 31 percent per year.

However, all of these countries have difficulty taxing farmers and, with the "Green revolution" providing major income gains in agriculture, the question of agricultural taxation has come to the fore. Korea, India, and Pakistan are studying means to increase tax revenues from the agricultural sector.

OTHER U.S. AID

Mr. PASSMAN. On page 4 you have a table which shows how the U.S. aid has decreased over the years in comparison to other bilateral aid provided by other countries. However, in the footnote you indicate that food shipped under the Public Law 480 agreement are not included in the figures. Would this not have a tendency to increase the U.S. aid picture?

Mr. MACDONALD. Your point is well taken. The U.S. totals would, of course, increase if we include Public Law 480 and the percentage U.S. share would decline a little less precipitously. If Public Law 480 is added to the totals on page 4, the U.S. share declines from 74 percent in 1962 to 30 percent in 1971.

LENDING BY OTHER DONORS

Mr. PASSMAN. You indicate in the same table that $1,573.7 million of other bilateral aid from other countries was provided in 1971. How much of this amount represents loans and what are the terms of these loans?

Mr. MacDonald. Nearly 90 percent of the 1971 aid was on a loan basis. I will insert a table in the record showing hardest and softest terms of donor loans with an indication of which countries received them. The data is for 1969, the latest year for which we have accurate and complete information. Terms have generally softened slightly since then but it still gives a fair picture of what other country donors are doing.

(The information follows:)

Terms of Other Bilateral Aid Loans to Six Asian Countries

1969

Average Terms to Any Single Recipient

	Softest Terms				Hardest Terms			
	Maturity Years	Grace Years	Interest %	Recipient Country	Maturity Years	Grace Years	Interest %	Recipient Country
Austria	25	7	3.0	India	20	7	4.0	Korea
Belgium	29	9	2.0	India	24	6	3.0	Pakistan
Canada	50	10	0	all	50	10	0	all
Denmark	34	6	0	Indonesia	25	6	0	Korea
France	28	8	3.5	Indonesia	15	2	3.5	Pakistan
Germany	29	8	2.6	Turkey	24	6	2.8	India
Italy	15	3	4.1	Turkey	12	2	3.9	India
Japan	28	9	6.0	Korea	19	4	4.7	India
Netherlands	26	7	2.7	all	26	7	2.7	all
Norway	25	5	2.0	India	16	6	3.0	Turkey
Switzerland	23	7	3.8	Turkey	16	6	4.4	India
United Kingdom	25	7	0	all but Turkey	25	2	0	Turkey

PAKISTAN LOAN DEFAULTS

Mr. PASSMAN. On page 5 you indicate that the first task of the consortium, which has supported Pakistan's development program for so many years, is to reschedule debt which has been in default since May 1, 1971. Could you tell the committee how much of this defaulted debt is owed to the United States and if Pakistan has defaulted on these loans, why are we planning to provide additional loans to this country in fiscal year 1973?

Mr. MACDONALD. As of March 31, 1972, Pakistan was delinquent on payments of $13 million in interest and $3.2 million in principal on U.S. Government loans. Of the total $11.7 million of interest and no principal was due AID. All of the remainder was due the Exim Bank except for about $100,000 in interest payment due on Public Law 480 credits. The situation that led Pakistan to declare a unilateral moratorium on foreign exchange service payments on debts owed consortium creditors beginning May 1, 1971, is now ended. Pakistan's 1971 crisis, ending with war and splitting the country in two, came at a time when foreign exchange reserves were low. The disruption in exports, increased military imports and the suspension of aid from consortium donors led to a foreign exchange crisis that left little available for repayment of debt. The IBRD, as consortium chairman is organizing a rescheduling of Pakistan's debts to defer payments for 2–5 years. With the war ended, Pakistan will be able to renew development effort and the United States will join other consortium donors in providing new aid.

UNALLOCATED LOAN REQUEST

Mr. PASSMAN. On page 5 you indicate that the fiscal year 1973 development loan requests includes an unallocated amount of $110 million to support development programs in eligible Asian countries identified. Would you please tell the committee why you have such a large amount that is unallocated at the present time?

Also, do you have any idea, at the present time, where these funds might go?

Mr. MACDONALD. The recent turbulence of South Asia has obviously made it difficult to predict how the situation will be in fiscal year 1973. We would have been less than candid if we had programed large sums as a war had not taken place. The gross need is certainly there. In fiscal year 1972 we requested $567 million in loan funds, and for fiscal year 1973 we are requesting $533 million.

The strongest claimants for the unallocated funds in terms of need are Pakistan and India. Our program is under review in India, and that will obviously influence the allocation. The other countries with potential requirements include Afghanistan, the Philippines, Korea, Nepal, and Ceylon.

AID TO CEYLON

Mr. PASSMAN. Also on page 5 you indicate that the United States has expressed a willingness to extend development loans to Ceylon to support an economic reform program. It is not true that at one time we suspended aid to this country?

Also, why do we feel that it would be in the U.S. interest to extend an aid program to this country at the present time?

Mr. MacDonald. The United States suspended economic assistance to Ceylon in fiscal year 1963 under the provisions of section 620(c) of the Foreign Assistance Act after failure of the then existing government to agree with U.S. oil companies on appropriate compensation for their nationalized properties. Compensation was paid by the successor government and in fiscal year 1966 a Ceylon aid group was formed under IBRD auspices to support Ceylon's renewed development effort. Most of our assistance has been in the form of commodities furnished under Public Law 480, though development loans of $7.5 million each were authorized in fiscal years 1966 and 1967 and $5 million in fiscal year 1969. Ceylon made substantial progress in economic development during this period but progress has faltered more recently due to the continuing decline in the world market prices of Ceylon's exports and political difficulties at home culminating in April 1971, in open insurrection, reflecting in part economic discontent of the young educated unemployed. During the last 2 years our aid has been confined to Public Law 480, but development lending could be useful again if the Government is able to undertake the badly needed, but politically difficult, economic reforms required to accelerate its development pace. Economic improvement could contribute to ameliorating internal political tensions. It would be in the U.S. interest to have a politically stable, democratic Ceylon with a growing economy.

EFFECT OF GREEN REVOLUTION

Mr. Passman. On page 9 you make the following statement, "While the Green Revolution has improved the position of agriculture as a whole, and has supported the growth of the entire economy, its effects on different classes have been uneven though less harmful to the small farmer than some had anticipated." Does this statement mean that the rich are getting richer off the U.S. aid program?

Mr. MacDonald. As you are aware, most of the investment in the Green Revolution has been made by the less developed countries themselves. They have done this by increasing their tax revenues and by changing their economic policies. The U.S. aid program has supported the Green Revolution by financing under loans, fertilizer, pesticides, and other agricultural inputs and providing technical assistance, for example, in research and water management, and in training less developed country scientists and technicians. As the Green Revolution has progressed, the better-off farmers—that is, those who have larger farms and easier access to credit—have been able to increase their production and their incomes absolutely more than small farmers simply because they started from a higher base. In some instances they have also done better proportionately because they were able to reorganize their large farms to be much more efficient. At the beginning of the Green Revolution some experts believed that small farmers would not be able to take advantage of the new seeds because these required other inputs, such as fertilizer and water, which small farmers might not be able to acquire in proper quantities. However, this fear appears unwarranted. Governments have made increased quantities of fertilizer available at reasonable prices and have continued to invest in irrigation works for small farms, so small farmers also have been able to increase their production and their incomes. Further-

more, the growth of the agricultural sector as a whole has increased the demand for day laborers whose wages have increased as a result. Finally, the availability of large supplies of food grains at lower prices will benefit millions of consumers in Asia.

TERMINATION OF U.S. AID TO INDIAN UNIVERSITIES

Mr. PASSMAN. On page 13 you indicate that the Indian universities are reaching the stage where they are able to proceed on their own. Do you have any timetable for the termination of U.S. aid to these universities?

Mr. MACDONALD. Current plans envision termination of direct AID assistance to the original eight universities under the argricultural universities development No. 1 project as follows:

Indian university	U.S. university	Termination date (for physical work)
Punjab	Ohio State	1973
Uttar Pradesh	Illinois	1973
Mysore	Tennessee	1974
Andhra Pradesh	Kansas State	1975
Madhya Pradesh	Illinois	1975
Orissa	Missouri	1975
Rajasthan	Ohio State	1975
Maharashtra	Penn State	1975

Meanwhile, as direct assistance to the individual universities under the agriculture universities development No. 1 listed above is being phased out, AID has worked out with the Indian Government a new approach to university development. The new approach, embodied in agriculture universities development No. 2, focuses on India's Council of Agricultural Research, the central Indian body which exists to cordinate development of the new as well as the existing universities. U.S. assistance under this "Phase II" will help the ICAR (1) stimulate internal technical assistance within the university system, (2) plan and coordinate research activities, and (3) encourage the more advanced universities to build up depth of expertise in particular problem areas. Such expertise can then be shared with the weaker universities as well as with the new universities.

TURKEY

Mr. PASSMAN. The first country we will examine will be Turkey for which the fiscal year 1973 estimate is $58 million, a decrease of $945,000 below the current fiscal year program. What is the total U.S. assistance scheduled to be provided to Turkey in fiscal year 1973 from all spigots?

Mr. MCDONALD. Total U.S. assistance scheduled to be provided to Turkey in fiscal year 1973 from all spigots is $159,625,000.

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. Total U.S. assistance to Turkey since the inception of the foreign aid program through fiscal year 1972 from all spigots is $5,725,200,000.

POLITICAL SITUATION

Mr. PASSMAN. Could you please tell the committee briefly what is the present political situation in Turkey?

Mr. MACDONALD. Since the late 1960's Turkey has been increasingly beset with violence and general unrest. The disorders have been instigated by a tiny but highly active minority which includes a high percentage of university students. While some are on the extreme right, the larger and more aggressive elements, dubbed urban guerrillas, are of the radical left.

The fall of 1970 and the early months of 1971 witnessed growing civil disturbances and an increasing concern within the military that the government was unable to control events. On March 12, 1971, the Turkish general staff issued an ultimatum to the government which led to the resignation of the Demirel government and the formation of a new government under Nihat Erim. Martial law was declared soon thereafter in 11 key provinces and is still in effect. Since then there has been a succession of governments. At the present time the government is under the acting prime ministership of Ferit Melen (the Defense Minister in the Erim government). He has been asked to form his own government and he is expected to submit his proposed cabinet this week.

ECONOMY OF TURKEY

Mr. PASSMAN. On page 23 you state that the balance of payments in Turkey showed an exceptional surplus. Perhaps we should have Turkey show the United States how to develop a balance of payments surplus. Would you please tell the committee why we are supplying such a large amount of aid to a country that is able to have a balance of payments surplus?

Mr. MACDONALD. Turkey enjoys a large balance of payments surplus at present because half a million Turks are working in Germany and sending money home.

U.S. assistance to Turkey is for development purposes and does not reflect annual fluctuations in Turkey's balance of payments. We hope that Turkey's balance of payments prospects will continue bright, however, and have reacted by reducing our loan program from $130–$150 million per annum in mid-1960's to $40 million per annum today and by limiting loans to projects. The $40 million request for development loans for fiscal year 1973 is entirely for projects which have a much slower disbursement rate that commodity assistance and a minimal effect on any one year's balance of payments.

Mr. PASSMAN. On page 23 you also state that the soaring budget deficits are due largely to the continued burden of the state enterprises. Would you please tell the committee what you mean by state enterprises?

Mr. MACDONALD. Turkey has a large body of state-owned business enterprises, ranging from railroads, postal and telegraph services and arsenals, normally state-owned in a European country, to sugar factories, steel mills, coal mines, fertilizer factories, paper mills, and textile mills. The practice of investing government funds in the so-called

state economic enterprises (SEE's) began 40 years ago. While most of the enterprises make profits, a number are not well run and constitute a drain on Turkey's budgetary resources.

ROBERT COLLEGE

Mr. PASSMAN. On page 25 you state that the new project in fiscal year 1973 will help Bosphorus University, formerly Robert College in Istanbul, make the transition from a college supported with considerable U.S. public and private funds to a full-fledged university within the Turkish education system. Could you tell the committee at the present time when all U.S. aid to this institution will terminate?

Mr. MACDONALD. Yes, sir. We are planning a 5-year assistance program terminating in fiscal year 1977. One of the basic objectives in our assistance is to encourage increasing contributions from private and public Turkish and other foreign sources to the university's faculty development program. For the most part, our assistance during this period will consist of providing financing for U.S. faculty at Bosphorus and training Turkish teaching staff in the United States. We expect the private donors or the Government of Turkey will be able to take over complete support for this program when AID assistance is phased out in fiscal year 1977.

DELAY IN DEVELOPMENT LOANS

Mr. PASSMAN. On page 27 in connection with the Middle East Technical University Development Loan I note this loan agreement was signed on October 23, 1967, for an amount of $4,500,000 but as of the present time only $684,000 has been disbursed. Would you please comment on this long delay in disbursements?

Mr. MACDONALD. The principal causes of the delay have been inexperience on the part of METU staff with AID procurement regulations and student unrest at the university which closed the school for a period of time. However, the university has been reorganized and conditions are more settled. Disbursements picked up this spring; a total of $1,202,000 has been disbursed as of March 31, 1972.

Mr. PASSMAN. Also on page 27 in connection with Industrial Investment and Credit Bank Development Loan I note this loan agreement was signed on September 17, 1969, for an amount of $5 million but as of the present time only $103,000 has been disbursed. Would you please comment on this delay in disbursements?

Mr. MACDONALD. Turkish borrowers have been slow to use these funds because of the high price of American goods. As of April 1972, $2,414,000 of the loan has been committed. Financing of private investment of several larger projects is now being considered by the Bank. It is expected that the Bank's resources will soon be used in sizeable volume by private entrepreneurs and that the loan will be fully used in 2 to 3 years, particularly in view of the improved competitiveness of U.S. exports.

PROJECT INCREASES

Mr. PASSMAN. On page 29 in connection with the on farm water development project I note you plan to extend the final date of obligation of this project by 1 year to fiscal year 1973 and increase the esti-

mated total cost by $102,000 above what was estimated last year. Would you please comment on this situation?

Mr. MacDonald. Yes, sir. The demand by small farmers for irrigation and land leveling services from the national Farm Irrigation and Soil Conservation Agency (TOPRAKSU) has exceeded that agency's capacity. As a result, TOPRAKSU recently initiated a new program in which these services would be provided by the private sector under contract. The project has been extended to permit U.S. advisers to assist TOPRAKSU manage the technical and organizational problems connected with this new private sector emphasis.

Asia Regional Program

Mr. Passman. The next area we will examine will be the Asia regional program for which the fiscal year 1973 estimate is $5,236,000, an increase of $538,000 above the current fiscal year program.

You indicate that funds will be programed in fiscal year 1973 to provide scholarships to the American University of Beirut. Would you please tell the committee approximately how many scholarships you plan to provide in fiscal year 1973?

Mr. MacDonald. We plan to provide approximately 470 scholarships to the American University of Beirut in fiscal year 1973.

Mr. Passman. Is it not also true that we provide funds to the American University of Beirut through the American schools and hospitals abroad appropriation item?

Mr. MacDonald. Yes, sir; you are correct. We have provided funds to the university under section 214 of the Foreign Assistance Act. In fiscal year 1972 $6 million has been approved to help finance operating costs of university.

Mr. Passman. On page 39 in connection with the Asia regional population/family planning project I note you plan to increase the fiscal year 1972 program by $167,000 above what was justified last year. Would you please comment on this increase?

Mr. MacDonald. Of the $167,000 increase, $40,000 is to cover the CENTO family planning program, which was shown separately in the fiscal year 1972 congressional presentation under the CENTO account. The remainder is to cover additional costs for regionwide research on family planning problems.

India

Mr. Passman. The next country we will examine will be India for which the fiscal year 1973 estimate is $99,590,000, an increase of $90,015,000 above the current fiscal year progam. Was the entire U.S. foreign aid program suspended to India in fiscal year 1972 as a result of the war between India and Pakistan?

Mr. MacDonald. No. On December 6, 1971, $87.6 million of the program loan pipeline, not committed by irrevocable letters of credit, were suspended. Project loans and the balance of the program loan pipeline are continuing. No new development loans are being provided in fiscal year 1972. However, technical assistance, family planning and the Public Law 480 title II programs are being continued.

TOTAL ASSISTANCE TO INDIA

Mr. PASSMAN. What is the total U.S. assistance planned for India in fiscal year 1973 from all spigots?

Mr. MACDONALD. We will supply the information.

(The information follows:)

Proposed fiscal year 1973 assistance to India:	(Dollars in millions)
AID	[1] $99.6
MAP	0.2
Peace Corps	3.2
Public Law 480	172.3
Total	275.3

[1] Aid proposals are provisional, pending review of economic assistance for India.

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 assistance from all sources throughout fiscal year 1972 is $8,053,100,000.

MILITARY SPENDING

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 budget for its fiscal year ending March 31, 1972 totaled $2,039 million equivalent, 3.6 percent of its GNP. India's defense expenditures had been between 3.4 percent and 3.7 percent of GNP for the 4 preceeding years.

Mr. PASSMAN. Isn't it true that if we provide the dollars or the commodities that a country needs, then that releases to them a large proportion of their own resources to spend on programs they want, such as military?

Mr. MACDONALD. It is true in the sense that a government has only one budget and therefore budgetary resources contributed to finance any part of it help finance the whole of it. However, another way of examining the question is to look at a country's priorities in relation to use of additional financing. Most countries, underdeveloped as well as developed, give a very high priority to national defense, to setting apart what they feel is the minimum needed to preserve the nation against potential enemies. We believe these minimum defense needs would be met even if there were no foreign aid and development had to be sacrificed. Thus our economic aid tends to induce aid recipients to channel more of their internal resources into economic development than would otherwise be the case. The reaction of India and Pakistan to the cutoff of economic aid over the past year illustrates this point. Both countries cut back development efforts when confronted with a reduction in economic aid.

AID FROM COMMUNIST COUNTRIES

Mr. PASSMAN. What type of aid and in what amounts is India receiving from Communist countries?

Mr. MacDonald. India has received a total of $1,975 million in economic aid commitments from U.S.S.R., the last for $555 million in 1966. U.S.S.R. military credits, under agreements in 1960 and 1971, totaled ———.

INDIA'S REPAYMENT ABILITY

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 never defaulted on any of its foreign debts and we expect no defaults in the future. India has always acted responsibly in giving repayment of its debt priority over other use of foreign exchange even at times when foreign exchange was extremely short, badly needed for imports to keep its industry fully employed and to sustain its development effort. India has benefited from four annual debt reschedulings and more of these are likely in the future, but not for any threat of impending default. The aim of each of the reschedulings has been to improve the prospects of net aid and to provide better equity between soft and hard lenders.

INDIA'S NEED FOR ADDITIONAL AID

Mr. Passman. In a recent newspaper article it was stated that due to drastic failures in India's economy she will be forced to seek more aid from the West. The World Bank stated that India needs nearly $1 billion in the coming year or Indian industry will come to a halt. Would you please comment on this situation?

Mr. MacDonald. The news article cited is incorrect in implying that India's need for aid is related to some drastic failure in the economy. The World Bank has recently reported on the Indian economy and indicated that India is making effective use of the assistance it receives. Food grain production was up 8.6 percent last year and India is now self-sufficient in food grains. She will not require food grain imports this year. This compares to a few years ago when India faced the threat of famine and had to import as much as 10 million tons of food grain in 1 year. India's GNP has not been growing as fast as India would like to see it grow, but has been averaging a respectable 4–5 percent a year during the last 3 years. India has been receiving approximately $1 billion a year in foreign aid from all donors. The World Bank—as leader of the Aid to India Consortium—has recommended an aid level of slightly more than $1 billion a year for future years to continue the economic and social progress India has made.

Mr. Passman. The article went on to say that Indian Ministers still are living in huge mansions with all their comforts on which they do not have to pay taxes. Would you please comment on this situation?

Mr. MacDonald. Indian Government officials receive pay and fringe benefits on a different basis than those received by government officials in Western countries. One of the major fringe benefits received is government subsidized housing.

The type of housing which Indian Government officials receive determined by their civil service rank. At times there have been

cesses but the Indian press, Government of India, and the Indian Parliament closely scrutinize fringe benefits such as housing and work to correct any abuses.

ASSISTANCE TO U.S. SMALL BUSINESS IN INDIA

Mr. PASSMAN. In a General Accounting Office report entitled "Procedures to Assist U.S. Small Business and Shorten Commodity Procurement Cycle in India Need Improvement" dated August 2, 1971, the following allegations were made: (1) Aid mission auditors have found that AID's business notification procedure is so ineffective that it causes serious delays and poor responses from bidders, (2) AID has made no significant changes in its procedures to assist U.S. small business, regardless of congressional criticism and widespread dislike of AID's business notification requirements, and (3) AID has placed no special emphasis on assisting small business. Would you please comment on these allegations?

Mr. MACDONALD. AID and its mission in India have taken the following steps to assist, facilitate, and encourage U.S. small businessmen to sell to Indian and other host country importers under the AID-financed commodity import programs. We are making available to American small businessmen listings of private Indian importers and the goods they buy which comprise approximately 95 percent of AID commodity import programs. We are planning to include in our procurement information bulletins a record of transactions financed in the past. These will enable American small businessmen who are prospective suppliers to identify importers who have purchased sizable quantities of goods they wish to sell and who will, presumably, make similar purchases in the future. We also intend to identify importers operating under sole agency waivers and the products covered by such waivers and make this information available in our procurement information bulletins. New procedures were put into effect on September 1, 1970, to assure the collection of data on small business participation in AID-financed commodity import programs. The AID Office of Small Business had been directed to continue present counseling, question-answering, problem solving and guidance to small businessmen and to expand seminars and workshops, with the advice and assistance of SBA, on export sales. Further, all authorizations for AID/W direct procurement contracts are being routed through the Office of Small Business for screening for possible small business set-aside.

SELF-SUFFICIENCY IN FOOD

Mr. PASSMAN. On page 43 you indicate that 1971 represented a milestone in India's drive for self-sufficiency in food. Could you tell the committee what areas India is presently self-sufficient in?

Mr. MACDONALD. In stark contrast to the gloomy outlook of only 6 years ago, India is now virtually self-sufficient in the major foodgrains—wheat and rice—as well as such coarse foodgrains as corn, millet, and sorghum. This is due in great part to the introduction of the high yielding varieties of wheat and rice developed initially in Mexico and the Philippines, and the subsequent "green revolution" stimulated by U.S.-supported inputs of fertilizer, pesticides, and technical assistance.

SUSPENSION OF AID TO INDIA

Mr. PASSMAN. On page 44 you state that fiscal year 1970 represented a "skipped" year of U.S. aid due to the suspension of the program loan pipeline during and after the recent Indo-Pakistan war. Did we also cut off pipeline funds when this war started?

Mr. MACDONALD. The book was in error and should have stated that fiscal year 1972 represented a skipped year of U.S. aid. On December 6, 1971, $87.6 million of the program loan pipeline, which was not committed under irrevocable letters of credit, was suspended. The balance of the program loan pipeline and project loans were not affected by the suspension. We have made no new development loans in fiscal year 1972.

INEFFICIENCIES IN THE POPULATION PROGRAM

Mr. PASSMAN. On page 46 "Country narrative" you state the Indian population program has displayed administrative inefficiencies. Would you please tell the committee what these inefficiencies are?

Mr. MACDONALD. In addition to problems in vehicle maintenance and training of field workers, there have also been funding inefficiencies including (1) excessive inter-Ministerial clearances required prior to release of funds from the Center Government; (2) lengthy preauditing of past expenditures prior to release of new funds. These inefficiencies are being addressed by the Center Government, for example, inter-Ministerial clearances are being reduced, and some preauditing requirements have been eliminated.

The administrative inefficiencies referred to stem partly from the built-in difficulties of any large bureaucracy trying to effectively manage an innovative program growing rapidly in size and importance.

DEVELOPMENT LOANS

Mr. PASSMAN. Is it not true that no development loans were provided to India in fiscal year 1972?

Mr. MACDONALD. That is correct. We have made no loan commitments to India since the outbreak of hostilities in December 1971.

DEVELOPMENT LOANS

Mr. PASSMAN. On page 48, in connection with the Beas Dam development loan, I note that the loan was authorized on August 31, 1964, and the loan agreement was not signed until June 16, 1966. Would you please comment on this long delay between the authorization and the actual signing of the development loan?

Mr. MACDONALD. The delay in signing the loan agreement resulted from prolonged negotiations with the Government of India directed at reaching agreement on the policies, standards, and procedures for planning and implementing a scheme for irrigating the lands of the Rajasthan Desert served by the Beas Dam. These issues were resolved. The dam will be operational by June 1973.

Mr. PASSMAN. Was the development loan listed on page 48 under the title "Production Loan—1971" in the amount of $190 million made to the Indian Government?

78-827 O - 72 - pt. 2 - 80

Mr. MacDonald. Yes, the loan was made to the Government. It finances imports of raw materials, spare parts and equipment and the like, primarily for private sector industrial production.

AGRICULTURAL PROJECTS

Mr. Passman. On page 54 in connection with the increased agricultural inputs project I note you plan to increase the estimated total cost of this project by $1,360,000 above what was estimated last year and I also note that you plan to increase the fiscal year 1972 program by $200,000 above what was justified last year. Would you please comment on these increases?

Mr. MacDonald. Our estimate last year was in error, as it failed to include the cost of the Mississippi State advisory group, which has worked with the National Seeds Corporation for a number of years. The project scope has not changed.

Mr. Passman. On page 57 in connection with the soil and water management project I note you plan to increase the estimated total cost of this project by $2,122,000 above what was estimated last year. Would you please comment on this increase?

Mr. MacDonald. Because of the increasing emphasis of the Indian Government on the development of water resources, we plan to continue to provide irrigation experts at the three state pilot projects and the Ministry of Agriculture through the life of the project rather than fiscal year 1973 as originally planned. In addition, we plan to provide greater support for the Central Groundwater Board and to the field groundwater survey teams.

RICE RESEARCH IMPROVEMENT—INDIA

Mr. Passman. On page 59 in connection with the rice research improvement project I note you plan to extend the final date of obligation on this project by 5 years to fiscal year 1978 and increase the estimated total cost by $560,000 above what was estimated last year. Would you please comment on this situation?

Mr. MacDonald. As indicated in the country narrative and the project sheet, the proposed 5-year extension of the rice research improvement project with an increased cost to completion of $560,000 is needed to continue the work on developing improved rice varieties. Fourteen varieties have been developed, but continued development and testing will be required for up to 5 years if India is to have a chance of securing for rice the kind of breakthrough already achieved in wheat growing areas. Rice is of course India's principal foodgrain crop.

PAKISTAN

Mr. Passman. The next country we will examine will be Pakistan for which the fiscal year 1973 estimate is $79,800,000, an increase of $17,315,000 above the current fiscal year 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 1973 from all spigots?

Mr. MacDonald. Yes, sir.

(The information follows:)

Proposed fiscal year assistance to Pakistan:	(Dollars in million)
AID	79.8
MAP	.2
Public Law 480	105.4
Total	185.4

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. The total amount of U.S. assistance provided to Pakistan through fiscal year 1972 is $4,475,100,000.

MILITARY SPENDING

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 unrevised budget for defense for the fiscal year ending June 30, 1972, was $714 million. Since this was the year Pakistan was divided we have no good GNP figure to relate this to. In fiscal year 1971 Pakistan spent $672 million on defense, 3.8 percent of GNP. Defense expenditures had been about 3.5 percent of GNP in the previous 3 years.

AID FROM COMMUNIST COUNTRIES

Mr. PASSMAN. What aid is Pakistan receiving from Communist countries with particular emphasis on the People's Republic of China?

Mr. MACDONALD. Pakistan received a total of $857 million in Communist economic aid commitments through calendar year 1971. Of the total $200 million was from Communist China in calendar year 1970. Military aid from Communist countries totalled ———

POLITICAL SITUATION IN PAKISTAN

Mr. PASSMAN. Could you please tell the committee what the current political situation is in Pakistan?

Mr. MACDONALD. Martial law in Pakistan, imposed in March 1969, has been lifted and the Government now functions under an interim constitution adopted by the National Assembly. Under an agreement reached between President Bhutto and the leading opposition parties, the provincial assemblies have also met in all four provinces and the provincial governments have been formed, including governments in two Provinces controlled by the opposition parties. The lifting of martial law and the commencement of constitutional government, together with the apparent success of the recent emissary level talks with India, has given Pakistan a greater measure of stability than at any time since the war with India in 1971.

MILITARY PLANES TO PAKISTAN

Mr. PASSMAN. In a newspaper article it was stated that the State Department confirmed that about 10 U.S.-provided Jordanian Air Force F–104 jet fighters were in Pakistan during the recent Pakistani-

Indian war despite a standing ban on the unauthorized transfer of U.S. military equipment to third countries. Would you please comment on this situation?

Mr. DAVIES. The United States, within the last year, has not approved the transfer of any aircraft or other military equipment of U.S. origin to Pakistan by any other country. On the basis of the information available to us, we understand that approximately 10 F–104 aircraft from Jordan were in Pakistan during the recent hostilities. When we inquired about these reports, we were informed that these aircraft remained under Jordanian control and would be returned to Jordan. We are continuing to follow this matter, but our best information is that most of these aircraft have been returned. We are currently evaluating the information available to us on these aircraft movements in light of the requirements of the Foreign Assistance Act.

SUSPENDED AID

Mr. PASSMAN. Did the United States suspend all its aid programs to Pakistan when the conflict between India and Pakistan erupted?

Mr. MACDONALD. No, sir; but it should be remembered that AID had made no new loan commitments to Pakistan after March 1971 because civil strife had disrupted Pakistan's development program. That meant the last loan made was in fiscal year 1970. By December 1971, when the war between India and Pakistan erupted, there were, for practical purposes, no uncommitted loan funds in the pipeline to suspend.

GAO REPORTS DELAY IN PROJECTS

Mr. PASSMAN. In a General Accounting Office report entitled "More Timely and Realistic Evaluation Needed for Capital Development Projects in Pakistan," dated November 10, 1971, several allegations were made. Would you please comment on the allegation that, although AID has provided about $52 million for malaria eradication activities in Pakistan, AID has been unable to persuade the Government of West Pakistan to provide the financial, administrative, and operational support necessary for a long-range program to be effective. GAO reported that the program was about 2 years behind schedule and malaria had reached epidemic proportions in some areas of West Pakistan.

Mr. MACDONALD. Mr. Chairman, from 1962 to the time of GAO's review AID provided about $25 million in dollars and $28 million in rupees for the malaria eradication program in East and West Pakistan. Approximately 92 percent of this assistance was in loans. The program has been successful and has attained immeasurable benefits in that thousands of lives have been saved and hundreds of thousands were spared the misery and debilitating effect of malaria. GAO is correct, however, in reporting that lack of full budget support for the program by the Government of West Pakistan did impede progress of the eradication program. This was not the case in East Pakistan where the provincial government provided vigorous support. GAO is also correct in stating that at the time of its review AID had concluded that the goal of the program should be malaria control rather than eradication by a certain date. There were some outbreaks

of malaria in epidemic proportions in the Karachi area but over the long-range malaria control is a goal which AID and WHO agree can be attained.

Mr. PASSMAN. GAO reported that in the three salinity control and reclamation projects in West Pakistan, for which AID provided $81.1 million, a large number of tubewells have remained unused for long periods. The main reason cited by GAO was that completion of the tubewells was not properly coordinated with electrification work and connection of the tubewells to the watercourses. Please comment on GAO's allegation.

Mr. MACDONALD. Of the $81 million in AID support for these projects, about half was in rupee loans and grants. GAO is correct in stating that there were long delays in utilizing a considerable number of the tubewells. Coordination of the separate construction and installation elements of these projects was made more difficult because of the vastness of the area in which the wells are located and lack of communications and access roads. The projects are located in two nonadjacent areas of roughly about 15 by 30 miles each and the tubewells serve about 2.7 million acres. Vigorous efforts were made by our Mission to encourage better coordination between the several agencies of the West Pakistan Government charged with implementing the separate elements of the projects. Although completion of all segments of these projects was delayed, a significant number of wells were put into operation within a reasonable period after installation of the pumps and equipment had been completed. For example, the time required for electrification in the second project varied from 9 to 24 months. In spite of delays these projects have been successful in arresting the encroachment of salinity in the project areas.

Mr. PASSMAN. GAO indicates the completion date for the Dacca-Aricha Road project in East Pakistan, now Bangladesh, has been set back almost 5 years, due primarily to administrative indecision on the part of AID and the Government of East Pakistan over the scope and financing of the project and to delays caused by a general reallocation of Pakistan's budgeted resources following the outbreak of hostilities between India and Pakistan. Would you please comment on this?

Mr. MACDONALD. The delay in getting underway in this project was due to a number of causes. This project originally envisaged the financing of the construction of both a road and necessary related structures. The cost estimate prepared by the American engineering firm in connection with the original feasibility study proved to be too low because of its lack of experience with construction costs in South Asia. To keep the project within the loan ceiling, it was decided that that Government of East Pakistan would finance the construction of the road itself, while the American firm, using AID loan dollars, would build the bridges, approaches and related facilities. Construction of the bridges and approaches began in November 1969 and was scheduled to be completed by June 1974. The civil disturbances which began in the spring of 1971 forced the suspension of construction. AID is currently reviewing the construction status of the project with the Government of Bangladesh.

REPAYMENT ABILITY

Mr. PASSMAN. On page 73 you state that beginning on May 1, 1971, the Government of Pakistan unilaterally deferred half of its foreign debt service payments due. However, you indicate that in fiscal year 1972 and also in fiscal year 1973 the United States will provide Pakistan with a rather substantial development loan program. Why does the United States provide loans to this country when we know that she is unable to service her present debts outstanding?

Mr. MACDONALD. Pakistan was forced to suspend servicing of consortium debt as a result of the civil war, the loss of East Pakistan's foreign exchange earnings which will now be permanent, the increased defense costs of the war effort and the suspension of new commitments from major donors which combined to create a foreign exchange crisis. The consortium is now considering a rescheduling of debt pending a division of the outstanding foreign debt between Pakistan and Bangladesh.

Pakistan is also attempting to revitalize its development program and has undertaken important economic reforms as a first step. Our loan assistance, along with aid from other consortium members, will give vital support to this effort.

Long term prospects for repaying debt are good. Pakistan's growth in export earnings, on which its ability to repay future debt service is based, was 6½ percent per annum from 1965 through 1970 for the undivided country. Export performance of West Pakistan alone was much better than this. The IMF estimates West Pakistan exports grew 31 percent in the fiscal year ending June 30, 1971, and a further 12 percent this year. The recent devaluation should boost this growth rate further.

DEVELOPMENT LOANS

Mr. PASSMAN. On page 76 in connection with the groundwater survey development loan I note this loan agreement was signed on October 2, 1969, in the amount of $1,500,000 but as of the present time only $57,000 has been disbursed. Would you please comment on this long delay in disbursements?

Mr. MACDONALD. This loan was authorized to what was then East Pakistan. With the outbreak of hostilities work, other than billing for initial services, was suspended. All loans made to East Pakistan are under review as a result of the change in sovereignty.

Mr. PASSMAN. On page 76 in connection with Chittagong power distribution development loan I note this loan was signed on October 14, 1970, in the amount of $9,500,000 but as of the present time no funds have been disbursed. Would you please comment on this delay in disbursements?

Mr. MACDONALD. This loan was provided for distribution of power in what was East Pakistan. Because of the war, activity under the loan has been held up. All loans made to East Pakistan are under review as a result of the change in sovereignty.

Mr. PASSMAN. Out of the 19 development loans listed on page 76, 13 of these loans were authorized in June of each fiscal year. Could you tell the committee why so many of these development loans were authorized during the last month of the fiscal year?

Mr. MacDonald. Loan preparation and development involves work over many months and in some cases years, in which the project is analyzed and its economic and technical feasibility tested. We try to do our work on an orderly basis, and many loans are approved during other months of the year. We still tend to do more loans in June than I would like and we are continuing our effort to reduce the number.

There will always be some loans made in June. For example, this year, the Pakistan program loan could not be considered until after the Consortium met in late May to deal with the debt rescheduling problem. In addition, because our loan availabilities depend on repayments and deobligations, the Agency has to accumulate funds in the loan account. The exact amounts are not in hand until the end of the month.

PARTICIPANTS

Mr. Passman. On page 77 you indicate that the number of participants will increase from 20 in fiscal year 1972 to 84 in fiscal year 1973. Would you please comment on this large increase in participants?

Mr. MacDonald. Because of the disruption of the program in Pakistan there were no new participants in fiscal year 1972. The number of participants is planned to increase from 20 in fiscal year 1972 to 84 in fiscal year 1973 with the resumption of regular aid activity. In past years the number of Pakistani participants ranged from roughly 150 to 200.

FUNCTIONAL LITERACY PROJECT

Mr. Passman. On page 78 in connection with the functional literacy project I note you plan to extend the final date of obligation on this project by 2 years to fiscal year 1975. I also note that you plan to program $100,000 in fiscal year 1973 for two full time contract advisors in functional literacy. Doesn't this seem like a rather high price per individual?

Mr. MacDonald. Initation of the functional literacy project was delayed for two years because of the war in Pakistan. The project is now scheduled to run from fiscal year 1973 to fiscal year 1975 rather than fiscal year 1971 to fiscal year 1973. The proposed fiscal year 1973 contract funding covers two people for 18 months, which is customary agency practice for new contracts. The per man cost works out to be approximately $33,000 per year on this basis.

AFGHANISTAN

Mr. Passman. The next country we will examine will be Afghanistan for which the fiscal year 1973 estimate is $6,720,000, a decrease of $19,840,000 below the current fiscal year program. I note in last year's justifications you indicated that the fiscal year 1972 program would be $7,018,000 but this year you list that this program was increased to $26,560,000. Could you please tell the committee why this program was increased by such a large amount above what was justified last year?

Mr. MacDonald. Last year's $6.7 million request was for technical and family planning assistance only, although we indicated that

Afghanistan was eligible for lending and we were considering a possible loan for fertilizer. A $20 million development loan is now under active consideration; it will finance fertilizer imports and help set up a private sector fertilizer distribution system. The introduction of new wheat seed varities in Afghanistan—which we have assisted—has contributed to an increasing demand for fertlizer. However, Afghanistan has been unable to arrange for an assured supply of fertilizer pending completion of a plant now under construction. The uncertain supply situation has hampered the farmer's efforts to increase production and Afghanistan has had to import substantial quanities of food. Supply uncertainties have also deterred development of an efficient distribution system in the private sector. The loan is intended to overcome these problems.

Mr. PASSMAN. Could you please tell the committee how much in Public Law 480 commodities will be provided to Afghanistan in fiscal year 1973.

Mr. MACDONALD. Yes, sir. The planning figure is $24,100,000.

RUSSIAN AID

Mr. PASSMAN. On page 83 you indicate that the U.S.S.R. has been the largest donor to Afghanistan. Could you please tell the committee how much has been provided by Russia to this country?

Mr. MACDONALD. Economic assistance from Russia—loans and grants—totals $745 million through fiscal year 1971.

TERMINATION OF PROJECTS

Mr. PASSMAN. You indicate on page 84 that three of AID's ongoing projects are phasing down to completion in June 1973. Do you have any estimate what additional projects will be completed in the near future?

Mr. MACDONALD. Yes, sir. We are planning to complete the funding for the National Agricultural Development Project in fiscal year 1973. This project consisted primarily of assistance in introducing new seed varieties of wheat and other crops. We expect that this phase of our assistance to the agriculture sector can be terminated on schedule. In addition, we are planning to phase out funding of the Helmand Valley Regional Development and Financial Administration Improvement Projects in fiscal year 1974.

DEVELOPMENT LOANS

Mr. PASSMAN. Also on page 87 in connection with the Land Inventory Development Loan I note this loan was signed on June 17, 1968 in the amount of $400,000, but as of the present time no funds have been disbursed. Would you please comment on this delay in disbursements?

Mr. MACDONALD. The loan is now fully committed, equipment has been ordered and has either arrived in Afghanistan or is in the delivery pipeline. The project was scheduled for completion in December 1971. The shipping strike in the fall of 1971, coupled with the Pakistan-India conflict, delayed shipments of commodities scheduled through

the port of Karachi, Pakistan. All shipments are expected to be made by the September 30, 1972 loan expiration date.

Mr. PASSMAN. On page 87 in connection with the Land Reclamation Development Loan I note this loan agreement was signed on May 13, 1968 in the amount of $4,600,000, but at the present time no funds have been disbursed. Would you please comment on this delay in disbursements?

Mr. MACDONALD. In order to implement this project it was necessary to modify existing Afghan laws and regulations for fixing the price and the sale of water in the project area, the sale of the water rights, and the utilization of excess lands. These laws were amended by royal decree in March 1971 and the foremost obstacle hindering project implementation was removed. Since that time a contract has been signed with the Helmand and Arghandab Construction Unit for the construction of the first 4.8 kilometers of canal, equipment lists and tender documents have been prepared and procurement is in process with over $1.6 million established in letters of commitment and over $0.9 million in orders placed. A participating agency services agreement with the Bureau of Reclamation for technical assistance has been signed and staff is now on the job. With these accomplishments, it is anticipated the project will continue to move forward.

Mr. PASSMAN. On page 88 you indicate that the number of participants will increase from 161 in fiscal year 1972 to 187 in fiscal year 1973. Would you please comment on this increase in participants?

Mr. MACDONALD. Yes, sir. Most of the increase is in two projects: National Development Training and Financial Administrative Improvement. The National Development Training project which started in fiscal year 1972 is designed to help Afghanistan meet its critical need for trained economists and administrators throughout the government. We are planning on U.S. graduate level training for 21 participants in these fields. Under the Financial Administrative Improvement activity we are scheduling U.S. training programs for 14 Ministry of Finance participants in revenue and tax administration.

HELMAND VALLEY REGIONAL PROJECT

Mr. PASSMAN. On page 89 in connection with the Helmand Valley Regional Development project I note you plan to extend the final date of obligation by 2 years to fiscal year 1974 and increase the estimated total cost of the project by $1,190,000 above what was estimated last year. I also note you plan to increase the fiscal year 1972 program by $156,000 above what was justified last year. Would you please comment on these increases?

Mr. MACDONALD. Yes, sir; the Helmand Arghandab Valley Authority (HAVA) is the government agency responsible for regional agriculture, irrigation and electric power development. HAVA has recommended that the government's fourth 5-year plan include three goals for the Helmand Valley: (1) mobilization of local resources to place HAVA on a sounder financial footing; (2) a program for high value crop substitution; and (3) improved HAVA capability in engineering design, operation and maintenance. The completion date of this phase of the project has been extended 2 years to permit additional

U.S. support to help Afghanistan develop plans and action programs to achieve these regional development targets. One consequence of extending the completion date has been to delay the departure from Afghanistan of U.S. staff. This, essentially, is why the fiscal year 1972 program is higher than the level justified to Congress last year.

NEPAL

Mr. PASSMAN. The next country we will examine will be Nepal for which the fiscal year 1973 estimate is $1,883,000, a decrease of $649,000 below the current fiscal year program. You indicate on page 99 that the regular dollar request will be supplemented in fiscal year 1973 as in past years by excess Indian rupees. Could you please tell the committee how much in fiscal year 1973 will be supplied to Nepal in excess Indian rupees?

Mr. MACDONALD. Approximately $5 million equivalent.

TEACHER AND MATERIALS UTILIZATION AND DEVELOPMENT—NEPAL

Mr. PASSMAN. On page 103 in connection with the Teacher and Materials Utilization and Development project I note you indicate that the initial obligation of this project was made in fiscal year 1972. Could you tell the committee if this project was justified last year?

Mr. MACDONALD. The fiscal year 1972 Congressional presentation included the Project Teacher and Technical Education which outlined plans to start a new contract in fiscal year 1972 which would run through fiscal year 1977. It was later decided that with a narrower emphasis and revised scope, it would be better to begin the new contract as a new project rather than under the Teacher and Technical Education project. The new Teacher and Materials Utilization and Development project is scheduled to terminate in fiscal year 1977 as was the Teacher and Technical Education project. The new project's cost to completion is $1,680,000, about $700,000 less than estimated under the old project.

FAMILY PLANNING

Mr. PASSMAN. On page 106 in connection with the Family Planning project I note you state that new contracts for one to two experts on population research and motivation will be needed in fiscal year 1973 at a cost of $100,000. Don't you consider this to be a rather high cost per individual?

Mr. MACDONALD. The estimate of $100,000 is based on 18 months funding for two contract advisors which is customary Agency practice for new contracts. The cost per man would thus be approximately $33,000 per man year.

INDONESIA

Mr. PASSMAN. The next country we will examine will be Indonesia for which the fiscal year 1973 estimate is $122,975,000, an increase of $1,835,000 above the current fiscal year program. I note in last year's justifications you indicated that the fiscal year 1972 program would be $107,325,000 but this year you indicate that that program has been increased to $121,140,000. Would you please tell the committee the need for this increase above what was justified last year?

Mr. MACDONALD. The increase in the fiscal year 1972 program is due primarily to a more rapid utilization of the fiscal year 1972 program loan than was anticipated when the fiscal year 1972 Congressional presentation was prepared. Fertilizer is one of the major commodities financed by the program loan and fertilizer use this year has increased substantially as a result of special incentives established by the Government of Indonesia. In order to meet the expanded demand for fertilizer the program loan was increased.

Mr. PASSMAN. Could you tell us what has been the total aid to Indonesia since the foreign aid program has been in existence?

Mr. MACDONALD. Yes, sir; U.S. aid through fiscal year 1972 totaled $1,521,000,000.

Mr. PASSMAN. Could you also provide for the record a list showing the total U.S. foreign aid proposed for Indonesia in fiscal year 1973 from all sources?

Mr. MACDONALD. Yes, sir; we are planning to provide a total of $239,640,000 in fiscal year 1973, as follows:

AID	$123,000,000
MAP Grants	28,700,000
Public Law 480	87,900,000
Total	239,600,000

AID DOLLARS TO COMMUNIST COUNTRIES

Mr. PASSMAN. In a General Accounting Office report entitled "United States Participation in the Foreign Assistance Programs for Indonesia" the following statement is made, "that U.S. assistance dollars will, in effect, contribute to the repayment of Indonesia's debts to Communist countries." Would you please comment on this statement?

Mr. MACDONALD. Sir, I believe a review of the record will not substantiate the GAO statement. In April 1970 Indonesia creditors agreed to reschedule the Sukarno era debt of $1.764 billion. Of this amount, $651 million was held by non-Communist countries and $1.113 billion by Communist countries. Indonesia was successful in obtaining as liberal terms from the Soviet Union and most Eastern European countries as from the non-Communist creditors.

The major point I would like to make is that Indonesia did not default on their obligations and upheld the principle of full repayment of their debt irrespective of the source of that debt. As a matter of fact, the renegotiated debt payments to the Communist countries are very small relative to aid from Western countries. The renegotiated debt payments to Communist countries are projected at only $24 million annually through 1977 and $39 million from 1978 to 1984. This is a small fraction of total Western aid—$640 million in 1971–72 and pledges of $725 million in 1972–73. In any event, our aid is used to buy specific commodities either in the United States or in other eligible sources. None of the money we provide can be spent in Communist countries.

RESCHEDULING OUTSTANDING DEBT

Mr. PASSMAN. Is there any indication that Indonesia will have to reschedule additional amounts of her foreign debt outstanding?

Mr. MACDONALD. Indonesia's solid and responsible economic performance of recent years has been reflected in an encouraging rate of export growth. Moreover, most of the Indonesian Government's post-Sukarno borrowing has been long term, at concessional rates, and productive in nature. Therefore, with substantial present and projected increases in petroleum, mineral, and timber production, prospects appear good that Indonesia's debt service burden will continue to be manageable and that further debt rescheduling should not prove necessary.

PUBLIC LAW 480

Mr. PASSMAN. Could you please tell the committee how much in Public Law 480 commodities Indonesia will receive in fiscal year 1973?

Mr. MACDONALD. Yes, sir. The planning figure is $87.9 million in Public Law 480 commodities in fiscal year 1973.

FAMILY PLANNING PROGRAM

Mr. PASSMAN. On page 112 you state that the rapidly increasing population constitutes a serious threat to Indonesia's development. Has Indonesia adopted a regular family planning program at the present time?

Mr. MACDONALD. Yes, it has. In 1970, the Indonesian Government established a National Family Planning Coordinating Board with full authority to plan and coordinate a national family planning program. With assistance from a joint World Bank/UNDP/WHO team, the board drew up a 5-year plan which is now being implemented. The Indonesian family planning program is concentrated on the islands of Java, Madura, and Bali, which contains two-thirds of Indonesia's population but constitute only 7 percent of its land area. The targets of the national program are to have 6 million women of childbearing age practicing family planning by 1976 and to make family planning services available in 4,000 clinics. The Suharto administration has given increasingly strong support to family planning and Indonesian budget allocations for the national program have risen rapidly. Through its family planning project, the United States is one of the more than 20 bilateral, multilateral, and private donors providing assistance to the Indonesian family planning program.

WELL TRAINED MANPOWER SHORTAGE

Mr. PASSMAN. On page 113 you state that a major deterrent to Indonesia's rapid economic development is the critical shortage of well-trained administrative and technical manpower. If that is the case, how are we able to insure that the U.S. foreign aid provided to Indonesia is effectively utilized?

Mr. MACDONALD. There are several ways in which AID assures that U.S. assistance will be effectively utilized. One of the fundamental criteria AID applies in determining whether to support a particular project is the adequacy of the host government's commitment and capability to provide the manpower and resources necessary for effective project implementation. Secondly, most of AID's project activities have a built-in training component to insure the availability of skilled project implementers. We plan to increase this component

in fiscal year 1973. One of AID's principal technical assistance activities, the general participant training project, is specifically designed to train Indonesians who have major development planning and implementation responsibilities. Lastly, AID conducts periodic audits and evaluations of its projects both to assure that they are being effectively implemented and to determine any corrective measures that may be called for.

COMMERCIAL IMPORTS PROGRAM

Mr. PASSMAN. Are the funds provided by the United States to Indonesia for the commercial imports program used to finance imports from the United States?

Mr. MACDONALD. By far the largest portion of funds made available have been used for U.S. procurement. However, in common with other AID development loan programs, most developing countries are eligible as sources for procurement of the $20 million commodity import financing committed to date in fiscal year 1972 approximately 80 percent has been used for U.S. procurement. Most of the non-U.S. procurement has been in Taiwan and Korea.

DEVELOPMENT LOANS

Mr. PASSMAN. On page 116 in connection with the PUSRI fertilizer plant expansion development loan I note this loan agreement was signed on July 2, 1970, for an amount of $20 million but as of the present time no funds have been disbursed. Would you please comment on this delay in disbursements?

Mr. MACDONALD. Yes, sir. AID financing is primarily for a contract with W. R. Kellog & Co., for the design and process supervision of an ammonia/urea plant. Letters of commitment have been opened totaling $15 million and we expect disbursements to begin shortly.

Mr. PASSMAN. On page 117 you indicate that the number of participants will increase from 277 in fiscal year 1972 to 393 in fiscal year 1973. Would you please comment on this increase?

Mr. MACDONALD. This increase reflects, primarily, more short-term participants in the program as a whole and an increase in both long- and short-term participants in the family planning project. The training proposed helps Indonesia meet some of its critical administrative and technical manpower needs.

PROGRAM EXTENSIONS

Mr. PASSMAN. On page 118 in connection with the higher agricultural education project I note you plan to extend the final date of obligation on this project by 2 years to fiscal year 1975 and increase the estimated total cost by $1,433,000 above what was estimated last year. Would you please comment on these increases?

Mr. MACDONALD. As we suggested in the description of this project on page 118 of our fiscal year 1973 Asia project data book, we consider this a 5-year activity. Although it is true the project formally began in fiscal year 1969, the first 2 years were spent primarily in elaborating the plans for the major program of assistance. This is why the project has been extended to fiscal year 1975 with an increased cost to completion.

Mr. PASSMAN. On page 120 in connection with the general participant training project I note last year that you estimated a final obligation date and also an estimated total cost, but this year you have changed that to a continuing program. Would you please tell the Committee why this was done?

Mr. MACDONALD. Yes, sir. The policy of the former NESA bureau was to avoid designating final obligation dates and estimated total costs in training projects which encompassed a broad range of skills required for economic devlopment. Our decision was based on the judgment that general training projects would be an important part of an AID country program as long as technical assistance is provided. For this reason training projects of this type in India, Turkey and Afghanistan have been proposed to Congress in previous AID requests as continuing activities. The general participant training project is in this category and we have changed the designation to a continuing project in conformity with our past policy.

KOREA

Mr. PASSMAN. The next country we will examine will be Korea for which the fiscal year 1973 estimate is $28,600,000, an increase of $3,275,000 above the current fiscal year program. Do you have any estimate at all when the United States will be able to terminate economic aid to Korea?

Mr. MACDONALD. We plan to provide development loan assistance to Korea at least through the period of the third 5 year plan, 1972–1976. As the plan nears completion, we carefully will review Korean progress and the need for further development loan aid. Should Korea continue the strong economic performance of the past 5 years, it may be possible to terminate loan assistance at that time.

Mr. PASSMAN. What has been the total U.S. assistance to Korea since the inception of the foreign aid program?

Mr. MACDONALD. Total U.S. assistance (from all spigots) through fiscal year 1972 has been $1,659,300,000.

Mr. PASSMAN. Please provide for the record a table showing the total proposed U.S. aid to Korea in fiscal year 1973 from all spigots.

Mr. MACDONALD. Yes, sir.

(The table follows:)

Total Proposed U.S. Assistance to Korea—Fiscal Year 1973

AID	$28,600,000
MAP:	
Grants	215,700,000
Foreign Military Sales (non-add)	(25,000,000)
Peace Corps	2,200,000
Public Law 480	142,500,000
Total	389,000,000

RICE TO KOREA

Mr. PASSMAN. As you may well know, I was in Korea this past year and was able to provide some assistance in obtaining a rice sale for the United States. Has this rice sale progressed satisfactorily?

Mr. MacDonald. Yes, sir, the Korean Government has agreed to purchase 800,000 metric tons of rice from the United States in 1972. Of this amount, 700,000 metric tons of rice is being provided under the Public Law 480 credit sale program and 100,000 metric tons is being supplied under an AID development loan. It is expected that 540,000 metric tons will be shipped by June 30, 1972, with the balance being shipped by December 31, 1972.

PUBLIC LAW 480

Mr. Passman. Could you please tell the committee how much Public Law 480 commodities Korea will receive in fiscal year 1973?

Mr. MacDonald. We now are planning to provide Public Law 480 commodities totaling approximately $142 million in fiscal year 1973.

DEVELOPMENT LOANS

Mr. Passman. On page 129 in connection with the Seoul Sewage Treatment Plant Development Loan, I note this loan was signed on July 13, 1966, in the amount of $3,500,000 but as of the present time only $364,000 has been disbursed. Would you please comment on this delay in disbursements?

Mr. MacDonald. Of the $3,500,000 loan proceeds, approximately $3 million is allocated for purchase of equipment to be installed in the plant. Numerous problems have persisted since inception of the project, which have de'ayed procurement of this equipment and, consequently, disbursement of loan funds. However, equipment specifications have now been prepared and bid documents are expected to b eissued in the near future. Disbursements will not show significant progress, however, until such equipment is manufactured and shipped, which could be up to 1 year after purchase contracts have been awarded.

Mr. Passman. Also on page 129 in connection with the ChungJu Fertilizer Plant Development Loan I note this loan agreement was signed on September 25, 1969, in the amount of $5 million but at the present time only $665,000 has been disbursed. Would you please comment on this delay in disbursements?

Mr. MacDonald. The rate of disbursement picked up sharply in the spring of 1972. In the 3 months following December 31, 1972 (when disbursements amounted to only $665,000 as you pointed out) an additional $3 million was disbursed for engineering services and a catalytic reactor. Disbursements as of March 31, 1972, were $3.7 million or 74 percent of loan funds. It is expected that both commodities and services will be procured at a more accelerated rate in the future.

YOUTH REHABILITATION AND RETRAINING CENTER PROJECT

Mr. Passman. Would you please briefly explain the nature of the Youth Rehabilitation and Retraining Center project listed on page 30?

Mr. MacDonald. This project consists of assisting the Government of Korea construct and equip a Rehabilitation and Training Center for 500 teenage boys in Seoul. Plans have been completed for a four-story building, including classrooms, dormitory facilities, li-

brary, conference room, gymnasium, and machine shops. The school will provide vocational training in skills which are in short supply, for example, auto mechanics, carpentry, electrical repair, welding and plumbing. The total project will cost an estimated $495,000, of which the United States is contributing $250,000 to help finance construction of the center and assist in providing the necessary equipment.

PRIVATE ENTERPRISE DEVELOPMENT

Mr. PASSMAN. On page 132 in connection with the private enterprise development project, I note this project has been extended by 1 year to fiscal year 1976 and the estimated total cost has been increased by $743,000 above what was estimated last year. I also note the fiscal year 1972 program is scheduled to be increased by $67,000 above what was justified last year. Would you please comment on these increases?

Mr. MACDONALD. This project has been expanded and extended in response to Government of Korea requests for assistance in meeting the sharply increased domestic savings goals of the third 5 year development plan.

The $67,000 increase in the fiscal year 1972 program reflects the fact that more short term contract consultants were provided in capital market development than planned originally.

FAMILY PLANNING

Mr. PASSMAN. On page 134 in connection with the family planning project, I note last year that you had a final obligation date of 1976 for this project and an estimated total cost of $8,337,000. However, this year you indicate that the project will operate on a continued basis and therefore the date and estimated total cost is not able to be predicted. Would you please tell the committee why this was done?

Mr. MACDONALD. In view of the magnitude and importance of the family planning problem, I believe the designation of a terminal date and cost to completion at this time is unrealistic and misleading.

PHILIPPINES

Mr. PASSMAN. The next country we will examine will be the Philippines for which the fiscal year 1973 estimate is $20,565,000, a decrease of $8,835,000 below the current fiscal year program. Would you provide a table showing the total amount of U.S. assistance to the Philippines since the beginning of the foreign aid program from all sources?

Mr. MACDONALD. The total amount of U.S. assistance provided to the Philippines through fiscal year 1972 is $5,725,200,000.

Mr. PASSMAN. Please also provide a table showing the total proposed U.S. aid to the Philippines for fiscal year 1973 from all spigots.

Mr. MACDONALD. We will supply the information for the record.

(The information follows:)

Proposed Fiscal Year 1973 Assistance to the Philippines

AID	$20,600,000
MAP	20,800,000
Peace Corps	2,000,000
Public Law 480	33,800,000
Total	77,200,000

PHILIPPINE MISSILES

Mr. PASSMAN. In a newspaper article in March it was announced that President Marcos had said that the Philippines plans to produce its own defense missiles following the successful test firing of the country's first locally made rocket. Could you please tell the committee why in the world this small country is building missiles?

Mr. HUMMEL. To begin, we should note that what we are really talking about is not a missile but a small rocket such as the United States developed during World War II. While the U.S. Government is aware of the speech by President Marcos in which he talked of the Philippines entrance into the missile age, the U.S. Government has not provided encouragement or assistance to the Government of the Philippines in founding a missile industry in that country. In accordance with oft-expressed policy against the proliferation of sophisticated weapons and the diversion of scarce resources of less developed countries from economic and social development for military purposes, the U.S. Government does not intend to encourage or support the Government of the Philippines to bring their reported plan to fruition.

GREEN REVOLUTION FAILURE

Mr. PASSMAN. In another newspaper article it was indicated that the green revolution, hailed for its promise of buying time—with more food—to reduce population growth, appears to have suffered its first major setback in the Philippines. It goes on to state that during the 1960's, the planting of high-yield varieties of rice allowed the Philippines to stop importing its basic staple for the first time in half a century. But by last year rice again had to be imported, and further deficits are expected this year and next. Would you please comment on this situation?

Mr. MACDONALD. Over the past year the Philippines has experienced major typhoons, an infestation of its rice crop with Tungro diseases, an insurgency war in one of its major rice-producing areas (Mindanao), and a sharp increase in the costs of variable inputs (fertilizer and insecticide). All of these contributed to the set back in rice production in the Philippines. The Government has undertaken a program to assist the small farmer finance the cost of certain of these variable inputs. The other causes were basically beyond the control of the Government.

LOAN REPAYMENT ABILITY

Mr. PASSMAN. On page 137 you make the following statement, "The Philippines has experienced a pattern of development which is characterized by cycles of fairly rapid economic growth followed by external payments crisis requiring painful retrenchment." If this is the case, why do we continue to supply them with development loans in each fiscal year? It seems that we are contributing to this crisis and that they are not going to be able to repay these loans in any event.

Mr. MACDONALD. To a large extent the most recent external payment crisis arose from the large amount of short term commercial debt incurred by the Philippines. The servicing of this debt, amortization, and interest, reached a critical level, over 25 percent of current accounts. Most of this credit was held by United States and Japanese

78-827 O - 72 - pt. 2 - 81

banks, and the Philippines renegotiated those loans with the banks because it simply did not have the foreign exchange to pay these debts.

Development lending on softer terms is a way of assisting the Philippines to continue investment in infrastructure projects important to its long-term development objectives and which are crucial to overall growth in the economy while not burdening the current debt service with additional payments.

PUBLIC LAW 480

Mr. PASSMAN. Would you please tell the committee how much in Public Law 480 commodities the Philippines will receive in fiscal year 1973?

Mr. MACDONALD. We are planning to provide $33.8 million worth of Public Law 480 commodities in fiscal year 1973.

FEASIBILITY AND RELATED STUDIES

Mr. PASSMAN. On page 140 in connection with the feasibility and related studies development loan I note this loan was signed on September 14, 1967, in the amount of $2 million but at the present time only $568,000 has been disbursed. Would you please comment on this delay in disbursements?

Mr. MACDONALD. Since preparation of the loan summary table, the loan has been reduced to $1.73 million. Utilization of the loan was delayed by selection and negotiation problems on two large contracts. The unexpended balance of the loan is now committed against approved contracts.

RURAL ELECTRIFICATION

Mr. PASSMAN. On page 142 in connection with the rural electrification project I note you plan to increase the estimated total cost of this project by $1,515,000 above what was estimated last year, and you also plan to increase the fiscal year 1972 program $205,000 above what was justified last year. Would you please comment on these increases?

Mr. MACDONALD. In completing the project plans for the rural electrification loan authorized in fiscal year 1972, it was deemed necessary to provide technical assistance not only to the cooperative distribution systems as originally planned, but to the National Electrification Administration so that it could continue the electrification program once the initial phase had been completed. In addition, the cost per man of technical services proved to be higher than originally estimated. These two factors account for the increased project cost estimate.

FAMILY PLANNING PROGRAM

Mr. PASSMAN. On page 145 in connection with the family planning project I note last year that you had a final obligation date of 1975 for this project and you estimated the total cost would be $19,947,000. However, this year you indicate that this program will have to operate on a continuing basis and that you are unable to predict the ending of the program or the estimated total cost. Would you please tell the committee why this change was made?

Mr. MACDONALD. In view of the magnitude and importance of the family planning problem, I believe the designation of a terminal date and cost to completion at this time is unrealistic and misleading.

DISASTER RELIEF TO IRAN

Mr. PASSMAN. Could you please tell the committee how much has been provided to Iran to help relieve the earthquake victims in that country?

Mr. MACDONALD. Yes, sir. The United States has provided $25,000 to the Government of Iran following the determination that the earthquake was a national disaster. No further assistance for this disaster has been requested by the Government of Iran, which has provided relief to the victims promptly and effectively.

Mr. PASSMAN. Mr. Shriver?

U.S. CONTRIBUTIONS TO ROBERT COLLEGE

Mr. SHRIVER. Mr. MacDonald, you mentioned on page 8 of your statement, Robert College in Istanbul, and the fact that the Turkish Supreme Court in 1971 ruled that private schools of higher education were illegal under the Turkish Constitution. But we are going to support the higher education part of Robert College, which is now known as Bosporus University.

What about the other part, the high school? Are we to contribute to that?

Mr. MACDONALD. That will continue as a foreign-supported high school.

Mr. SHRIVER. AID will not contribute to it?

Mr. MACDONALD. AID will be continuing support to the high school.

Mr. SHRIVER. Where do we find that in the justifications? I found Bosporus University.

Mr. MACDONALD. Our assistance to the Robert High School falls under assistance to American schools and hospitals, under section 214. It is described under pages M–14–17 of the worldwide fiscal year 1973 development and humanitarian assistance program presentation book.

Mr. Campbell, the assistant administrator for administration who will be appearing before the committee, has responsibility for the section 214 program.

Mr. SHRIVER. That is the information I wanted.

Mr. MACDONALD. We plan to provide $500,000 for the high school called Robert College, in 1973.

Mr. SHRIVER. It is a very good school.

TOTAL U.S. PERSONNEL IN ASIA PROGRAMS

What is the total number of U.S. personnel in AID countries in the Asia area during 1973?

Mr. MACDONALD. We will have overseas 719 U.S. nationals in total, including the administrative and support personnel and project personnel, including our contract people, and personnel from other U.S. Government agencies.

PARTICIPANT TRAINEES FROM ASIA

Mr. SHRIVER. How many participants will be coming over here?

Mr. MACDONALD. We expect to fund 2,023 participants for training in the United States, at the American University of Beirut and at institutions in other countries.

Mr. SHRIVER. For a total cost of?

Mr. MACDONALD. About $12 million.

CROP SUBSTITUTION PROGRAM IN TURKEY

Mr. SHRIVER. Have we gone far enough along to have any indication of results concerning the program in Turkey to cut back the supply of poppies?

Mr. MACDONALD. You recall the Turkish decision was to permit the final planting of poppies this spring. So, this summer will be the last harvest. The Government is going forward with plans to help farmers in the poppy-growing areas to move to other crops.

As you know, these farmers are not, for the most part, farmers who have engaged only in poppy cultivation. On the average, they have gotten about 85 percent of their income from other crops. The last harvest is soon due. Programs to help the farmers are being worked out now.

Mr. SHRIVER. That is technical assistance to the farmer in getting other crops or other productive activity from his farm?

Mr. MACDONALD. Correct.

Mr. SHRIVER. It is not to pay them for not growing poppies?

Mr. MACDONALD. The Government of Turkey will provide compensation to them.

Mr. SHRIVER. But we are not giving them that money, are we?

Mr. MACDONALD. No, sir. We have agreed to provide Turkey $35.7 million, $20.4 million of which would go for project assistance in the poppy-growing area to finance the changeover in agriculture, and $15 million additional will go as compensation to the Government of Turkey for the foreign exchange losses that they will incur in the next 3 or 4 years.

Mr. SHRIVER. You mean income that that government itself would receive?

Mr. MACDONALD. Foreign exchange earnings that they would have earned had they continued in the future to sell opium overseas.

Mr. SHRIVER. We are not actually paying money to the Turkish Government to in turn give to the farmer to keep him from growing poppies, are we?

Mr. MACDONALD. You are quite correct. We are not doing that.

SUPPORTING ASSISTANCE PROGRAMS IN ASIA

Mr. SHRIVER. Why is Jordan in the supporting assistance category?

Mr. MACDONALD. Because Jordan's situation is one in which her development opportunities are very much circumscribed by the political and military situation in the Middle East. As a consequence of that, last year supporting assistance was provided Jordan, and it is continuing this year.

Mr. SHRIVER. What other countries in your area are receiving supporting assistance?

Mr. MACDONALD. In the Asia region, Vietnam, Cambodia, Laos, Thailand, and Israel.

Mr. SHRIVER. I think that is all. Thank you.

SUCCESS OF AGRICULTURE AND RURAL DEVELOPMENT IN ASIA

Mr. ROYBAL. I am interested in your agricultural and rural development programs and any success stories, or failure which you may be able to provide for the record.

If you do not have it at the present time can it be made available.

Mr. MACDONALD. I would like to submit for the record, Mr. Congressman, a fuller statement, but I would also, if you wish, comment here.

(The information follows:)

SUCCESS STORY—RICE RESEARCH IMPROVEMENT

Rice is the major food of 75 percent of the Indian people, but in the last decade rice production was lagging behind population growth. Rice research had been carried on for years at many small and scattered stations with little reseult. With research in new wheat strains proving to be successful, the Indian Government decided in 1965 to expand and coordinate a rice research program.

The Indian Council of Agricultural Research supported by the Rockefeller Foundation established the all India coordinated rice improvement program. AICRIP's responsibility was to organize a national program which would integrate the research efforts of over a hundred rice research stations, and to develop a cooperative pattern of research. The problem was to develop new varieties of high-yielding, fertilizer-responsive, disease-and-wind-resistant rice that would be acceptable in terms of taste and would be appropriate for the different growing conditions in India. In 1967, AID agreed to support India's rice research effort by providing a team of four senior scientists from the International Rice Research Institute in Manila who would provide expertise in entomology, pathology and plant breeding. AID also agreed to finance short-term consultants, on the job training, and long-term training for Indian sicentists in Manila.

In its 6 year existence, AICRIP has welded together a nationwide network of research information and has conducted several thousand tests on possible new varieties. Within 3 years after initiation of the program, two new varieties were authorized for cultivation and within the following 3 years 12 additional varieties were released for cultivation. Adaptive testing is also being carried out on farmer' fields, with the help of state extension agents.

Rice production has increased from 35 million tons in 1961–64 to 42 million tons in 1971; in the 1970/71 season, 20 percent of the total rice acreage was planted to the new varieties. There are still formidable problems related to diverse growing conditions, cropping practices, and taste acceptability. We are continuing to provide assistance to this project so as to hasten the day of a breakthrough in rice similar to the dramatic gains in India's wheat production.

Mr. ROYBAL. Will you, please.

Mr. MACDONALD. I think some of the greatest successes that we have had in our AID efforts have fallen in the agriculture area, particularly with respect to the Green Revolution that was made possible by breakthroughs in technology and basic research.

In the Punjab in India, for instance, the production of its wheat has doubled in the course of the last decade. This has been done as a result of a concerted effort by the Indians, ourselves, and other aid donors, not only to provide new seeds, fertilizer, and pesticides, but also to engage in a mammoth job of training in India of agricultural scientists, extension agents and others and the educating of literally millions of farmers in the new techniques.

As a consequence of the great increase in food production, prices have gone down, as the general population who pay less for their food has benefited. But the farmer whose production goes up also benefits.

Mr. ROYBAL. How is the farmer trained by the U.S. technician? Is it done on his farm?

Mr. MACDONALD. For the most part, the training of Indian farmers is done by Indian agricultural technicians and extension agents. Our effort is to help improve the research and training capabilities of Indian institutions and to help set up more such Indian institutions.

Mr. ROYBAL. So, we do not have direct contact with the farmer as much as with the technician who in turn instructs the farmer?

Mr. MACDONALD. As a general proposition, that is correct. It is the best way by which we can have a multiplier effect—to help the Indian institutions and let them, in turn, deal with the Indian population.

In terms of specific situations, yes, there are Americans who go out to help test the techniques and help evaluate the training programs. Our men do get out all through the country and do come into contact with farmers.

Mr. ROYBAL. So, we actually have direct contact with the farmers in the various countries?

Mr. MACDONALD. Yes.

UNIVERSITY OF OREGON ASSISTANCE TO TURKEY FOR PRODUCTION OF CEREAL GRAINS

Mr. ROYBAL. How does the University of Oregon, for example, come into the picture with regard to the development of seed, new techniques, and so forth, and how do they relate to the farmers directly?

Mr. MACDONALD. One of the problems in Turkey is on the Anatolian Plateau the paucity of rainfall. Mr. Shriver visited there.

Mr. SHRIVER. I was out in the field with a team from Oregon.

Mr. MACDONALD. With Tom Zin and some of his people.

Mr. SHRIVER. They were showing me what they were doing with wheat.

Mr. ROYBAL. I wonder if you would continue with your statement so that the rest of the members may be able to reach it in the record.

Mr. MACDONALD. I will give you a fuller account, but very briefly, in Turkey one of the problems is the paucity of rainfall on the Anatolian Plateau. There is just about enough water, if it all fails at the proper time in the course of the year, to get a fairly decent wheat crop.

We have been working with the Turks in developing a variety of seed that is specifically suited to that climate. Oregon State University has been there 3 years, working with the Turkish experimental station just outside of Ankara.

Mr. Joseph Toner, the Mission Director in Turkey, was writing me a couple of weeks ago, that they have developed some seeds that show very good promise of increasing yields, I think he said up to 50 percent.

SUCCESS OF FOREIGN ASSISTANCE IN THE AGRICULTURAL SECTOR

Mr. ROYBAL. I would like to see such an operation to facilitate my understanding of it. We went to Turkey last year, I think it was, but I never got to see anything. I do not appreciate going to a country and

not being shown some of the problems that exist and some of the work that we are doing with the farmers in the rural areas.

We did see some of the things being done in the cities which, in my opinion, were not very impressive. I think the real AID program successes are in the agricultural sector.

Mr. SHRIVER. I think we are very fortunate to have the man we have in charge in Turkey for the AID program. He saw to it that I went outside of Ankara to this experiment station up on the plateau. It is just like an experiment station in Kansas or in other States of this country with plots of wheat in various stages of growth. They are trying everything that has been tried in this country to develop a greater yield, to develop a seed that would like the climate, the weather and rainfall. I was quite impressed.

Incidentally, there were some people from the Rockefeller Foundation there, too. It was not all the AID program. The Turkish Government also had representatives at this experiment station. They are doing something that I think is very good.

They could develop the same kind of thing as in Mexico in connection with a new strain that would be more usable in the part of the world.

They could develop, too, a Green Revolution in Turkey as they have in India.

Mr. MACDONALD. I am terribly sorry, I did not know that you had visited Turkey last year. I wish I had known at the time. When I learned of Mr. Shriver's desire to go, I called upon him and worked with Mr. Toner to work out an itinerary. I hope you will have the opportunity to visit Turkey and other of our countries, and I would be pleased to do anything that I could.

Mr. ROYBAL. The next time I go to Turkey or any other country, I will get in touch with those in charge so that arrangements can be made for me to see some of the things that are of interest to me. Even though I come from a city, I understand how a program of this kind can elevate the standard of living of a country. I hope the next time I can see some of these programs.

POPULATION PROGRAMS IN ASIA

One other thing I want to discuss briefly, is the family planning program throughout Asia.

There are $16.2 million being spent next year for family planning. How is the money divided among the countries? And is it included in the record?

Mr. MACDONALD. We can provide it by country. Would you like me to read it off here?

In 1973, we are proposing $420,000 for Afghanistan, $990,000 for India, $2.5 million for Indonesia, $800,000 for Korea, $333,000 for Nepal, $2.5 million for Pakistan, $5.5 million for the Philippines, $300,000 for Turkey, and then we have some regional projects that cut across countries, $1.8 million.

Mr. ROYBAL. What kind of opposition are you getting to this program in the Philippines, for example?

Mr. MACDONALD. Not much opposition any longer, Mr. Roybal. It was a hard nut to crack for the Philippine Government a few years ago. There were several very restrictive laws on the books that have

since been repealed. In the last 2 years, public awareness of the intensity of the problem and the need to solve it has grown.

Catholic lay groups have joined in the effort to educate the people further and to provide motivation and to give assistance to public and private programs.

SERVICES PROVIDED UNDER POPULATION PROGRAMS

Mr. ROYBAL. These programs are presented to a country in conjunction with programs of prenatal and postnatal programs, well baby clinics, and so forth. It is not just a program for family planning alone, is that correct?

Mr. MACDONALD. There is a variety of different administrative arrangements and associations of public and private groupings. For the most part, the effort has been to graft the family planning effort onto existing health programs such as maternal and child care programs.

However, there are instances in several countries in which the effort is one being carried out in part by the development of special family planning clinics.

For the most part, however, they are not separated, as you suggested.

Mr. ROYBAL. Several years ago, I visited a country in Latin America where such a program had been initiated. I visited a clinic with a family planning program sign on the door, but it was practically empty. One of the directors there asked me to wait a while and see what would happen.

We saw two ladies pass the door, and look around. When they saw no one was observing, they came back and went into the family planning clinic.

Immediately I came to the conclusion that the name was not helping the program. My understanding is that the name and location were changed immediately. It has since become successful, I am told because it became part of the prenatal program.

Mr. MACDONALD. For the most part, they are combined with other administrative mechanisms and other programs, but in some of the programs, Mr. Roybal, particularly in countries where they have gotten over the psychological problem or the social stigma problem, India, as Pakistan there are efforts specifically to develop programs dealing only with family planning and administered outside the health service and its clinics.

FUNDING OF POPULATION PROGRAMS

Mr. ROYBAL. Is it not true when money is made available for these specific programs in the various countries of the world, it is done after a request is received from the individual country?

Mr. MACDONALD. All our business is conducted on that basis.

Mr. ROYBAL. Is it not also true that there are countries that put money into the program, such as India, for example?

Mr. MACDONALD. Every country puts much more into these programs than external aid donors provide.

Mr. ROYBAL. So it is not, then, a program that we impose on anyone. The recipients are only those nations that request it.

Mr. MACDONALD. That is correct, Mr. Congressman.

Mr. ROYBAL. Thank you very much.

POSSIBLE USES OF UNALLOCATED FUNDS IN ASIA

Mr. SHRIVER. On page 11 of your statement, speaking of the Development Loan Fund, you have a rather sizable amount of unallocated development loans—$110 million. You say the unallocated amount reflects the current uncertain situation in South Asia.

What do you have in mind for the $110 million?

Mr. MACDONALD. There are various possibilities. As I mentioned at the outset, our policy with respect to the AID bilateral relationship with India is under review. Certainly, India would be——

Mr. SHRIVER. You have India there, anyway.

Mr. MACDONALD. Yes, at a substantially lower level than we have provided in the last 3 years, which averaged about $195 million.

In answer to your question specifically, the possible uses might be:

India, depending upon the review of our AID relationship there.

Pakistan, for which development lending in all of 1971, and so far in 1972. Her foreign exchange reserves have dropped pretty badly since 1969.

We have some tentative plans for a development loan to Nepa.

It may very well be that in Indonesia we would wish to apply some of that unallocated money.

FISCAL 1973 PROPOSED PROGRAM FOR INDONESIA

Mr. SHRIVER. You have $115 million shown.

Mr. MACDONALD. For Indonesia, yes; that is correct, sir. We are very hopeful that the Indonesians will be moving more quickly on a major power and rural electrification program in Central and West Java than their earlier plans had called for. If they do, we might wish to increase the size of our project lending there.

That is where 50 million of Indonesia's 120 million people live. It is a critically important place.

ELIGIBILITY OF CEYLON FOR ASSISTANCE

Ceylon continues to be eligible for development lending. We have no present plan for development loans there, since her economic circumstances are poor. But if certain basic policy changes are undertaken, we would be prepared to assist.

Mr. SHRIVER. We do not have any program there.

Mr. MACDONALD. No development loan program now, sir? There is a Public Law 480 program that has been averaging about $14 million the last 2 or 3 years, financing the shipment——

Mr. SHRIVER. They are antagonistic to the United States; are they not?

Mr. MACDONALD. I would defer to Mr. Davies' wiser judgment on this. My own impression is that the tone of the relationships with Ceylon has improved very significantly in the course of the last year.

Mr. DAVIES. That is correct, sir.

REDUCTION IN FUNDS FOR ASIA

Mr. SHRIVER. So, if we were looking for a place to reduce, the unallocated $110 million would not be a bad spot to hit.

Mr. MACDONALD. It would hurt just as much, although I could not

tell you with as much specificity where it would hurt this year as I could have last year or would perhaps next year be able to do it.

Our problem is not that we do not see a need for this level of aid, but the crisis through which the subcontinent has passed makes it impossible for us to sharpen our sights.

Mr. SHRIVER. That is all, thank you.

U.S. ASSISTANCE FOR SOUTH ASIA RELIEF AND REHABILITATION

Mr. ROYBAL. You state that you are requesting an additional $100 million in fiscal year 1973 under the South Asia relief and rehabilitation appropriation, and that this will enable us to continue to provide our fair share of the requirement. How much of the total amount is being spent, and is all of this money being spent for relief in Bangladesh?

Mr. MACDONALD. I mentioned before you came in, I believe, Mr. Congressman, that there have been two recent estimates made of requirements in Bangladesh. The first one was prepared by the United Nations team in Dacca. They saw the requirement of about $600 million worth of essentially immediate relief in the form of food, medicines, and things of that sort, to meet the immediate requirements.

Subsequently, a World Bank team visited and recommended an additional amount of about $650 million for rehabilitation relief over the course of the next year—$1.2 billion in all.

We have received from the Congress this year an appropriation of $200 million for relief and rehabilitation, and we foresee the need of an additional $100 million in 1973.

The conference committee report on the 1972 Appropriations Act provided the sense of the Congress that we, the United States, should not go over 40 percent in meeting the total requirement for that country.

We at the moment are around 20 percent. I hope in the next week or 10 days to go to Dacca myself and make some further decisions there which would bring the U.S. share to about one-third. We are going to live well within the congressional admonition.

ADMINISTRATION OF FUNDS FOR SOUTH ASIA RELIEF AND REHABILITATION

Mr. ROYBAL. How do we keep track of the money that we put into this fund?

Mr. MACDONALD. We are administering it in two different ways. Some we turn over to the United Nations itself, and they administer it pursuant to their own administrative procedures, rules, and regulations. They provide reports to us of the uses that they have made.

Other we administer bilaterally. These funds are subject to all the AID rules and regulations.

Mr. ROYBAL. But this would be considered a multilateral organization; would it not?

Mr. MACDONALD. I can give you the exact figures of how much we have turned over to date to the United Nations. We have turned over $109 million to the United Nations and asked them to administer that pursuant to their own rules and regulations.

Mr. ROYBAL. We do not have any real control over those funds, do we?

Mr. MACDONALD. No, sir. We entrust them to the United Nations.

We take a look at their procedures in advance. We do have reporting from them after the fact.

Mr. ROYBAL. Congress itself does not have any control over it, once the appropriation is made?

Mr. MACDONALD. That is correct, Mr. Chairman.

Mr. ROYBAL. One of the complaints that we get is that we are unable to find out just exactly how the funds are being spent.

Mr. MACDONALD. We report to the Congress on how it has been used.

Mr. ROYBAL. That is after the fact.

Mr. MACDONALD. That is correct.

Mr. ROYBAL. We do not have the right of audit.

Mr. MACDONALD. The United Nations reports to us in some detail. They are most cooperative when we make requests to them for reports on specific items.

Mr. ROYBAL. If I understand correctly, we can on bilateral appropriations but cannot on multilateral appropriations.

Mr. MACDONALD. Yes, that is correct.

INCREASED U.S. BILATERAL ASSISTANCE FOR SOUTH ASIA

I should say that we are on the threshold of increasing the bilateral portion of our assistance. We are through the immediate emergency period in Bangladesh. It was very much in our interest, I think, to get the United Nations in a position of leadership vis-a-vis Bangladesh in the preceding months in order to get worldwide contributions. That has been quite successful.

So, I think there are real advantages in having the UN organize the worldwide effort and making contribution to it. We will be moving bilaterally very significantly in the next few weeks.

Mr. ROYBAL. I would prefer bilateral appropriations.

Mr. MACDONALD. This is our appreciation of the situation, and that is what we intend to do. It is our policy to do that.

As I say, a week or 10 days hence I will be in Bangladesh making some bilateral commitments.

NEED FOR MORE INFORMATION ON SUCCESSES OF AID PROGRAMS

Mr. ROYBAL. A lot of the criticism comes from the fact that Congress makes appropriations, but we do not know exactly what happens to the money. In looking at the history of some of the countries, very little of the appropriation actually trickles down to the people.

Having had that experience, the taxpayers, I think, throughout the United States, are continuing to complain about the fact that we are making this kind of appropriation, making money available when the United States, in most instances, does not even get the credit for it.

I would like to see AID highlight some of their accomplishments. We do not boast enough about things that have been done. We only complain, it seems.

I am constantly asking the various department heads to submit reports so we, on the committee, can use them to point out some of these accomplishments, and to help us as well, in responding to some of the criticisms.

Mr. MACDONALD. Sir, what you say is quite true. As I said in the past, it is a source of disappointment to us and sometimes discouragement that the successes of AID are not well known.

May I suggest, sir, that I submit for the record a rather longer statement than I could make here about those successes. It seems to me one of our difficulties is that of necessity, as we try to take the measure of the magnitude of the problems we are working on, and we plan programs to address them, we always talk in macroeconomic terms, gross national product, which do not have meaning in terms of their effect on people's lives.

An enormous amount has happened in the last 20 years. Children are in school who never would have been in school. Food production is going up. The diets of people are improving. Life span has increased by about a dozen years, over the last 20 years in Asian countries.

People have access to social services, to health and medical care, that never existed 20 years ago.

Perhaps the frequency of the success stories is rather greater than we have realized in the past. Perhaps if there were fewer they would be more dramatic.

Mr. ROYBAL. Many times we are on the receiving end of a lot of criticism from our own constitutents. Also, when we visit other States and communities, there is always someone who seeks us out especially when they find out we are members of the Appropriations Committee, to tell us why we are wrong in making certain appropriations.

It is almost impossible to have all these success stories ready as an answer. If several are submitted, we are likely to remember at least one of them and can come back with a statement such as the one that you have just finished making.

But we must be able, also, to localize it and say that the particular success story took place in country X. People are very much interested, I think, in the underdeveloped countries of the world. They feel a sense of pride if they, as taxpayers, have something to do with the bettering of that country's situation.

Mr. MACDONALD. Let me provide you the best statement we can put together. I think it well to remember that the ultimate objective that we have here is to help the people of the less developed countries to take their affairs into their own hands. This is anything but a hopeless task. Increasingly they are doing it.

In this decade the less developed countries receiving aid stand at the forefront of the effort, to take greater initiative. A dozen years ago, very few of them had the skill and the talent and the staff to do a good planning job. Today, most nations of the world in this category are sophisticated planners, and they know what they are doing.

Increasingly they have well-trained people who are taking command. Less and less do we find ourselves having to take the initiative in the planning or the carrying out of these projects. My reference is to American technicians working with the training and research institutions, rather than in the fields with the farmers.

(The information follows:)

U.S. ASSISTANCE TO AGRICULTURAL PRODUCTION IN INDIA—AN EXAMPLE

The agricultural production project is aimed at solving field agricultural problems which are reducing the yields of new varieties. In selected Indian States, AID provides four to six subject matter specialists in such fields as seed production, plant protection, soil fertility, water management and drainage, and agricultural implements. Each U.S. technician joins with his technical Indian counterparts from the State department of agriculture, the local agricultural university which is responsible for extension, and other State facilities responsible for con-

ducting research. These three persons constitute a field problem unit (FPU) to identify production problems, encourage coordinated work of Indian organizations to find solutions and to disseminate corrective measures determined through research. The successful elimination of a sever outbreak of stem borers n Maharashtra is an example of a serious production problem whch was solved through the efforts of people working on this project.

In 1967, stem borers caused crop losses of 50 to 90 percent on 30,000 acres of paddy in an area whose residents are dependent on rice for their staple food. To combat this, the pest control field problem unit of the agricultural production project based in Poona initiated a small rupee project, in cooperation with the State department of agriculture, the State entomologist, and the Poona Agricultural College. Data on stem borers were collected and field surveys conducted, on the basis of which accurate advice on spray timing was determined. The local district and block staffs of the department of agriculture then were encouraged to conduct an effective sanitation and spray program, and the village chairmen and committees and the cultivators themselves cooperated fully. This project was highly successful and crop losses were reduced to 3 to 4 percent in 1968 with a further reduction to only 1 percent loss in 1969.

This initial project had a multiplier effect as the director of agriculture then requested assistance to develop a state plant surveillance system to forecast pest outbreaks. The AID advisor and his Indian counterparts assisted in developing training programs and reporting mechanisms. This program, financed and managed by the state, is well underway with observers reporting regularly.

Philippines—Rural Electrification

The rural electrification project which is part of an overall $600 million power development program in the Republic of the Philippines is a multilateral package designed to bring electricity to another 13 percent of the Philippine population, almost doubling electrical services in the Philippines today. In total, the rural electrification project will cost about $100 million. Of this about $40 million are from Philippine sources, $30 million are from Japanese reparations and the remainder is comprised of AID development loans totaling $20 million, technical assistance grant funds and excess property.

AID provided an early impetus to rural electrification in the Philippines by assisting in developing and constructing two pilot rural electric cooperative distribution systems on the islands of Negroes and Mindanao. These were financed by two development loans totaling $5 million. Inspired by the example of these two systems, Philippine interest in rural electrification increased greatly. Resulting from this interest, AID provided technical assistance under a contract to develop feasibility studies upon which the present rural electrification program was based.

It was also at AID's urging that the Philippines presented its overall power development program to the 1971 World Bank-chaired Philippines consultative group meeting which resulted in major financing for the generation and transmission portion of the overall power development program. This financing came in the form of loans from the World Bank and the Asian Development Bank for power development in Luzon and Mindanao, respectively.

The two AID-financed pilot projects are now operating and an intensive national effort based on these two projects is well underway. Plans call for construction to begin in fiscal year 1973 on 25 to 30 rural electric cooperatives; five of these are expected to begin to distribute power to the first consumers by early fiscal year 1974. By fiscal year 1974 all 36 cooperatives will be under construction, and power will be available to over 100,000 consumers in 30 of the systems. When the 36 cooperatives are completed over the next 3–5 years they will make electric service available on an area coverage basis to nearly one-fifth of the 4 million farm families in the Philippines. Some 40 percent of the families within the cooperative service areas will have metered services.

The project will meet the need of the rural population for electric power and provide to rural areas an element of infrastructure which is indispensable in accelerating the kind of development that will increase income and job opportunities. Present plans envision providing, between 1973 and 1976, low cost, full-time, reliable electric service to areas in which about 20 percent of rural Filipinos live. The area coverage approach by cooperatives is patterned after the very successful Rural Electrification Administration (REA) model used to electrify rural America, and should prove to develop the same type of follow-on activity and infrastructure as it did in the United States.

Mr. ROYBAL. I would like to see a public service program on TV or radio that would analyze the past and present economic status of the countries we have helped to better inform the public of what has been accomplished.

I think these would be interesting programs if they were well prepared.

We spend a lot of money doing other things, but somehow we do not take the time to point out some of our successes.

Is there anything that can be done by AID to make this type of a program available?

Mr. MACDONALD. There have been in our legislative history some constraints on us which suggest that, while we should, of course, respond to specific requests, we must be modest in the initiatives we take in carrying on programs of the sort that you suggest.

I do believe it is our sense that certainly more needs to be done and perhaps more can be done.

I will be very pleased to have a discussion with Dr. Hannah about the comments you have made here today.

Mr. ROYBAL. I have already talked to Dr. Hannah about this. I do not think it is to the best interests of the program or the country to be so modest that we cannot tell the truth. We ought to be able to boast a little bit about it. Most of the time, we say the gross national product of the country has increased, but that does not reach the people. It really does not mean anything to the people of a district.

You might say that the production of crop X has increased, but that still does not mean very much.

Mr. MACDONALD. Unless it is dramatized and brought down to a specific situation involving people.

Mr. ROYBAL. That is the kind of program I would like to see. I would like to see AID prepare such a program.

Mr. MACDONALD. We do, of course, encourage our visiting personnel from overseas, particularly our mission directors, to go on radio and television when they are here. My colleagues and I do as much public speaking in the United States as time permits.

I agree with you, sir, more needs to be done.

Do you know whether there has been anyone from AID speak in your district in the last few years?

Mr. ROYBAL. I have been in Congress now for almost 10 years, and I have not seen a single AID spokesman appear on TV, radio, or any other program in my district. If an invitation from me in conjunction with a radio station or television station would help, I would try to make those arrangements.

The real reason I am interested is that there seems to be no support for AID any longer. We have to justify our vote and our interest in AID somehow. There is only one way to do it, in my opinion, and that is to highlight some of our accomplishments.

Mr. MACDONALD. We would be pleased to be of whatever assistance we can be, Mr. Chairman.

Mr. ROYBAL. Thank you very much.

May I thank you gentlemen for your testimony this afternoon.

The committee is now adjourned until 1 o'clock tomorrow.

MAY 16, 1972.

STATEMENT OF THE SECRETARY OF STATE

WITNESSES

HON. WILLIAM P. ROGERS, SECRETARY, DEPARTMENT OF STATE
JOHN A. HANNAH, ADMINISTRATOR, AGENCY FOR INTERNATIONAL DEVELOPMENT
CURTIS W. TARR, UNDER SECRETARY OF STATE FOR COORDINATING SECURITY ASSISTANCE PROGRAMS, DEPARTMENT OF STATE
DAVID M. ABSHIRE, ASSISTANT SECRETARY FOR CONGRESSIONAL RELATIONS, DEPARTMENT OF STATE
WILLIAM H. LEWIS, OFFICE OF THE UNDER SECRETARY FOR COORDINATING SECURITY ASSISTANCE PROGRAMS, DEPARTMENT OF STATE
MATTHEW J. HARVEY, DIRECTOR, OFFICE OF LEGISLATIVE AFFAIRS, 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 this afternoon our examination of the budget requests for foreign aid and assistance for fiscal year 1973. We have as witnesses the Honorable William P. Rogers, Secretary of State, the Honorable John A. Hannah, Administrator of the Agency for International Development, Under Secretary of State Curtis Tarr, and Assistant Secretary of State David M. Abshire, and others whose names will be placed in the record at this point.

Thank you, Mr. Secretary, for arranging to appear before the committee. I am sure you have a statement you would like to make to the committee.

Secretary ROGERS. Yes, Mr. Chairman. Mr. Chairman, members of the committee, I am glad to be here today to seek your support for the President's fiscal 1973 foreign assistance appropriations request.

During the past 5 weeks you have heard representatives of the State Department, Defense Department, and Agency for International Development testify on behalf of various segments of the total foreign assistance program.

Today I would like to discuss the essence of these presentations—the importance of our continuing commitment to foreign assistance.

Our total request for fiscal 1973 is $3.56 billion. It represents a good investment for the increased security of our friends and allies and therefore ourselves, as well as for the stability of the environment in which we must pursue our national interests.

Our policy emphasizes self-reliance and the primary responsibility of nations for their own development and security. As the nature of our involvement in the world changes, however, we must continue to recognize our interests and to honor our obligations to friends and allies. Our political and economic interests, as well as our humanitarian ideals, require that we remain committed to an adequate program of foreign assistance.

Of course this does not mean that other nations have an open-ended claim on U.S. resources. Our support is proportionate to the degree

of need evidenced by each recipient country. Our help is also coupled with the resolve a recipient country shows in facing its domestic problems and with its willingness to make hard decisions on the allocation of its own resources. Our support is also limited to what we can afford within our own resources and in the light of our own priorities.

SECURITY ASSISTANCE

As you will recall, Mr. Chairman, last year the President proposed legislation to reform the foreign aid program and to separate security and development assistance. Although the bulk of the proposals are still before both houses, the Congress as part of the Foreign Assistance Act of 1971 authorized the position of Under Secretary of State for Coordinating Security Assistance Programs. The President has appointed Curtis W. Tarr, former Director of Selective Service, to this important position. I am certain that under his stewardship we can continue to improve the management and effectiveness of our security assistance programs.

Security assistance is a cornerstone of the President's search for stability and accommodation in the world today. Within our request of $2.15 billion for new obligational authority for security assistance, $780 million is for grant military assistance, $527 million for foreign military sales credits, and $844 million for security supporting assistance.

Over 65 percent of our security assistance program is earmarked for countries in East Asia, from which we have withdrawn over half a million American troops since 1969. Our two largest grant MAP programs are for Korea ($235 million), where we will continue to meet the objectives of the 5-year force modernization plan, and for Cambodia ($225 million) where we are seeking to assist that country to defend its territory against invasion by North Vietnamese forces.

Under security supporting assistance we are proposing $585 million for Vietnam, $75 million for Cambodia, $49.8 million for Laos and $25.6 million for Thailand. The combination of our military and supporting assistance will help strengthen local force capabilities and help stabilize local economies.

Most of the remainder of our security assistance request, $695 million, is for Israel and friendly Arab countries in the Middle East and for Greece and Turkey in the eastern Mediterranean. In the Middle East our assistance helps to promote the military balance which is essential if there is to be progress toward a peaceful settlement of the Arab-Israeli dispute. Our assistance for Greece and Turkey enhances the effectiveness of their roles in NATO in the face of the large Warsaw Pact presence in the Mediterranean.

DEVELOPMENT AND HUMANITARIAN ASSISTANCE

Our fiscal year 1973 request for Development and Humanitarian Assistance is $1.41 billion, $173 million less than we asked last year. The current request includes $42.5 million for international narcotics control activities and $30 million for the contingency fund.

Development transcends all other issues in the world's poorer countries. External assistance is a critical factor in determining the success of their development effort. Today the United States no longer ac-

counts for most of that assistance. On the contrary, we provide only about 40 percent of total aid from non-communist countries; and, measured against gross national product, we now rank 12th among the 16 major aid donors.

Not only was the last decade a period of marked increase in the development efforts of other donors. It was also a period of significant progress by developing countries; indeed in 1969 and 1970 they passed the developed countries in per capita growth rate.

These advances in the 1960's mean that aid works. But they do not mean that the United States can relax its efforts in the 1970's. The gap between richer and poorer countries is still great.

The progress of the last decade does mean that a change of approach is in order. Early this year we adopted a wholly new program emphasis, designed to direct our assistance during the 1970's to areas where it can do the most good. With the international lenders now concentrating on such aspects of the physical infrastructure as transportation, power, and water resources, our bilateral efforts will be focused on a limited number of priority problems affecting the direct needs of people. Foremost among these are food production, nutrition, population control, health care, and education. In our new emphasis we will pay particular attention to the needs of the least developed countries.

Our new focus involves improvements across major sectors of a nation's economy rather than concentration on specific projects. That means a greater reliance on the initiative and cooperative effort of recipient countries. This reliance is a part of our overall policy—which of course we are also applying to the political and security fields—of encouraging the responsibilities of others.

Our request for $255 million in technical assistance—$89 million for the Alliance for Progress and the balance ($166 million) for the rest of the world—is an example of our desire to transfer to the people of developing countries the skills necessary for development. In his message to the Congress on science and technology in March, the President said, "We are committed to bring the best of our science and technology to bear on the critical problems of development through our reorganized foreign assistance." Technical assistance is the most direct means of fulfilling that commitment.

For Development Loans we are asking $416 million worldwide plus $207 million for the Alliance for Progress. These loans provide foreign exchange with which developing countries import essential materials and services from the United States and from other developing countries. They also provide financing for such specific undertakings as schools, clinics, irrigation projects, fertilizer plants, roads, electric powerplants, and credit programs.

We are also requesting $125 million for population programs. In 1970 the population of developing countries grew by 47 million; at current rates that annual population growth will be 60 million in 1980, 78 million in 1990, and 100 million in the year 2000. In view of such statistics, I urge your approval of the full $125 million to support family planning programs overseas.

We are asking $125 million for U.S. contributions to the United Nations development program and related international organizations and programs. As you know, the UNDP has had serious administra-

78-827 O - 72 - pt. 2 - 82

tive problems, but we believe that the reforms now underway will help solve them. Specifically the UNDP will be able for the first time to project a realistic 5-year planning cycle. It will require of recipient countries a comprehensive ordering of priorities rather than simple requests for funds for specific programs. And the leadership of the UNDP's resident representative in each country will be clearly established over the representatives of associated U.N. agencies in the country. As it makes these important changes, the UNDP, already the principal international organization providing technical assistance and preinvestment financing to the developing world, merits full U.S. support.

We are also requesting $25 million in grants and $18 million in loans for the Indus Basin development fund administered by the World Bank. Despite the turmoil on the subcontinent over the past year, work on the Indus Basin has proceeded rapidly and these funds are needed to insure timely completion of this important project.

The request of $16 million for private nonprofit American schools and hospitals abroad will supplement the resources of private American organizations and make it possible for those institutions to continue to demonstrate modern American educational and medical practices overseas.

When I appeared before this committee a year ago, refugees were streaming out of what was then East Pakistan into India. No one know what the future of the subcontinent would be. Although the picture is more optimistic today, the new nation of Bangladesh faces enormous problems stemming from chronic food shortages and widespread destruction of shelter. Over the longer term, massive assistance will be required to help rehabilitate the economy and rebuild facilities such as roads and bridges, port facilities, and schools.

With the resources provided in the $200 million appropriation for fiscal year 1972 we are making an important contribution to the international relief effort. The $100 million requested for fiscal year 1973 will enable the United States to continue to contribute a fair share to this effort.

INTERNATIONAL NARCOTICS CONTROL

Together with the support of the Congress and the American people, the President has launched a concerted campaign to combat the dangerous problem brought on by narcotics abuse and the growing availability of illegal drugs. To complement our domestic drug abuse activities, $42.5 million is needed to carry out the international narcotics control program recently authorized by the Congress. The funds will be used primarily for training, equipment, rehabilitation, and crop substitutions.

We have already reached agreement or initiated negotiations with 18 countries in which illicit hard drugs are produced or processed or through which they pass. We are receiving particularly effective cooperation from Turkey, France, Mexico, Canada, Laos, and Thailand. Our intention this year is to open negotiations with some 40 more countries, with the aim of implementing cooperative bilateral action plans with each by next fall. We will need your support for these efforts.

PRESIDENT'S CONTINGENCY FUND

Finally, I ask your approval of the $30 million we are requesting for the President's foreign assistance contingency fund. While requirements cannot be anticipated, this minimum level should enable us to act with flexibility to move quickly in instances of national disasters and emergency security problems.

CONCLUSION

Mr. Chairman, in conclusion, I would like to underline the importance this administration attaches to foreign assistance for the attainment of important foreign policy objectives. I believe the record shows that U.S. foreign assistance has been effective in the past. As we move to new relationships, emphasizing the responsibilities of others, and as we improve the administration of our own programs, I am confident that our foreign aid will also be effective in the future.

We appreciate the support this committee has given to the administration and particularly its strong backing of the Nixon doctrine. I ask today for your continued support of our fiscal 1973 program at the levels we have proposed.

OVERVIEW OF FOREIGN ASSISTANCE PROGRAM REQUEST

Mr. Chairman, I know the committee is familiar with our requests and I have said everything that I need to say in my statement. We think it is essential now, particularly in view of the situation in Vietnam, to continue our security assistance.

I am particularly pleased that, as a result of the action the Congress took in providing an Under Secretary of State to coordinate security assistance, we have been able to get the services of Curtis Tarr, whom you all know and respect, and it will be his job now to supervise all security assistance in cooperation with the Defense Department.

On the other hand, we have John Hannah, who I think is one of the outstanding administrators that we have had. I am sure he is equally highly regarded by the committee. Therefore, I think that the implementation of the program is going to be in very good hands.

There are a lot of issues here that are controversial and I will be glad to answer any questions that you have, Mr. Chairman, about them. I know some of the issues you raised in the past and in many instances I think you and I see alike on some of them.

On the whole, we think this is a fairly moderate request, particularly in the case of Vietnam and Cambodia, and particularly Korea. Because we are reducing our presence, we promised those nations that we would help modernize their forces. As you know, the Koreans are fighting in Vietnam with us.

We did not get as much in new appropriations as we hoped we would get last year, but I think those nations have been quite restrained in their reaction to the reduced levels of aid. I would hope that the Congress this year will meet that request for Korea particularly.

On Vietnam, I do not have to say much about that.

As we withdraw our troops, and we plan to withdraw another 20,000 in the next 2 months, obviously that means that the dollars that they

will have available are going to be less because of fewer people there, less money spent, so we have to provide supporting assistance to South Vietnam to continue the program which we think is working.

We have money in here, as you know, for some of the Middle East countries. I think that request is important because we have been able to maintain a cease-fire in the Middle East and it is a day-to-day operation. We have to be careful that we do not provide too much in the way of arms so that it causes increased tension in that area.

We have to provide enough so Israel does not feel its security is impaired. We have to help Fordan. The king has taken on a real burden in facing up to the fedayeen problem. He is a very courageous man and he needs some help. We provide help for him in this request. We have a quite modest amount for Latin America which I think is essential to continue to provide.

We have asked for some money for India, but how much we are going to give to India is all still undecided. It depends a little bit on their attitude. We have cut out most of the foreign assistance to India now. We have some for technical assistance and some for population control, which we propose to continue as long as the Government of India approves them.

We have some for Turkey and Greece which we think is essential for the strength of NATO.

I know your attitude, Mr. Chairman, about the United Nations and UNDP, but we have what we think is a fair amount requested for UNDP.

We also have a request here of $42.5 million for a narcotics control program on which we are making some headway. We cannot be sure that it is going to be totally successful, but so far it has been fairly successful.

I think that is about all that I have to say.

Mr. MAHON. Might I ask him a question off the record?

(Discussion off the record.)

Mr. PASSMAN. At this time I would like to yield to Mr. Shriver.

LEGISLATION RELATING TO U.S. WITHDRAWAL FROM VIETNAM

Mr. SHRIVER. Thank you, Mr. Chairman.

I want to welcome you, too, Mr. Secretary, for your appearance here again before our committee.

Mr. MAHON. Let me interrupt if I may, to welcome Mr. Curtis Tarr, who has just been appointed Under Secretary of State for coordinating security assistance programs. He is a man of fine stature, a competent public servant, and I want to welcome him here upon the occasion when he appears before the committee for the first time in this capacity.

Mr. TARR. Thank you.

Mr. PASSMAN. I would certainly like to associate myself with the remarks of the distinguished chairman.

Mr. MAHON. I certainly also want to welcome the distinguished Secretary of State and the Administrator of AID. We have great respect for the abilities of these two gentlemen.

Mr. SHRIVER. Thank you. You said what I was going to say. I concur. There are a number of bills, Mr. Secretary, that are floating around in the Congress again setting dates for complete withdrawal

and other conditions. What is your view concerning the passage of legislation of this kind at this time?

Secretary ROGERS. We think it is inadvisable to pass that kind of legislation, particularly at this time, for several reasons.

In the first place, we think the President's proposal itself is a very forthcoming proposal and it contains we think all the elements that we could possibly propose now.

As you know, it contains a provision for cease-fire internationally supervised, exchange of prisoners of war, and a total withdrawal of our forces from South Vietnam in 4 months.

We think if attention is focused on that proposal that it is possible that negotiations could get started.

Secondly, we think anything that Congress might do at this time would carry the implication that Congress was being critical of the President, somehow undercutting his position. Otherwise, there would be no point to such legislation.

I testified before the House Foreign Affairs Committee all morning on this subject and some people were asking, "Well, suppose it is totally consistent with the President's position?" Well, if it is totally consistent, of course that is another matter, but all the drafts I have seen suggest that funds will be cut off or something else will happen, and I think that would be most unfortunate.

The other point of course is, we are about to go to the Soviet Union and we have hopes that that visit will be successful and that we can work out some agreements that may result in a reduction of tensions. So anything that Congress might do now, we think would serve no useful purpose and might damage the prospects for negotiations. Obviously there are plenty of opportunities later on if Congress feels that it has to pass some legislation, and I have heard some expressions to the effect that many Members feel they have to vote for something.

Well, I think that is understandable, but why not later? Why now?

So what we would like now for the next couple of months is not necessarily agreement with us, but not opposition and no action that would appear that Congress was opposed to us because, actually, we are fighting—I do not mean to make this such a long answer; I will make my next one shorter—a war on two fronts, one on the battlefield and one here at home, and the enemy watches both equally and if it appears that the Government of the United States is not able to pursue a consistent policy and that it is not getting the support of the Congress and the people, then that weakens our negotiating position.

Mr. SHRIVER. Thank you, Mr. Secretary.

U.S. PARTICIPATION IN U.N. PROGRAMS

I think I have time for one more question before my time is up. It relates to what you mentioned concerning the United Nations.

Is the United States bound to participate in all U.N. programs?

Secretary ROGERS. No. In the regular budget, of course, we are committed by the treaty itself to contribute a share.

Mr. SHRIVER. Can we pick and choose as the Russians do, what programs we are going to participate in?

Secretary ROGERS. On the voluntary agencies, yes.

USES OF U.S. CONTRIBUTIONS TO UNDP

Mr. SHRIVER. I was talking to a Foreign Service officer not long ago who was complaining because funds that we contribute to the UNDP are used in a Communist country for the development of that Communist country. He objected strenuously to it.

Could we put strings upon what we put into the UNDP that it not be used to our disadvantage and not be used for the development of a Communist country?

Secretary ROGERS. Well, we certainly have discretion about the contribution. I do not know whether we can attach conditions to it.

Dr. HANNAH. With regard to the UNDP program in Cuba we have the understanding, of course, that our money will not be used. They use it somewhere else, but it is a bookkeeping operation within the U.N. Our contribution is not reduced. They just assure us that U.S. dollars do not go to Cuba. They go somewhere else, but——

Mr. SHRIVER. I am concerned about this because I know some of our own people are.

Secretary ROGERS. We have a new man in UNDP, Rudy Peterson, who is a very capable man. It might be worthwhile to have him come down sometime and get your views.

Mr. PASSMAN. I must comment to keep the record straight. It has been testified to time and time again that we make our contribution to UNDP, and other nations contribute their little tidbits to this fund, then it is all mixed up together. When they make an allocation, it is not made in terms of dollars. You just give them the equivalent in dollars.

Certainly Cuba benefits to the extent of our contribution. That has been testified to. We do not earmark any of these funds so certainly Cuba is getting a percentage of what we put in.

I do want to keep the record straight. I make that as a statement of fact.

Mr. Roybal?

FISCAL YEAR 1973 REQUEST FOR SECURITY SUPPORTING ASSISTANCE

Mr. ROYBAL. Mr. Secretary, I would like to discuss briefly security supporting assistance.

You requested $585 million for Vietnam, $75 million for Cambodia, $49.8 million for Laos, and $25.6 million for Thailand. Is this request based on an assumption that the administration's policies in that part of the world will work and are working?

Secretary ROGERS. Yes.

Mr. ROYBAL. What would happen if the contrary were to take place? Supposing that South-Vietnam is overrun by North Vietnam, would more—or less—money be needed than is now requested?

Secretary ROGERS. I hesitate to speculate along those lines because we do not think that is going to happen. If the North Vietnamese were able to in effect conquer South Vietnam by armed force and we were forced out of there completely, of course we would not make any contribution to them, but we do not think that is going to happen.

Mr. ROYBAL. Well, the only reason I ask is because under various programs of the United Nations there are some Communist nations that benefit from some of the moneys made available by the United States. So my next question would be—and I am not really going to ask

it—but I would like to explore at least the possibility of what the administration's policy would be if events turned out differently.

That is, of course, looking into a crystal ball, into a situation that may never occur and perhaps is an unfair question to even think about. But, I think that the way the world is going today most anything can happen.

Secretary ROGERS. I appreciate your not asking the question.

INTERNATIONAL NARCOTICS CONTROL PROGRAM

Mr. ROYBAL. I am interested in the $42.5 million requested for international narcotics control. Is this money set aside to pay a country for not growing the poppy, as was done in Turkey, or for what specific purpose is this money earmarked?

Secretary ROGERS. We will give you a breakdown on that.

In Turkey it is $15 million.

Dr. HANNAH. Part of that is to help and try to substitute crops, but the breakdown is as follows: Laos, $700,000; Thailand, $1 million; Turkey, $15 million; Vietnam, $500,000; and the U.N. fund for drug abuse control, $5 million. There is also $28.3 million out of the $42.5 million that is undistributed because we are in the process of making arrangements now with the other countries that are producers of poppies——

USES OF INTERNATIONAL NARCOTICS CONTROL FUNDS

Mr. ROYBAL. But what will these countries do with that money? Will they substitute crops? Are we paying them to substitute crops so they will not grow anything?

Dr. HANNAH. This is worked out on a country-to-country basis.

In Turkey, part of it is being earmarked to help them to find substitute sources of income for their farmers that have been growing poppies which is a substantial part of their income. Part of it is, of course, to help them improve their capacity to regulate, to police, to discourage the transport of the poppy gum in the field on to the people that eventually get it to Europe where it is made over chemically into heroin.

Mr. ROYBAL. I am glad to know that part of this money is being used for that purpose, that is, to improve the policing and discourage the transport of the poppy; because if we continue to give a country money without controls, what is to prevent that particular country from saying next year, "Instead of $42 million, we now want $84 million," and just continue to go up?

Secretary ROGERS. Let me say on that, we do recognize that danger and we are attempting to have a good enforcement program instituted in these countries. So far we have had excellent cooperation.

PROGRAM OF CROP SUBSTITUTION IN TURKEY

Without taking your time, in the case of Turkey, I was there and talked to the Turkish Government about this problem. I urged it to cut off the flow of illegal narcotics from Turkey and to stop growing poppies if that is the only way to accomplish this. I was told they have been growing poppies for 300 or 400 years, so they have a lot of farmers who have grown poppies all their lives and their ancestors before them, and it was pointed out that they do not have anybody

who uses drugs in Turkey. They said, "It is a tough proposition to ask us to tell our farmers not to grow poppies."

I said, "Yes, I understand it, but it is of urgent importance to us and to some of the other countries in Europe and we hope you can do it, and we think it is so important and we will help you in identifying substitute crop and we will help you with some financing within reasonable limitations."

Well, they were very cooperative and they have gone out of the poppy-growing business, now, although they have a lot of other uses for poppies, other than drugs, that come from them. They use them for feed and oil and other things.

Well, they finally stopped the growth of poppies and I can assure you it was a difficult decision for the Government of Turkey.

We are going to be sure that we do not waste the money and we are also going to be sure that we do not take on a large program of subsidizing other countries, but in the transitional period we have an agricultural team out in Turkey now working with the Turks to help them figure out what kind of activities they can substitute for poppies.

If you are interested in it, sometime we can have Mr. Gross, who is my special assistant on this, come up and go over the whole world picture with you. He has been to all these countries and dealt with all the leaders about it.

Mr. ROYBAL. I would like to have that kind of briefing.

Secretary ROGERS. Thank you.

Mr. ROYBAL. Thank you.

Mr. PASSMAN. Mr. Riegle?

CONSULTATION BY EXECUTIVE WITH CONGRESS

Mr. RIEGLE. Thank you, Mr. Chairman.

Mr. Secretary, with respect to where the situation seems to stand in Indochina now, I think most people agree that our decision to blockade the traffic into North Vietnam and to mine the harbors is truly an act of war in terms of our response to their effort.

A lot of us are wondering why the Congress was not consulted in the way the Constitution reads. Can you tell us why we were not consulted about it?

Secretary ROGERS. Yes, Mr. Riegle.

Let me say first, of course, that mining is not new in this war. It has gone on for some time and the enemy has mined territorial waters of South Vietnam for a long time. There has not been any publicity to speak of, but those mines have blown up several ships, including U.S. ships and I think Japanese ships and so forth. So there is nothing new about it. It is just that we have not done it before.

Mr. RIEGLE. The blockade itself, though, is new, is it not?

Secretary ROGERS. It is the first time we have used mines up in that area, that is right. The question about why did we not consult with Congress, the reason is that it is vitally important for the safety of those involved in the operation to maintain secrecy. There was no failure to notify Congress about the policy that we are going to follow.

In fact, I testified before the Senate Foreign Relations Committee and the House Foreign Affairs Committee, and I had press conferences and said the President is going to take whatever military action is necessary short of use of nuclear weapons and short of reintroduc-

tion of ground combat troops to prevent a Communist takeover of South Vietnam by force, and if they attempt to take advantage of the United States as we are withdrawing our troops, he is going to take whatever military action is necessary.

So everyone knew that and I was asked when I went before the Senate Foreign Relations Committee, "Does it include this, does it include that?" and I said "Yes, it includes all of these things." He has not decided yet and we are not going to announce it. It includes everything except the two things I have mentioned. It will not include use of nuclear weapons or reintroduction of ground troops. So the thing we did not tell Congress was exactly what we were going to do and when.

CONGRESSIONAL SUPPORTIVE OF ADMINISTRATION PROPOSALS

Mr. RIEGLE. In a followup to what Mr. Shriver was asking, I understood you to be saying that if the Congress decided to legislate the President's proposal exactly then the administration would have no objection to the Congress taking that same action from a legislative point of view.

Secretary ROGERS. No, as long as it is not couched in a cutoff of funds or something of that kind. In other words, if it is just supportive of the President, fine. If the action the Congress takes can be clearly construed as supporting the President's position, fine, but if it is something else, if it tries to limit his action or if it is construed publicly as being critical of the President's position, we think that would be very harmful.

Mr. RIEGLE. I do not think there is any question this is their great concern—whether it somehow reflects on the President. I do not think that is the intent of the people here. I do not think our concern is to try to reflect either good or evil on the President.

The question is whether the Congress, too, should say to North Vietnam that we likewise will make this kind of a bargain in the name of the United States and will live by it, presumably as the President himself would. It seems to me it is more an effort to add our own voice in speaking to the other side rather than to try and reflect in any way on the President.

Secretary ROGERS. As I say, if the legislation is really saying "We agree with the President, we will support him, we think his proposal is a good one," of course we would not have any objection to that.

Mr. RIEGLE. I think it would be more in the line of trying to indicate to the other side that the Congress would in its own way try to guarantee the fact that if that kind of bargain were struck then we would lend assistance to try to see that the bargain was kept.

OTHER OPTIONS FOR UNITED STATES IN VIETNAM

Just one other question, and that is, what practical options do we have left at this point if the blockade does not succeed in limiting the resupply of the North Vietnamese and Vietcong troops in South Vietnam?

Secretary ROGERS. Well, I really do not like to speculate. In the technical sense of the word, our action cannot be considered a blockade.

Of course, there are lots of things you could do. I do not like to

speculate because I do not want to convey the impression that we are thinking about them.

Mr. RIEGLE. The problem we face, Mr. Secretary, is that we only learn about these things as they are happening and as we watch prime-time television in the evening when the President announces these things. I think in light of the fact that there are many people who question whether the blockade can or cannot succeed because of the resupply situation, that in terms of what might come next we ought to think about those, either on the record or off the record. But I would hope you would feel that you could share some of these thoughts with us, without in any way conveying the impression that this is what is or is not going to be done in the future.

Secretary ROGERS. I am sure you can think of things that have not been done that could be done just as well as I can. I do not want to convey the impression that we have other things that we are thinking about.

Mr. RIEGLE. But that is in effect what you are doing now because you are saying that if this does not work, then something else will be tried. Is that not the inference?

Secretary ROGERS. No. What we are saying is this: That this has been a strange kind of war because, first, we have had self-imposed restrictions. For example, we have not mined and they have mined. We have not invaded North Vietnam; they have invaded South Vietnam. We followed what we thought was an understanding for a long time and they say there was not any understanding. They did not follow it; we followed it. That is self-imposed restriction.

We also announce everything, what we are going to do, because we have to testify in open session and people say, "Well, suppose so-and-so happens, what are you going to do?"

We have said what we are going to do. Well, whoever fought a war that way? You never fight a war that way and we are not going to do it. We are not going to make any further public statements about what we are not going to do.

Now, when you say the "blockade" may not work, what we are counting on is the success of the South Vietnamese in defending their own territory, and they have fought pretty well. If they are able to defeat the enemy now, and this is a major invasion and the enemy has 12 of its 13 combat divisions engaged, if the South Vietnamese combat troops, and they are doing all the ground fighting, are able to repel the invasion, we think it is quite unlikely that the north will be able to renew it. We do not think they are going to have the strength to do it. We think if they attempt to go back to guerrilla warfare, they would be very much weakened because they have taken some very substantial losses.

Mr. RIEGLE. My time is up.

Mr. PASSMAN. Thank you, Mr. Secretary.

Thank you, Mr. Riegle.

Mr. Hathaway?

Mr. HATHAWAY. Thank you, Mr. Chairman.

SOVIET REACTION TO MINING OF NORTH VIETNAMESE HARBORS

Mr. Secretary, I welcome you here and although I have some other questions, I think I will follow up on what Mr. Riegle started. Was

there any discussion or agreement with Russia prior to the announcement that was made by the President about mining the harbor?

Secretary ROGERS. No.

Mr. HATHAWAY. Do you not think that this would have been a sensible move?

Was not Kissinger in Moscow for that purpose?

Secretary ROGERS. You mean a sensible move to get an agreement?

Mr. HATHAWAY. Well, to discuss at least with Russia ahead of time what our proposed plans might be to obviate at least part of the risk involved in mining the harbor which, to my mind, is a very great risk.

Secretary ROGERS. Well, for the reasons I just mentioned, we would not want to tell the Soviet Union what we are going to do. If you did that in a military operation, if you told the enemy what you were going to do, you would be severely criticized, particularly if it was a failure.

I can imagine coming up to this committee and saying "Yes, we told the Russians we were going to this, and we lost 20 planes in the mining of the harbor because they had advance notice——

Mr. HATHAWAY. I think the mining of Haiphong harbor has been an obvious stratagem all throughout the war because it has been discussed ever since 1964 or 1965 that that was something the military wanted to do. President Johnson did not want to do it because it would incur the risk of bringing Soviet Russia and maybe Red China into the war. I do not think it was so secret and nonobvious that it could not have been discussed openly with Soviet Russia.

Secretary ROGERS. They did not think we were going to do this. I mean quite obviously they did not think we were going to do it and we were not about to tell them.

Mr. HATHAWAY. My point is that this really is not a secret strategem because it has been obvious throughout the entire conflict this was something that we could do.

Secretary ROGERS. In the first place, they are not going to make any agreement with us on it, obviously.

Secondly, if we started talking to them about it, they would think we had it in mind and they would start preparing for that kind of attack. They were taken by surprise. They did not think we were going to do it.

Mr. HATHAWAY. I am sure they knew we had it in mind for many, many years. They just did not know when we might do it.

Secretary ROGERS. No, I think they thought we were not going to do it.

Mr. HATHAWAY. You mean they dismissed it from their minds altogether?

Secretary ROGERS. They read our papers and they know that this is one of the proposals that our papers and our people say that was rejected and they thought it was not going to be done.

Now, if we started talking to them about it, they would say, "Well, my God, maybe they have not rejected it. Maybe this is something they are seriously considering."

We would have been at a disadvantage.

Mr. HATHAWAY. They could make an agreement on it because I

think they are as anxious to bring about an end to this conflict over there as we are.

Secretary ROGERS. That is why we did it.

Mr. HATHAWAY. This would be a face-saving device for them.

Secretary ROGERS. You are giving our rationale now.

We think that they were suprised and we think they do not want a major confrontation and this was something we took into consideration before the decision was made.

SOVIET FOREIGN POLICY OBJECTIVES

Mr. HATHAWAY. In other words, you believe that they want an end just as much as we do, which I believe also, and without prior consultation with them in regard to this, you took the risk or the administration took the risk that this would not bring them into a major confrontation.

Secretary ROGERS. I am not sure that they want an end though. I do not want to leave the impression we think they want an end to this as much as we do. I think they want to avoid a major confrontation about it. I think they felt that if the summit were canceled a lot of the important aspects of their foreign policy would abort.

They have a lot of things that they are trying to achieve in the foreign policy field. They are trying to get a conference on European security. They are interested in the SALT agreement. They want to have an agreement on Berlin, which we have completed but have not signed. They want the ratification of the treaty with the Federal Republic of Germany. They want a spirit of détenté in Europe so they can turn toward China and deal with military aspects of that conflict. So their whole foreign policy is wrapped up in this and, in order to carry it out, the summit and the relations with the United States are important.

They are very interested in trade. I spent yesterday with the Minister of Trade and they are very interested in trade, and they are very interested in the Kama River project. They are interested. They are even talking about paying their old lend-lease debts, or part of them. They are interested in getting Export-Import Bank credits so they have a lot riding too on their relations with us.

What I am saying is, we took into consideration the possibility of a confrontation with the Russians. We decided that it was not that much of a risk. We said we do not think they will want a major confrontation with us. So far we are right.

Mr. HATHAWAY. Based on the facts that you just listed?

Secretary ROGERS. Based on those facts.

Mr. HATHAWAY. Are there any additional ones?

Secretary ROGERS. Well, except, you know, you get a lot of idle comments in these discussions that you have with them, nothing specific. They do not talk quite as directly as the Americans do.

Mr. HATHAWAY. But how does their position look vis-a-vis North Vietnam if they do not try to get into the harbor or do not continue to supply North Vietnam?

Secretary ROGERS. That is their problem.

As I say, I think for the reasons that I mentioned that, although North Vietnam plays a role in their thinking about their foreign

policy, these other matters I think are really predominant in their thinking.

I think the whole thing, particularly about Europe, is very important to them.

Mr. HATHAWAY. I think my 5 minutes is up. I will pursue it later.

Mr. PASSMAN. Thank you, Mr. Hathaway.

Mr. Robinson?

Mr. ROBINSON. Thank you, Mr. Chairman.

EFFECT OF NORTH VIETNAMESE INVASION ON BUDGET REQUESTS

Mr. Secretary, I would like to get back to the appropriations aspect of this hearing. It is obvious, of course, that the budget proposals were prepared long before the North Vietnamese invaded South Vietnam, which invasion has of course caused a great deal of additional destruction.

Now, what is the advance thinking with regard to the magnitude of our additional responsibility in the area of the supportive assistance, security assistance program in particular, that will be necessary under the circumstances of the times?

Secretary ROGERS. Well, we have not made any reassessment based on the events of the last few weeks, so I am not sure how to answer that question.

Mr. ROBINSON. Do you feel that it is obvious that there you will be presented with the necessity of a supplemental request based on what has occurred in South Vietnam?

Secretary ROGERS. Not necessarily.

I would not want to exclude it as a possibility.

Mr. ROBINSON. The same thing, I presume, applies to Laos and Cambodia and Thailand?

Secretary ROGERS. Yes, although to a lesser extent. I do not think the events have affected those countries as much, certainly not Thailand.

Mr. ROBINSON. I yield back the balance of my time, Mr. Chairman. Thank you.

Mr. PASSMAN. Gentlemen, I wonder if we may just take about a 5-minute break and answer the rollcall.

(Brief recess.)

STATEMENT IN SUPPORT OF ADMINISTRATION POLICIES IN VIETNAM

Mr. PASSMAN. The committee will come to order.

I must apologize, Mr. Secretary, for adjourning the committee, but we had a quorum call.

I would like to make one or two observations before reading into the record a statement that I gave supporting the President's position.

When I came to Congress some 25 and a half years ago, I did so realizing I was expendable, that I would either stay here supporting my convictions and being honest or else I would be defeated. We only have one President at a time and I am a good enough American to back my President up. I find sometimes that by reading the record you become an enthusiastic supporter of those who are trying to get us out of some of the trouble we are in around the world.

This statement of mine was carried on the front page of the Monroe Morning World.

CONGRESSMAN BACKS NIXON ON VIETNAM

President Nixon received 100 percent backing Thursday from Congressman Otto E. Passman for his action to cut off war supplies to North Vietnam.

The Democratic Fifth District Congressman said the Chief Executive had no alternative but to take the action to protect American troops still remaining in Vietnam.

Passman said: "As Chairman of the House Appropriations Committee that handles foreign aid for Vietnam, I am very familiar with the situation in Vietnam and that places me in the position to back the President 100 percent.

"When this great President assumed his office 40 months ago, there were 550,000 troops in Vietnam. That number has been reduced to approximately 60,000 at this time. The President, I am sure, felt that unless we moved in quickly about 5 weeks ago, there was a possibility that the North Vietnamese would overrun South Vietnam, creating another Dunkirk, with a possibility that we would lose thousands of American personnel. Subsequently, he discovered that his action was not sufficient, that we had to take even firmer action and cut off military supplies to North Vietnam.

"The President, in my judgment, had no alternative but to take the action so as not only to protect our prisoners of war but to protect our remaining forces from being overrun.

"It is extremely difficult for me to understand how any responsible citizen, especially public officials at the Washington level, could do anything but support the President.

"Finally, we should recognize that Mr. Nixon did not create this situation; that he inherited it, and any fair-thinking American must recognize that he had just about concluded the Vietnam war when the North Vietnamese invaded South Vietnam. He not only had to think in terms of protecting the 60,000 remaining military personnel in South Vietnam, but the integrity of our own country.

"I would rather be defeated and do what is right than to remain in Congress for another 25 years as a demagogue, sacrificing the principles of the country that I love with a burning passion.

"The politicians who are attempting to capitalize on the disunity among some of our fellow citizens are encouraging the Communist enemy and prolonging this war.

"If ever there was a time in American history that people should unify behind their President, it is now."

This is the way I feel and that is why I wanted it on the front page of my hometown paper because I do not have to stay in Washington, but I have to live with my conscience.

Tell me if I have quoted anything that you would consider inaccurate.

Secretary ROGERS. Mr. Chairman, not at all. I think that is an outstandingly good statement, an excellent statement. I think that you will find that the great majority of American people support that statement that you made. I think it is excellent. I would like to take it with me. I am going to see the President tonight. As a matter of fact, I would like to call it to his attention.

Mr. PASSMAN. I feel that way and if you do not think I talk the same way at home that I talk here, this is the proof, my hometown paper.

EFFECT OF COMPLETE U.S. WITHDRAWAL FROM VIETNAM

We had 550,000 troops, using round figures, in Vietnam 40 months ago and we are now down to approximately 60,000. Do those who advocate getting out of Vietnam immediately recognize this could be a blood bath if the situation is not fully stabilized before we withdraw all our troops?

Secretary ROGERS. It certainly means that some of our men would be in jeopardy, yes.

Of course, as you say, there would be a blood bath in my opinion in South Vietnam itself because the North Vietnamese seem to have no concern at all about the civilian population. As you know, the President said the other night they bomb cities indiscriminately and they are responsible for 20,000 civilian casualties in the last 2 months.

Mr. PASSMAN. I respect every Member's views, but this has caused me more concern than anything during my 25½ years in the Congress. I recognize that there has never been a bad President. We have had some possibly better than others, but I do not think we ever had a bad President.

I think I understand how this situation started, that the first agreement for military advisers, came under Mr. Eisenhower. I think it was Mr. Kennedy who committed ground troops, and I think it was under Mr. Johnson's tenure that we built this up into a very big war, and all of them believing they were doing the right thing. When you reduce the troop level total from 550,000 down to 60,000 in 40 months and you offer the enemy every type of concession and they turn it down, what alternative do you have but to take a firm stance. This is why I made this statement. Do you agree that it is about the only thing I could do?

Secretary ROGERS. I certainly do, Mr. Chairman. I agree fully and I think it is, as I said, an outstanding statement.

Mr. PASSMAN. I must back my own convictions because I think the President is right and if there was ever a time in the history of America, to my way of thinking, that the people should unite behind the President, it is this time. If they want to be critical, they should withhold the fire until we get out of this jam.

The way I see it, this is the worst jam that our country has been in in its history.

SUPPORTING ASSISTANCE FOR VIETNAM

Now, Mr. Secretary, I think that I should cover several things.

One of the things that makes me admire John Hannah so very much is that he will always answer our questions forthrightly. This committee has never had any difficulty getting information from Dr. Hannah. He has always been forthright. He recognized, and I do, that no agency ever asks for less funds than they need and they have some additional funds included so as to take care of reductions. I would not want to embarass Dr. Hannah but he always said, "Mr. Chairman, there is an asking price and a taking price. Let's get on with the hearings and get through with them and then we will get to the taking price."

To be frank with you, this has brought him a lot of respect from this committee.

TOTAL FOREIGN ASSISTANCE PROGRAM

Strange as it may sound, Mr. Secretary, we have a great many experts appearing before this committe that really believe that foreign aid is being reduced. This is just as far from the the truth as we are from the moon.

Foreign aid is being increased. I make that statement and I shall support it with facts. I am not criticizing all parts of our aid and assistance because some of it is necessary.

Of course, the Export-Import Bank is a good organization. It makes the manufacturers money, the laboring man money, and the U.S. Treasury money. Nevertheless, when you start extending long-term loans, 15, 18, or 20 years, that is a form of assistance and we have to recognize that. So if we take all segments out of the budget this year, the total requests for foreign aid and assistance, good, bad and that in between, is $18,542,916,000, which is $5 billion more than last year.

I want to send you a copy of this compilation.

Mr. Secretary, this committee will be responsible. We believe that the request of yours is in excess of need. I think this committee recognizes there is a tremendous waste of funds in South Vietnam.

MODERNIZATION OF KOREAN MILITARY FORCES

As we have withdrawn our troops, we create a vacuum there, and I guess we have no alternative other than to provide at least the necessary funds to support this program and withdraw our troops.

You mentioned, sir, that you hope that the Congress would consider favorably the military assistance portion of your program.

I take a hawkish position until the war is concluded. When we started pulling our troops out of Korea, I think 20,000, reducing the level from 63,000 to 43,000, we gave them the positive assurance that we would approve a 5-year military program to modernize their forces, and I think it was as near a treaty agreement as an understanding could be, was it not? We said that we would provide $1.5 billion in military assistance over a 5-year period. Did we not make a firm commitment?

Secretary Rogers. Well, yes. Of course, we did it subject to congressional approval, but they thought——

Mr. Passman. All things are subject to congressional approval.

Secretary Rogers. Yes, that is right.

Mr. Passman. But this commitment was as close to a treaty as you could get and that is how binding or firm the commitment is, is that correct?

Secretary Rogers. Yes. We told the Korean Government we would do our best toward assisting it to modernize its military forces.

Mr. Passman. And is it not also correct that by reducing our troop level from 63,000 to 43,000 we will save possibly $1.1 billion during the same 5 years?

Secretary Rogers. Yes. I am not sure of the exact amount, but that is approximately right, Mr. Chairman.

Mr. Passman. In reality, this program only would cost us about $400 million net to modernize their forces?

Secretary Rogers. Yes.

Mr. Passman. At the same time, we are able to bring 20,000 of our troops home.

As I read the record, all Presidents, President Truman, President Eisenhower, President Kennedy, President Johnson, and President Nixon, supported our troop level in Korea, believing that it was necessary to protect the investment we had there.

Secretary Rogers. That is correct.

Mr. Passman. If I read the record correctly, the investment in Korea was 105,000 wounded, 33,000 killed, and $34.7 billion of our resources. I believe that is the investment we have in Korea.

Secretary ROGERS. Yes. Those figures are reasonably accurate.

Mr. PASSMAN. And if we do not modernize these forces, then it is just a question of time until we could have new trouble there from the North. Is that a statement of fact?

Secretary ROGERS. That is correct.

Mr. PASSMAN. I do not want to appear to be too hawkish but I want to be as fair as I can.

Secretary ROGERS. That is a fair statement.

KOREAN FORCES IN VIETNAM

Mr. PASSMAN. The Koreans are also furnishing troops for Vietnam. Even though we have pulled our men out of battle, we do have some Koreans left there and they are fighting like tigers.

Secretary ROGERS. 40,000.

Mr. PASSMAN. And they are fighting like tigers, are they not?

Secretary ROGERS. Yes, they are fighting well.

Mr. PASSMAN. There are still some Korean ground troops left in there fighting?

Secretary ROGERS. That is right; yes.

I want to comment, in view of some of the things said by the members of the committee, that I think the United States is very fortunate to have a man like John Hannah working for it. It is a thankless kind of a job and he has done an outstandingly good job.

Mr. PASSMAN. I can certainly concur in that statement, Mr. Secretary. It has been a pleasure to work with Dr. Hannah.

As I stated earlier, he always puts it right on the line. He knows, and he knows that I know, there is an asking price and a taking price. He is honest enough to make that statement. That is good enough for me. I respect him.

We bargain across the table and look at these figures very closely. I figure that the request this year is far in excess of the need, and I think we will be able to trim it down to the actual amount needed, or something you can live with, taking into account that we have to borrow this money. I believe that the Administrator will agree that whatever we recommend will be sufficient.

Mr. Shriver?

Mr. SHRIVER. I want to concur in the statement of the chairman.

Dr. HANNAH. You make me feel like a pancake after it is covered with maple sirup.

RUSSIAN JEWS IN ISRAEL

Mr. PASSMAN. Mr. Secretary, we hear that the authorizing committees have recommended $85 million for a refugee program for the Jews from Russia. As we look at the budget request I believe you are asking for $50 million in supporting assistance for Israel?

Secretary ROGERS. Yes.

Mr. PASSMAN. I would assume from previous statements that this $50 million was, in all probability, intended to accomplish the very things that the $85 million called for. Is that correct? Is this to assist Israel in relocating the Russian Jews?

78-827 O - 72 - pt. 2 - 83

SUPPORTING ASSISTANCE TO ISRAEL

Secretary ROGERS. The $50 million we have asked for in this budget is to help the Israeli Government to, one, support continued rapid economic growth despite the heavy defense expenditures—they have spent a lot of money for defense—and, two, to meet the foreign exchange costs of resettling the increased numbers of Soviet Jews emigrating to Israel.

The funds will finance a commodity import program for the purpose of specific commodities in the United States. We have asked for what is necessary.

Mr. PASSMAN. I am very pro-Israel. The record shows these people are working unceasingly and untiringly to build up a strong economy. They are making great progress.

In addition, most of us recognize we need a strong nation in that part of the world and we can rely upon the Israeli Government to back us up. They are a brave and courageous people. We do not want to overfund them and we don't want to underfund them.

But regarding the $85 million that the authorizing committees have reported, did the administration ask for this money?

Secretary ROGERS. No.

Mr. PASSMAN. This is something put in by the committees?

Secretary ROGERS. That is correct.

Mr. PASSMAN. Do you feel that the $50 million in supporting assistance would adequately cover this resettlement as well as help these people with their economy?

Secretary ROGERS. We put in a request for what we thought was necessary.

Mr. PASSMAN. Mr. Secretary, would you have another reading on this matter to see whether there are strong justifications for this amount being considered?

Secretary ROGERS. Yes.

Mr. PASSMAN. Would you look at that?

Secretary ROGERS. Yes. I agree with the sentiments you expressed. We certainly want to do all we can to help Israel to be sure their needs are met.

UNTYING OF U.S. AID

Mr. PASSMAN. Could you tell the committee what the current situation is with regard to the untying of U.S. aid to foreign nations and have we completely untied all assistance so that the U.S. aid provided can be used to purchase goods in other developed countries?

Secretary ROGERS. AID development loans have been untied to permit procurement in eligible developing countries but not in other developed countries. Neither development grants nor supporting assistance grants have been untied to permit procurement outside the United States.

PROGRESS OF THE NIXON DOCTRINE

Mr. PASSMAN. Could you tell the committee what progress has been made in the past year in implementing the "Nixon doctrine"?

Secretary ROGERS. Progress in implementing the Nixon doctrine relates to increasing recognition and acceptance on the part of our friends and allies of prime responsibility for their own security and

development with a decreasing direct U.S. involvement. The U.S. assists where our interests are concerned and where whatever we do can make a difference.

In this light, progress in the past year has been made:

1. In Vietnam, where since December 1970 we have withdrawn approximately 270,000 troops, and where RVN forces are facing the brunt of the current North Vietnamese invasion.

2. In Korea, where by June 30, 1971, we withdrew 20,000 troops, and ROK forces now have responsibility for defending the entire demilitarized zone.

3. In Cambodia, where the Khmer armed forces, of whom more than 35,000 were trained through the MAP program last year, have been able to hold important population centers and rice-producing areas despite Communist threats; and which has been able to attract significant military and economic assistance from other countries in the region.

EXPROPRIATION OF PROPERTY OF U.S. BUSINESS ABROAD

Mr. PASSMAN. Several months ago, the President announced that the United States would consider a tougher policy with regard to the expropriation of U.S. property. Would you tell the committee how this tougher policy will be implemented?

Secretary ROGERS. In January of this year, the President issued a new policy statement on the position of the U.S. Government in future situations involving expropriatory acts by foreign governments against U.S. business interests. The President stated that when a foreign government expropriates a significant U.S. business interest without making reasonable provision for compensation to U.S. citizens we will presume that the United States will not extend new bilateral economic benefits to the expropriating country, unless and until it is determined that the country is taking reasonable steps to provide adequate compensation or that there are major factors affecting U.S. interests which require continuance of all or part of these benefits. In addition, in the face of this kind of expropriatory act, we will presume that the U.S. Government will withhold its support from loans under consideration by multilateral development banks intended for the benefit of the expropriating government. The President also directed the establishment of a special interagency group under the Council on International Economic Policy to review each potential expropriation case and to recommend courses of action for the U.S. Government. The Department of State has set up a special office to follow expropriation cases in support of the Council on International Economic Policy.

Mr. PASSMAN. Does this mean that the provisions of the "Hickenlooper" amendment will be enforced to a greater degree?

Secretary ROGERS. The provisions of the "Hickenlooper" amendment have always been enforced, and will continue to be enforced. However, the President's statement sets forth a policy that is even more restrictive than the Hickenlooper amendment since there is no 6-month waiting period and, in that sense, we will follow a policy that is "tougher" than the Hickenlooper amendment.

Mr. PASSMAN. Why do we still provide U.S. aid to Chile and Ecuador after they seize U.S. property?

Secretary ROGERS. With respect to Ecuador. Ecuador has frequently seized American tuna boats without Ecuadorian fishing licenses in Ecuador's claimed 200-mile territorial seas. After payment of fines and purchase of licenses, the boats are released, a process which normally takes 1 or 2 days. These seizures are in practice, as well as procedure, arrests followed by judicial proceedings, fines, license fees, and subsequent prompt release without confiscation of either the vessel or the catch. As a result, we do not consider these temporary seizures, while illegal, to be expropriations. In other cases in Ecuador where U.S. property has been expropriated, compensation has been negotiated, or legal processes have been provided for obtaining compensation.

For Chile in fiscal year 1973 we are proposing no new loan assistance. The technical assistance program has been steadily reduced in recent years—from $2.9 million in fiscal year 1970 to $1.5 million in fiscal year 1970 to $1.5 million in fiscal year 1971 and an estimated $1 million in fiscal year 1972. The proposed technical assistance program of $850,000 for fiscal year 1973 provides a limited amount of funding for our program staff in Santiago, which has been cut back from 30 U.S. technicians at the end of fiscal year 1970 to 20 at the end of fiscal year 1971, and which will be cut back further to nine by the end of fiscal year 1972. Only three program-funded U.S. technicians are expected to be on duty at the end of fiscal year 1973. The technical assistance program also provides funding for people-to-people activities—small-scale community development projects and United States and third country training. These activities are not new, but have been underway for several years. We believe a continuation of funding for this program during fiscal year 1973 is in the U.S. interest, in that it would permit us to maintain the valuable contact and identification with the Chilean people that we achieve through these activities.

Mr. PASSMAN. Could you tell the committee how the negotiations are progressing with Chile over the seizure of U.S. companies in that country?

Secretary ROGERS. As part of its policy of expanding the public sector of the economy, the Chilean Government has taken over all or a part of the interests of a number of privately owned enterprises, including U.S. companies. In several of these cases, such as with DuPont, RCA, Bethlehem Steel, the First National City Bank, and the Bank of America, agreements have been sought and arrived at with the U.S. companies affected. Other cases involving U.S. companies are still pending.

The major cases still pending are with the Anaconda, Kennecott, and Cerro copper companies, and the International Telephone & Telegraph Co.

The equity interests of the Anaconda, Kennecott, and Cerro companies in five major copper mines were expropriated under a constitutional amendment which took effect on July 16, 1971. On October 11 the Controller General of Chile announced his finding that no compensation would be paid to the companies except for modest amounts in the cases of two of the smaller mines. The copper companies are currently appealing this finding to a special tribunal created for that purpose. On October 1, 1971, an interventor selected by the Chilean Government took over management control

of the Chile Telephone Co., in which the International Telephone & Telegraph Co. has a 70-percent interest. Negotiations had begun before that date for the purchase by the Chilean Government of ITT's interest in Chiltelco. We understand that no meetings have taken place, however, since late March.

On May 12, 1972, President Allende proposed a law to terminate the concession of Chiltelco, and a constitutional amendment to nationalize the assets of Chiltelco. As proposed in the constitutional amendment, the Controller General of Chile would be responsible for determining the amount of payment for these assets. The Controller General's finding would be appealable to a special tribunal. The debt rescheduling agreement which was arrived at on April 19, 1972 by Chile and the major creditor countries contains assurances by the Chilean Government with respect to its obligations to foreign private companies. The agreement includes a declaration that it is the decision of the Chilean Government (1) to recognize and to repay all of its external public debt, whether owed to governments or to private corporations, and (2) in cases of nationalization, to grant just compensation in accordance with Chilean legislation and international law. The agreement further contemplates bilateral negotiations on compensation.

PROBLEMS IN BANGLADESH

Mr. PASSMAN. What is the situation presently facing the new nation of Bangladesh?

Secretary ROGERS. Bangladesh emerged from the December Indo-Pakistan war and the preceding months of civil strife with a shattered economy and a vast legacy of human suffering. Since the end of the war the energies of the people and leadership of Bangladesh have been focused on the immense task of reconstruction and rehabilitation. Other outstanding problems include law and order, treatment of the non-Bengali Muslim minority known as "Biharis" who stand accused by the Bengali majority of collaboration with the Pakistan Government, and numerous bilateral issues with Pakistan such as repatriation of stranded civilians, handling of war crimes trials, and division of assets.

On the political side, a governmental apparatus has been organized along parliamentary lines and is headed by a Prime Minister. The Government is dominated by the Awami League party whose immensely popular leader, Sheikh Mujibur Rahman, is now the Prime Minister. With the exception of the ceremonial post of President, the leaders of the Government are members of the Awami League elected to either the National or Provincial Assemblies in the Pakistan elections of December 1970 and January 1971. The Government describes its basic principles as parliamentary democrary, nationalism, socialism, and secularism. Although the problems facing Bangladesh are great, the new nation benefits from the important assets of a popular leadership and a resilient populace.

INDIA-PAKISTAN SITUATION

Mr. PASSMAN. Have India and Pakistan had any confrontations lately or have they worked out their differences in a peaceful manner?

Secretary ROGERS. Since the end of hostilities between India and

Pakistan on December 17, 1971, the situation in the area has been relatively stable. There have been a certain number of incidents along the cease-fire line, particularly in Kashmir, one of which earlier this month involved substantial casualties on both sides. Despite these incidents both India and Pakistan have begun to discuss the many outstanding issues left over from the 1971 war. Emissaries of the two governments met in Pakistan in late April and agreed upon an agenda for a summit meeting between Prime Minister Gandhi and President Bhutto in New Delhi. As yet the dates for this summit have not been set. We have welcomed these efforts and hope that they will lead to a reconciliation between the two countries and a fair and honorable peace.

NEW RELATIONSHIP WITH THE PEOPLE'S REPUBLIC OF CHINA

Mr. PASSMAN. What effect has the President's recent visit to the People's Republic of China had on our relationship with that country with regard to increased trade or the elimination of travel restrictions?

Secretary ROGERS. Until just before the President's trip to Peking there was only indirect trade conducted through third countries between the United States and the People's Republic of China. From the time of the lifting of the U.S. trade embargo in the People's Republic of China on June 10, 1971, to the eve of the President's trip in February 1972, this indirect trade is estimated to have amounted to approximately $5 million, almost entirely composed of People's Republic of China exports to the U.S. Statistics indicate that another $6.6 million was imported in the first quarter of 1972, probably mostly indirect.

Direct trade between the United States and People's Republic of China began with the sale of a communications satellite earth station for installation in Shanghai and initial use in connection with the President's trip. The communique issued in Shanghai on February 28, 1972, formalized the normalization of trade relations between the United States and People's Republic of China in the following words:

> Both sides view bilateral trade as another area from which mutual benefit can be derived, and agreed that economic relations based on equality and mutual benefit are in the interest of the peoples of the two countries. They agreed to facilitate the progressive development of trade between their two countries.

Since the President's trip direct trade has begun on a regular basis, a small number of U.S. businessmen were invited to the Chinese export commodities fair at Canton from April 15 to May 15 and made purchases of Chinese goods for the U.S. market. The aggregate value of these purchases will not of course be known until they are actually imported into the United States and reported in U.S. trade statistics, but a preliminary estimate is that they may amount to about $10 million. The Chinese are known to have shown interest in purchase of a number of U.S. products, among them aircraft. However, United States-People's Republic of China trade has just begun, and, lacking trade experience, it is still too early to estimate what the value of 1972 Sino-American trade will be.

With regard to travel, since the elimination of the U.S. ban on travel to the People's Republic of China on March 15, 1972, several hundred Americans have traveled privately to that country. Nevertheless, tourism is unlikely to become prominent in our relations. The Chinese

have thus far shown no interest in developing tourism as an industry in their own country and citizens of the People's Republic of China rarely travel overseas as tourists.

The communique issued at the end of the President's trip to China recorded that:

> The two sides agreed that it is desirable to broaden the understanding between the two peoples. To this end, they discussed specific areas in such fields as science, technology, culture, sports, and journalism, in which people-to-people contacts and exchanges would be mutually beneficial. Each side undertakes to facilitate the further development of such contacts and exchanges.

Since then the United States has been visited by the People's Republic of China table tennis team and a delegation escorting the two giant pandas which were presented to the American people by the Government of the People's Republic of China. We expect that such exchanges, which we are currently discussing with the People's Republic of China through our contacts in Paris, will continue and become more frequent with the passage of time.

COMMITMENTS TO THE REPUBLIC OF CHINA

Mr. PASSMAN. Is it not true that the United States plans to honor all its commitments to the Republic of China?

Secretary ROGERS. The Mutual Defense Treaty of 1954 contains our basic defense commitments to the Republic of China, including action, in accordance with our constitutional processes, to meet any external attack against Taiwan and the Pescadores. Several times during the past year the President and the Secretary of State gave specific assurances to Taipei that the United States stands by this commitment and that our steps to improve relations with Peking are not being taken at its expense.

FOREIGN AID AND THE TRADE BALANCE

Mr. PASSMAN. According to several newspaper articles, the United States recorded the worst balance-of-payments deficit in history and the 1971 balance of trade deficit was the first since 1888. With this situation facing us and the huge amount of short-term dollar claims outstanding, don't you feel our foreign aid spending should be reduced?

Secretary ROGERS. The balance-of-payments costs of our current program are very small relative to other factors contributing to the deficit in the U.S. international transactions. I believe these modest costs are much more than compensated for by the political and economic benefits which accrue to the United States over time from our efforts to help the poor countries. During fiscal year 1971, 87 percent of AID expenditures were for U.S. goods and services—only $255 million out of total expenditures of $1,909 million—was more than offset by $306 million of net receipts from abroad earned on past loans. Our expenditures abroad during the current fiscal year will be higher this year than last year, but the net deficit attributable to AID operations will still be small compared to total U.S. deficit in its international payments.

CAMBODIAN SITUATION

Mr. PASSMAN. Earlier this year President Lon Nol of Cambodia seized power and established a dictatorship in that country. Is this

dictatorship still in effect and if so, how have the people reacted to this takeover?

Secretary ROGERS. It is correct that some press reports characterized President Lon Nol's actions as "dictatorial" and reported the establishment of a "dictatorship." This was not, however, the case. Lon Nol and his advisers have proceeded according to their interpretation of Khmer constitutional law and their moves have been aimed at establishing a system in keeping with republican forms, as opposed to the forms of the former constitutional monarchy which was abolished when the republic was declared in October 1970.

On March 10, upon assuming office as Chief of State, or President, Lon Nol abolished the Constituent Assembly, comprising members of the former National Assembly, whose terms had expired in October 1971, and members of the Senate. The Constituent Assembly had been considering a republican constitution which had been drafted by a joint government/private committee. After abolishing the Assembly, an extra-constitutional body, Lon Nol submitted the constitution to a special committee, which reported it out and promulgated it for public consideration April 7. An April 30, a national referendum was held on the constitution, and 97.45 percent of those voting were in favor of the constitution, which went into effect on May 12. The nation is now preparing for presidential elections, under the new constitution, June 4. Two candidates have filed, in addition to Lon Nol. There is every indication that this will be a lively campaign. Following the presidential elections, it is the intention of the Government to hold elections for a new legislature in about 3 months. We believe the country is on the road to a return to a representational system.

There is an articulate and active opposition in Cambodia and negative reaction has been voiced from this sector to the various measures taken by Lan Nol. In general, however, there has been no widespread criticism from other sectors of the society or from the media.

NARCOTICS CONTROL

Mr. PASSMAN. There has recently been established an international narcotics program to help control the narcotics traffic. Would you please tell the committee what progress has been made in this area?

Secretary ROGERS. Mr. Chairman, we believe significant progress has been made. During the past year the world community as a whole has shown an increasing concern over drug abuse and the need to control more effectively the production, processing and trafficking in illicit narcotics substances. A new international convention on psychotropic substances and an amending protocol in the 1961 single convention on narcotic drugs have been approved and are in the process of ratification. A U.N. Fund for Drug Abuse Control has been established and is beginning to function.

Bilaterally, cooperative arrangements have been going forward with a number of governments including Canada, Mexico, France, Turkey, Thailand, Laos and Vietnam. We are discussing cooperative efforts with 50 other governments where there is a current or potential involvement in the production, processing, or transitting of illicit hard drugs, with the focus being on heroin and cocaine. We expect to reach additional agreements in the coming months.

PEACE TALKS PROGRESS

Mr. PASSMAN. Are we making any progress in Paris with regard to peace talks with the North Vietnamese and the return of U.S. prisoners of war?

Secretary ROGERS. The talks remain stalemated, solely because Hanoi refuses to negotiate a settlement. It is evident that, having failed to achieve its political objective of gaining control of the South through negotiations, the North Vietnamese are now attempting to attain that objective through outright military aggression. We do not believe they will succeed, and our current military actions are intended not only to protect our remaining forces but also to help the South Vietnamese in making sure they do not, in fact, succeed.

This does not mean, however, that we have foresaken the negotiation route as the preferred way to resolve the Indochina conflict, or that we have lost hope for an eventual negotiated settlement. On the contrary, our present military actions against the north are aimed at inducing Hanoi to move to the conference table. At the same time President Nixon announced these new actions on May 8, he also put forth a new peace offer whose terms are generous and reasonable. He offered to stop all acts of force throughout Indochina, and to withdraw all U.S. forces from Vietnam within 4 months, once our prisoners of war are released and an internationally supervised cease-fire has begun throughout Indochina. This proposal would not only achieve our objectives of the safe return of our prisoners and the early withdrawal of our remaining forces; it would also end the fighting and thereby facilitate a political settlement by the Vietnamese themselves.

So far Hanoi has refused to join with us in negotiating on the basis of this or any other proposals other than its own demands that we capitulate rather than compromise. However, it remains our hope that current developments will serve to promote the chances for a negotiated settlement as Hanoi realizes the futility of its present course of military aggression.

RESETTLEMENT OF SOVIET JEWS

Mr. PASSMAN. Has the U.S. participated financially in the movement and resettlement of Soviet Jews to Israel in fiscal year 1972?

Secretary ROGERS. We have been providing concrete assistance in a variety of ways under authority of the Migration and Refugee Assistance Act of 1962. The U.S. refugee program, through a contract with the American Jewish Joint Distribution Committee, contributes to the care and maintenance costs of Soviet Jewish refugees while they are in Europe. The Intergovernmental Committee for European Migration, to which the U.S. contributes, defrays part of their transportation costs from Western Europe to Israel. The Department has been actively discussing with representatives of Jewish agencies means by which we can be of further assistance. Recently, the President authorized $2 million to be used for assistance on costs of transportation and care and maintenance. This $2 million in financial aid supplements the $600,000 already budgeted for care and maintenance under the fiscal year 1972 State Department budget for refugee and migration affairs.

In addition to these programs of transit, care and maintenance assistance, on February 16 we signed with Israel an agreement guaranteeing $50 million in private loans for middle- and low-income housing construction in Israel. Israeli housing authorities estimate that over onehalf of this amount will go to meet the most critical need of the arriving immigrants—housing. Moreover, on May 9 we signed a $50 million supporting assistance grant agreement which among other things will provide a significant contribution to ease the burden on the Israeli economy posed by the influx of large numbers of Soviet Jews.

Mr. PASSMAN. Are the Soviet Jews continuing to leave Russia or has this movement been slowed down?

Secretary ROGERS. The exodus of Soviet Jews is continuing. In the first 4 months of 1972 some 9,000 Soviet Jews arrived in Israel. In 1971 the yearly total reached some 14,000 persons.

Mr. PASSMAN. What will the funds be used for?

Secretary ROGERS. The U.S. assistance will be used for transit, care and maintenance assistance, housing, and, by means of a $50 million commodity import program, generate support for the Israeli budget which includes a broad range of public services from which the new immigrants will benefit.

Mr. PASSMAN. As you know and as we discussed earlier, both authorization committees have included $85,000,000 in the State Department authorization for Soviet Jewish refugees in Israel. Is there any intention of asking for a specific amount for this purpose in fiscal year 1973 by the executive branch?

Secretary ROGERS. Although we are not making a specific request for this purpose, we are asking for $50 million in support assistance in fiscal year 1973 under the Foreign Assistance Act and we, of course, will continue our financial aid to AJJDC and ICEM under the Migration and Refugee Assistance Act of 1962.

Mr. PASSMAN. Do you feel $85 million would greatly exceed the total need for this purpose in fiscal year 1973?

Secretary ROGERS. Israel's continuing foreign exchange and other requirements for the program for the resettlement of the refugees within Israel, which are not yet precisely known even by those closest to it, must be considered within the context of Israel's overall assistance needs, which we keep under continuing review. While we are not yet in a position to estimate accurately what the additional foreign exchange and other costs to Israel of resettling Jewish refugees from the Soviet Union will be, provision for substantial assistance has already been made in this administration's budget request. In addition to the $50 million in supporting assistance requested for Israel for fiscal year 1973 to help meet its overall foreign exchange requirements, we also plan to provide about $55 million in sales of surplus agricultural commodities on concessional terms, and $400,000 in grants of these commodities to voluntary relief agencies operating in Israel. We also have under consideration a request for an additional $100 million under the AID housing guarantee program. This, in addition to FMS credit and other financial assistance being made available from both public and private sources, will help the Government of Israel to meet its overall needs.

We will continue to keep Israel's needs, including those resulting from the Soviet Jewish refugee flow, under close and careful review. We would not hesitate, if Israel's foreign exchange requirements exceed present expectations, to return to the Congress for additional support as might be needed.

Mr. PASSMAN. What amount do you propose to allocate for this purpose in fiscal year 1973 out of the supporting assistance item?

Secretary ROGERS. The actual allocation of funds in support of Israel's budget which are generated by our dollar supporting assistance grant will take into account Israel's overall priorities which include meeting the adjustment costs of resettling increased numbers of new immigrants.

Mr. PASSMAN. Mr. Shriver?

EFFECTIVENESS OF U.S. FOREIGN ASSISTANCE PROGRAMS

Mr. SHRIVER. I will start with the last page of your statement, Mr. Secretary. On page 10 you say "I believe the record shows that U.S. foreign assistance has been effective in the past."

For the record I would like you to supply proof of that statement. I ask this because this is not a popular program in our district at home. I gave talks in support of it, and I did last Saturday night, in connection with the humanitarian program. I know something about agricultural programs, and I know something about many other progams sitting on this committee as long as I have.

Would you put into the record proof that we need this program and tell us about the effectiveness of it?

Secretary ROGERS. I shall, Mr. Shriver. It would be helpful to many members of the committee.

(The information follows:)

AID IMPACT ON TEACHER EDUCATION IN EAST AFRICA

During the decade of the 1960's, AID assistance to East Africa included two large and significant regional educational projects: The teachers for East Africa project (TEA) and the teacher education in East Africa (TEEA) project. These projects were developed in response to urgent requests from the EA governments to (1) supply qualified secondary teachers and (2) provide highly trained tutors for teacher training colleges.

SECONDARY EDUCATION

TEA grew out of a conference at Princeton, N.J., in 1960 which was attended by representatives from the United States, United Kingdom, Kenya, Uganda, Tanzania, and Zambia. Conference representatives agreed that the most urgent needs in East Africa at that time were: (1) to accelerate the outputs of secondary schools and (2) to reduce, and ultimately eliminate the heavy dependence upon expatriate secondary teachers.

AID responded to the requests of Kenya, Uganda, and Tanzania through a contract with Teachers College Columbia University (TCCU) which provided 464 qualified U.S. secondary teachers to 110 selected secondary schools in the three countries during 1961-64. Through this and a successor project during 1965-67 by the Peace Corps, these countries were able to develop a crash program that resulted in an expansion of secondary school enrollments and graduates by more than six times by the end of the decade.

Enrollments were increased from 30,000 to 190,000 and graduates from 6,000 to 36,000 by 1971, a remarkable feat that exceeded planning estimates by approximately 20 percent.

During the same period the percentage of expatriate secondary teachers decreased from 95 percent in 1961 to 60 percent in 1971.

By 1973, Tanzania expects to replace all expatriate secondary teachers with trained citizen teachers. Kenya and Uganda plan to further reduce their percentage to approximately 35 percent by 1973.

HIGHER EDUCATION

In 1964 AID agreed to assist the East African countries in attacking the problem of tutor supply for their teacher training colleges. Again, through a contract with Teachers College Columbia University, AID furnished 200 U.S. tutors (teacher trainers) for the four countries during 1964–71.

Fifty-three highly specialized educators were provided to the four institutes of education to assist in curriculum development and other related specialties. This assistance in tutor supply coupled with additional advisory assistance to the universities of East Africa and the respective ministries of education and institutes of education, enabled these nations to reshape the form and substance of their teacher education programs.

The number of diverse teacher training colleges were reduced from 126 to 78 during the decade.

Enrollments were increased from 8,700 to 14,500 and graduates from 3,000 to 7,000.

The total number of graduate tutors increased from approximately 250 to 400, however, this increase was enough only to maintain the ratio of ⅓ graduate and ⅔ nongraduate tutors during the decade. What is significant is that the the training of nongraduate tutors was greatly improved and increased. Thus, nongraduate tutors are now demonstrating acceptable performance in all areas of instruction.

The teacher training colleges were able to reduce the level of expatriate tutors from 95 percent in 1960, to 60 percent in 1968 and to 40 percent in 1971.

Consequently, the school systems of all four countries of East Africa have experienced great strides of progress toward self-sufficiency and Africanization. AID can claim justifiable pride in having contributed a large part of the resources that made this progress possible.

POPULATION

The United States, through its Agency for International Development, has spearheaded efforts to make the world aware of its expanding population problem.

In 1972 the world population is 3.8 billion people. At current growth rates there will be 7.7 billion people by the year 2000, just 28 years from now. Of the 76 million more people on earth this year, 11 million will live in the developed countries and 65 million in lesser developed areas of the world.

These facts have direct relevance to the requirements of individual nations for jobs, classrooms, hospitals, food, clothing, and housing—to mention just a few basic human needs—and the quality of life of people around the world.

In 1967 the United States, along with six other countries (Denmark, Netherlands, Norway, Pakistan, Sweden, United Kingdom), contributed $4 million to the United Nations Secretary General's Trust Fund for Population Activities. The fund totalled $5.1 million in its beginning.

Following U.S. leadership, the special U.N. population fund, later renamed the U.N. Fund for Population Activities (UNFPA), has attracted donations and pledges from 47 other countries totalling $31 million by the end of 1971.

The UNFPA, under its mandate from the United Nations General Assembly, specializes in promoting activities relating to population growth problems primarily in developing countries.

For example, the UNFPA, to which the U.S. contributes approximately 48 percent this year, is funding the African census program of the U.N.'s Economic Commission for Africa headquartered in Addis Ababa. This program will provide requesting African governments with basic demographic data required for economic and social development planning. In several countries this will be the first such data ever available.

Programs and projects supported by the UNFPA differ from country to country depending upon population patterns and levels of development. In gen-

eral, the UNFPA funded programs assist governments to assess their population size and trends in relation to economic and social development. They also formulate and implement national population growth policies and assist these countries in carrying out family planning programs and communication and education programs in these fields.

Implementation of U.N. population and family planning projects is done through approximately ten agencies of the United Nations. These include such well-known ones as UNICEF, WHO, IBRD (World Bank), FAO, UNESCO, ILO and the UNDP.

The 25 years of the UNDP underline a successful effort by the foreign assistance program to focus the world's attention on one of the major problems of the 20th century. It also reflects how the United States, through AID, has helped involve a large number of countries in a worldwide effort to do something about it.

Costa Rica—Agriculture

Since June, 1970, a $16.4 million AID agriculture sector loan supplemented by $14.1 million from the Costa Ricans has produced:

A 50 percent increase in credit to small farmers for basic grains; a 28 percent increase in numbers of Costa Rican experts working in the field with farmers; a 35 percent increase in corn production, and self-sufficiency in rice production; and some 5,000 land titles to be delivered to farmers this June.

This is a complex attack on rural poverty: the six components are agricultural services * * * education * * * credit * * * marketing * * * cooperatives * * * land tenure. What is most gratifying is the way the Costa Rican Government has so readily brought together all agriculture-oriented agencies into one forum (National Agricultural Council, or CAN), and has made this complex attack a truly national undertaking.

There are other corroborations of "success": All six of the regional agricultural centers are already operational; some 7,400 subloans, totalling about $6 million, have been made to the small farmers.

This loan project will end in 1974–75. Three U.S. agricultural advisers are currently involved.

Former AID trainees staff Afghanistan's government

On June 8, 1971, following the resignation of Prime Minister Etemadi, the King of Afghanistan designated Dr. Abdul Zahir to form a new government. Out of the new 18-member Cabinet, six Ministers were former AID-sponsored participants. The Minister of Commerce attended the University of Illinois; the Minister of Communication, the University of Southern California; the Minister of Mines and Industries, the University of Pittsburgh; the Minister of Agriculture and Irrigation, the University of Wyoming and Texas A & M; a Minister Without Portfolio, Columbia University; and another Minister Without Portfolio studied rural development with the U.S. Department of Agriculture under AID sponsorship. Although he was not an AID participant, Prime Minister Zahir also received his university training in the United States at Columbia and Johns Hopkins Universities.

The measles control/smallpox eradication program has made an important contribution to the development of the health service infrastructure in West Africa. U.S. personnel have trained approximately 5,000 health workers in the basic field operational techniques of smallpox eradication and measles control. A WHO survey indicated that epidemic surveillance capabilities are now substantially better in West Africa then in other parts of Africa.

Smallpox/measles teams administer other antigens on a routine basis and have responded to epidemic emergencies such as the yellow fever outbreak of 1969 and the recent cholera outbreak.

The health service infrastructure which has been developed can become the nucleus of comprehensive childhood immunization program, disease surveillance systems, and epidemic control units for detecting and reacting to unusual disease situations.

The cost of this 20 country measles control and smallpox eradication program was approximately $30.3 million.

The program achieved its basic objective of eradicating smallpox in the 20 countries.

AID and the cooperating countries, building upon the experience gained, are now better prepared to mount programs for strengthening basic health delivery services within the region. Advances made in the measles/smallpox program, particularly in surveillance capabilities, will be expanded to better the respective country health ministries management of disease surveillance.

Recipient countries have taken over a great portion of the costs of the program, but external assistance is still required. Other donors are joining AID in making a concerted effort in continuing to attack public health problems in the area.

Measles Control/Smallpox Eradication/Program in Central and West Africa

SMALLPOX

The World Health Organizations (WHO) adopted as an objective: Global Freedom from Smallpox by 1976. Subsequently, in 1966, the United States pledged to provide assistance for the worldwide effort to eliminate smallpox.

The smallpox eradication program developed as a cooperative project including the Agency for International Development, the Center for Disease Control, WHO, and 20 countries of Central and West Africa.

Starting in late 1966 AID provided technical assistance to the 20 central and west African countries through the National Communicable Disease Center (NCDC) of the U.S. Public Health Service.

The project covered a land area longer than the continental United States with a combined population of approximately 125 million people. AID financed commodities such as vaccine, jet gun inoculators and vehicles used interchangeably among the 20 countries.

Between January 1967 and March 1971, the program vaccinated 121.9 million people. The incidence of smallpox steadily decreased and by early 1970 the 20 countries were virtually smallpox free. No cases of smallpox have been reported from the area since May 1970.

The rapid success of the Central and West Africa program acted as a catalyst to encourage smallpox eradication in other areas of the world. Worldwide reports of smallpox have been reduced from 43 countries in 1966 to only 16 countries in 1971.

MEASLES

Measles morality rates of 5 to 10 percent in West Africa prompted U.S. assistance to provide measles vaccine for the children in those countries.

Since January 1967 over 25 million children have been immunized against measles.

Computer studies have indicated full measles control would be very difficult to accomplish in West Africa and would require annual recycling of vaccination teams. Despite the lack of annual recycling, there has been a significant decline of measles cases and related deaths in West Africa.

U.S. Foreign Disaster Assistance Peruvian Floods—1972

Every year disasters around the world claim thousands of lives and generate immeasurable human suffering. With relentless regularity, nations are ravaged by cyclones, drought, earthquakes, floods, civil strife and a host of other catastrophes. A pattern of worldwide humanitarian reaction has developed in which the U.S. Government, in cooperation with U.S. voluntary agencies, plays a leading role—often setting the pace for the rest of the world. Following a call for help from a disaster country, the United States, with rare exception, is first on the disaster scene with emergency aid.

AID's Foreign Disaster Relief Coordinator is responsible for marshalling and expediting the dispatch of aid from America's vast and diverse resources. It takes an infinite variety of forms—rescue helicopters, scientific and medical teams, portable field hospitals, charter airlift of disaster supplies and medicines, boats, pumps, Bailey bridges, and cash grants to list a few. AID's office of food for peace has an unexcelled record for quickly providing food for disasters which create masses of hungry people.

The role of AID in alleviating the misery of disaster victims is typified by our response to the recent flood disaster in Peru. Torrential rains lasting nearly 2

weeks caused Peru's worst floods in 50 years. Seventy-three people drowned or were crushed by landslides. Nearly 150,000 were left homeless and economic damage surpassed that attending the 1970 earthquake. Major rivers in the north overflowed inundating villages, causing extensive property losses to important urban areas such as Chimbote and Piura, and seriously damaging 80,000 acres of productive farmland. Even as the waters receded damage and distress continued to mount as sodden buildings, their foundations undermined, continued to collapse in great numbers. In Tumbes, where water pumps failed, people drank contaminated water from the river. Cases of fever and vomiting occured and an epidemic seemed imminent. Our Ambassador made a cash grant of $23,500 for emergency relief. The U.S. AID Mission immediately authorized U.S. voluntary agencies in Peru to distribute USG Public Law 480 food. AID's Disaster Relief Coordinator agreed to pay airlift charges for medical supplies donated by Catholic Relief Services and for U.S. military helicopter support for rescue and relief missions which became operational soon after being requested by the Government of Peru. Responding to an urgent Peruvian request, we also quickly provided airlift for 100 tons of sorgum seed purchased in the United States. It was imperative the seed be planted within 3 weeks to recoup some of their crop losses. AID also provided heavy road equipment, power pumps, and construction material. U.S. Government emergency assistance for these floods has been valued at $700,000.

Warm expressions of thanks for U.S. assistance from the people and governments of disaster stricken countries are not uncommon. But in this instance, acknowledgment was highly personalized by a visit to the United States of the Mayoress of the city of Chimbote, who expressed the gratitude of her city in heartfent terms in awarding Chimbote's highest decoration to AID Administrator Hannah and Deputy Administrator Williams.

COORDINATOR FOR SECURITY ASSISTANCE

Mr. SHRIVER. I know Congress as part of the Foreign Assistance Act of 1971 authorized the position of Under Secretary of State for Coordinating Security Assistance. We have a fine new Under Secretary to take on this responsibility. Would either you or he tell what you actually do in connection with security assistance?

Secretary ROGERS. I will let Mr. Tarr speak on that. I should say he will not be sworn in until tommorow but he should be able to answer this question.

Mr. TARR. I think the important thing is for us to try to formulate a policy that reflects the valid concerns of the American people and still maintains thte possibility for growth among societies in a peaceful world. In order to do this the support of a variety of Federal agencies is required. The principal need is to insure that these agencies work together. The Secretary of State is charged by existing legislation to provide policy guidance under which assistance is given.

The coordinator's position has been created to better integrate policy. It will be my responsibility to make certain that this occurs. I intend to work carefully with Dr. Hannah's people, with Secretary Laird's representatives, with the people from other Government agencies concerned, and to try to make the hard decisions that will best reflect our national interest.

Mr. SHRIVER. If you would like to enlarge on that for the record you may.

Mr. TARR. I appreciate the opportunity. I'll review it for any additional comments.

ARAB COUNTRIES

Mr. SHRIVER. We know what is in the act. We wanted an interpretation of what actually is being accomplished.

Which are the friendly Arab countries you speak of on page 4 of your statement?

Secretary ROGERS. The friendly Arab countries are Jordan, of course——

Mr. SHRIVER. That is one.

Secretary ROGERS. Tunisia, Morocco, Saudi Arabia, and Lebanon. We are also getting along much better, although we have no diplomatic relations, with Algeria. We are getting along pretty well with Sudan. However, I am not referring to Algeria there.

U.S. BALANCE OF PAYMENTS

Mr. SHRIVER. Is there any further information on our balance-of-payments situation as of now?

Secretary ROGERS. I have no——

Mr. SHRIVER. Is it improving?

Secretary ROGERS. I do not think it has improved much as yet. It takes a while after there is a realinement of rates to have it effective. There are also some offsetting disadvantages which immediately occur, so that the balance of payments prospects will probably be a little delayed. We have no doubt it will be improved.

Dr. HANNAH. Do you want up-to-date information, the best we can get, and put that in the record?

Mr. SHRIVER. Yes.

(The information follows:)

U.S. BALANCE-OF-PAYMENTS DEVELOPMENTS, FIRST QUARTER 1972

Preliminary data show the official reserve transactions balance in deficit by $3.5 billion in the first quarter, 1972. The deficit was $2.8 billion less than the fourth quarter deficit of $6.3 billion. (All figures are seasonally adjusted unless otherwise noted.) The net liquidity balance registered an estimated deficit of $3.2 billion in the first quarter, a $1.1 billion improvement from the fourth quarter deficit of $4.3 billion.

The reduction in the size of the net liquidity deficit in the first quarter was largely attributable to lesser outflows associated with transactions for which first quarter data are not available, including flows related to direct investment and those not covered by the reporting system. The improvement in the official reserve transactions deficit reflected the improvement in these flows, as well as a large decline in net liquid private capital outflows.

Following 2 years of very large net outflows of liquid private capital in virtually every quarter, the outflow dropped to only $270 million in the first quarter, a $1.7 billion improvement from the fourth. This improvement occurred despite a $340 million deterioration in liquid claims reported to U.S. banks, as liquid liabilities to private foreigners—mostly to commercial banks—registered an improvement of $2 billion, from a decline of more than $1.6 billion in the fourth quarter to an increase of $380 million in the first.

The merchandise trade deficit increased $110 million in the first quarter to a record $1,635 million. Exports rose $2,240 million (23 percent), to a total of $11,810 million, and imports advanced $2,345 million (21 percent), to $13,445 million. This was the fourth successive quarterly deficit, and was substantially larger than the $1,040 million average quarterly deficit in the three preceding quarters. (All figures are after adjustment to a balance of payments basis, excluding military trade.)

Imports have been stimulated by the strength of the U.S. economy—current dollar GNP scored an exceptionally strong gain—while U.S. export gains were limited by a slower rate of business expansion in our major markets abroad. As for the effects of the depreciation of the dollar against a number of leading currencies, changes in the volume of exports and imports induced by such currency realignments usually take place slowly. However, dollar prices of imports would be expected to rise quickly and by more than any rise in dollar prices of exports.

Mr. SHRIVER. I thank you, Mr. Secretary.

OTHER DONOR ASSISTANCE TO LESS DEVELOPED COUNTRIES

Secretary ROGERS. Thank you very much.

Mr. ROYBAL. To follow up on that, I was interested in the statement made on page 5. You say that not only was there a period of marked increase in the last decade in the development efforts of other donors, but there was also a period of significant progress by developing countries.

It is my opinion that we do not brag enough about the good that foreign aid has done in various underdeveloped countries of the world. In fact, most of the time we hear nothing but criticism.

Would it be possible, Mr. Secretary, to get some information in the record that will substantiate your remarks with regard to this subject matter? Would you also make available a listing of the 16 major donor countries, their positions and how they stand in accordance with our gross national product. This is information we can use, and I know I can use it in my district.

Secretary ROGERS. We will be glad to do that.

SUCCESS OF FOREIGN ASSISTANCE PROGRAMS

Commenting on the first part of your question, the reason is that no one is very much interested in good news. When you have a record of success that is not news. If something goes wrong that is news. However, your suggestion is a good one. We will use this opportunity to insert material in the record.

(The information follows:)

78-827 O - 72 - pt. 2 - 84

U.S. Position Relative to Other Donors

In the First Development Decade (1960-70), Official Development Assistance by the sixteen major non-Communist donors totaled approximately $65 billion. Moreover, net official flows have increased from almost $5 billion in 1960 to about $8 billion in 1970 (Table I). Over the same period United States aid has declined from 0.53 percent of Gross National Product to 0.31 percent despite the fact that the Development Assistance Committee target -- already met by six nations * -- is 1.0 percent.

Although the United States remains the largest single foreign aid donor in absolute terms, assistance given in comparison to U.S. wealth is relatively small. Almost all other developed countries give proportionally more aid than does the United States. Of the sixteen Development Assistance Committee members, the U.S. is number 15 in total aid flows and number 12 in Official Development Assistance expressed as percentage of GNP (Tables II and III). This means that the United States is giving far less in proportion to its resources than are the other developed countries. Aid in absolute terms has dropped as well in recent years in sharp contrast to the assistance policies of other nations (Table IV).

Development Achievements

Turning to performance of the developing countries themselves, available data indicate that significant economic progress has been made. For the First Development Decade the U.N. set a target of 5 percent growth in GNP per year for developing countries. This target was surpassed when average growth rate exceeded 6 percent in 1968-1970 bringing the decade's average up to 5.6 percent. This outstanding performance reflects the steady progress that has been occurring since the early days of foreign aid: 4.8 percent in 1950-60; 5.3 percent in 1960-65; and 5.9 percent in 1965-70.** Rapid growth of population has diminished these gains so far as per capita income is concerned. Moreover, the averages conceal major differences in income growth between countries and within individual countries.

* The Netherlands (1.46%), France (1.24%), Belgium (1.23%), Australia (1.12%), United Kingdom (1.04%), and Portugal (1.02%).

** 6.5 percent in the period 1968-1970.

And yet the first priority has been to obtain a "bigger pie" for sharing. And this aggregate growth is an important accomplishment. One important element has been the "Green Revolution" which has been based on the research and dissemination efforts of the Ford and Rockefeller Foundations and AID and which has contributed new grain varieties and practices that have doubled and even quadrupled yields in some lands. Food production for Latin America as a whole has increased 35 percent from 1962 to 1971. Rice production has grown by 212 percent in Nicaragua.

In other areas progress has been equally startling. In India between 1960 and 1970 life expectancy was increased from 41 to 50 years while school enrollment grew by 11 percent. Just as important, if not quite so obviously dramatic, are strides such as Turkey's 3 percent rise in investment between 1962 and 1970.

Korea's economic record in recent years has provided an excellent example of how wise economic policies supported by aid from overseas can bring about remarkable results. The statistics are impressive: in the 1965-70 period overall growth of the economy averaged 11 percent per year; industry has flourished, led by exports which grew between 30 and 40 percent each of the same years; foreign investment, virtually non-existent at the beginning of the 1960's, amounted to $3.7 billion by the end of 1971. Per capita income reached $278 by 1971, as compared with $120 in 1953.

In summary, development is taking place. It is not taking place as fast as anyone would like, but is occurring as fast as can be expected considering the amount of resources devoted to it and the difficulty of the task. Foreign aid is an important element of this development.

Attachments:

Tables I, II, III, IV

TABLE I

*OFFICIAL FLOW TO LESS DEVELOPED COUNTRIES AND MULTILATERAL AGENCIES BASED ON THE DAC DEFINITION OF RESOURCE FLOWS, WHICH INCLUDES, FOR THE U.S., ALL ECONOMIC ASSISTANCE PROGRAMS (A.I.D., PL 480, PEACE CORPS, AND CONTRIBUTIONS TO MULTILATERAL BANKS) PLUS SUCH OTHER RESOURCE TRANSFERS AS EXPORT-IMPORT BANK LOANS. DATA FOR OTHER COUNTRIES ARE ON A COMPARABLE BASIS.

TABLE II

TOTAL NET FLOWS RELATED TO GNP, 1970

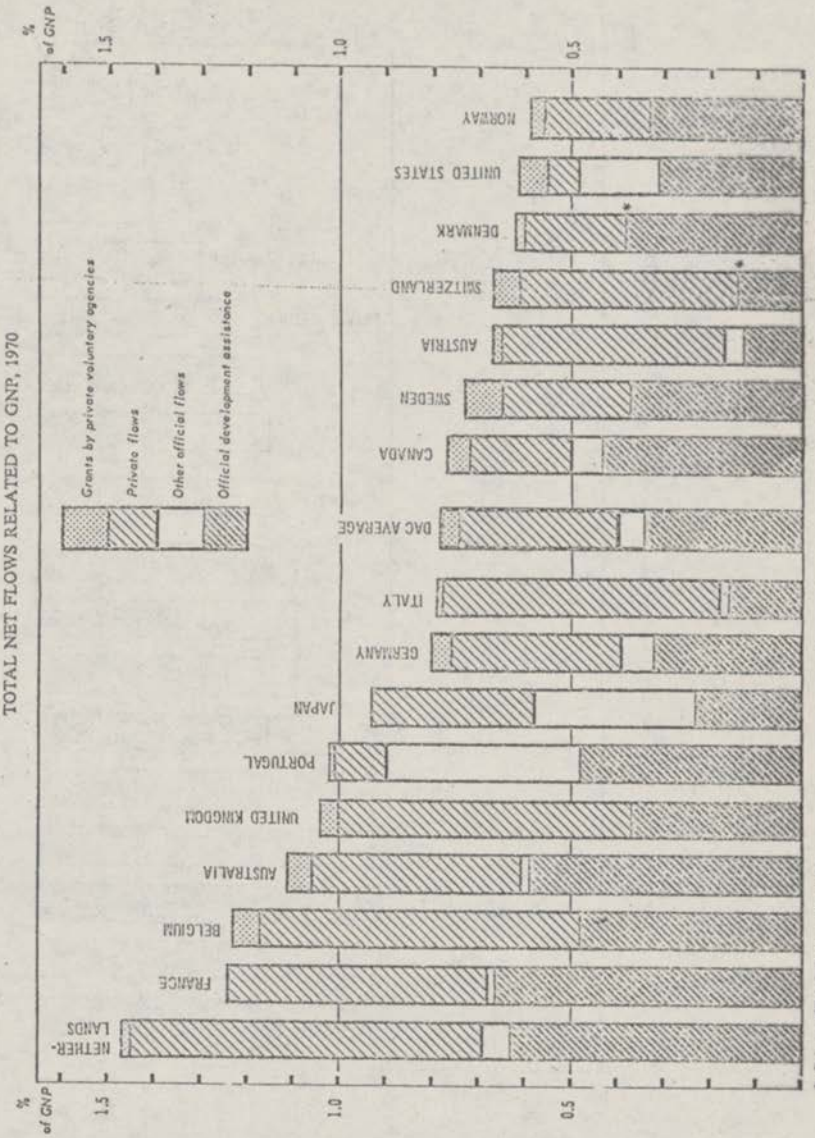


TABLE III

OFFICIAL DEVELOPMENT ASSISTANCE RELATED TO GNP, 1970

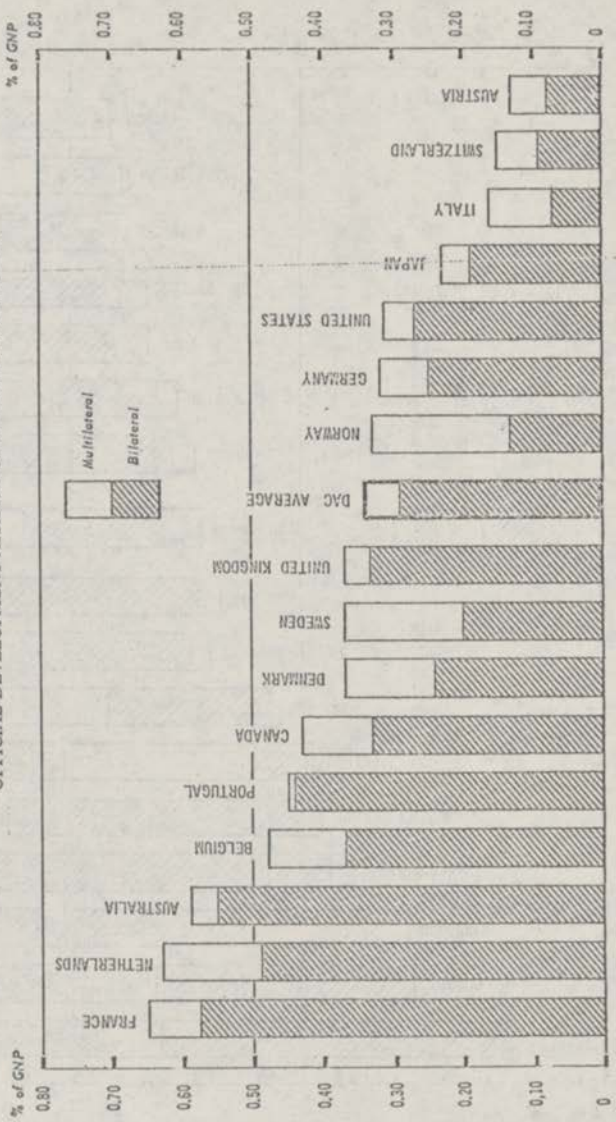
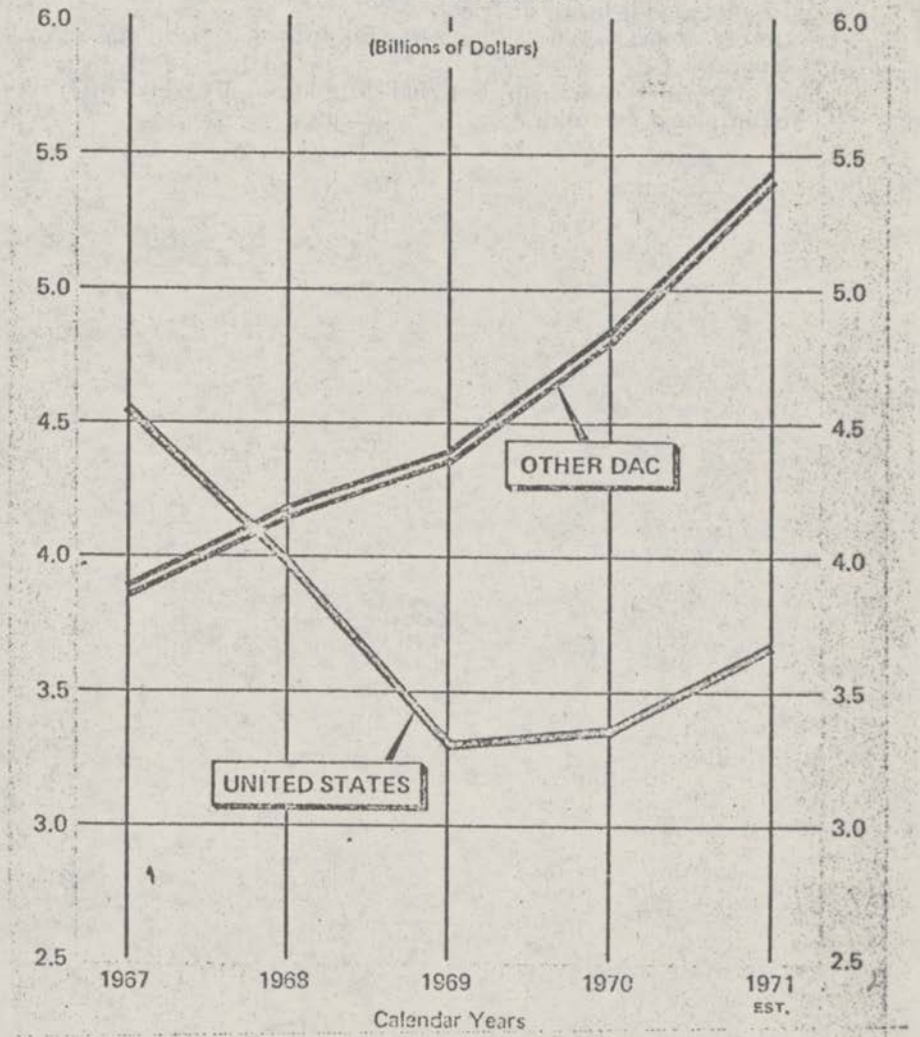


TABLE IV

OTHER COUNTRIES PROVIDE ABOUT 60 PERCENT OF ALL DAC AID*



*COMMITMENTS TO LESS DEVELOPED COUNTRIES AND MULTILATERAL AGENCIES BASED ON THE DAC DEFINITION OF OFFICIAL DEVELOPMENT ASSISTANCE (ODA), WHICH INCLUDES, FOR THE U.S., ALL ECONOMIC ASSISTANCE PROGRAMS (A.I.D., PL 480, PEACE CORPS, AND CONTRIBUTIONS TO MULTILATERAL BANKS), BUT EXCLUDES SUCH OTHER RESOURCE TRANSFERS AS EXPORT-IMPORT BANK LOANS. DATA FOR OTHER DAC COUNTRIES ARE ON A COMPARABLE BASIS.

EXPENDITURES FROM THE CONTINGENCY FUND

Mr. ROYBAL. I also would like to find out more about expenditures under the $30 million of the President's foreign assistance contingency fund. This information would be good to have for presentations we might want to make in our districts.

Secretary ROGERS. We shall insert this information in the record at this point.

Dr. HANNAH. We can supply that information, Mr. Roybal.

(The information follows:)

APPROVED USES OF THE CONTINGENCY FUND DURING

FY 1972 THROUGH MARCH 31, 1972

Dollars in Thousands

LATIN AMERICA:

Bolivia - Emergency Public Investment: 2,000

A cash grant was made to the Government of Bolivia to fund an emergency public investment program to respond rapidly to severe unemployment problems.

EUROPE:

Malta - Cash Grant: 2,900

A cash grant was made to the Government of Malta in order to facilitate negotiation of the continuation of important strategic arrangements with that country.

ASIA:

Jordan - Cash Grant: 15,000

A cash grant was made to supplement the $30 million previously provided out of Supporting Assistance. It's purpose was to help the Jordanian Government maintain the political stability which is an essential element in the search for a just and lasting resolution of the Arab-Israeli conflict. This additional requirement was not forseen at the time the FY 1972 budget request was submitted to Congress.

Dollars in Thousands

INTER-REGIONAL:		
Disaster Relief:		877.6
Earthquake	237.0	
Floods	160.0	
War-displaced persons (Pakistan)	100.0	
Volcano threat	92.3	
Hurricane/cyclone	63.7	
Relief supply stockpile	60.0	
Civil strife	46.5	
Winter storm	35.3	
Drought	25.0	
Smallpox	25.0	
Cholera	17.3	
Miscellaneous	15.5	
TOTAL CONTINGENCY FUND - AID		20,778
Transfer to Department of State:		1,850

In accord with Presidential Determination 72-6, pursuant to Sec. 2(c) of the Migration and Refugee Assistance Act, $1,850,000 of FAA funds were transferred to the Department of State to meet unanticipated urgent refugee and migration needs in connection with assistance to refugees from Eastern Europe.

Total Contingency Fund Uses	22,628

APPROVED USES OF THE CONTINGENCY FUND
During FY 1971

		Dollars in Thousands
East Asia:		
Philippines - Typhoon Damage School Reconstruction: As part of the program of relief following typhoons Joan, Kate, and Patsy, a Supporting Assistance grant of $1.5 million was made to the Philippines to cover the repair and reconstruction of typhoon damaged schools. (An additional $248,000 in Disaster Relief was provided for emergency humanitarian relief).		1,500
Inter-Regional:		
Disaster Relief:		
Civil Strife -- Jordan 4,250 -- East Pakistan 1,000	5,250	
Refugees -- made available to UN High Commission for Refugees for care of East Pakistani refugees in India	5,000	
Cyclone -- relief and rehabilitation in East Pakistan	7,500	
Floods	1,118	
Earthquakes	322	
Cholera	310	
Typhoons	248	
World Health Organization	200	
Miscellaneous -- includes Ambassador's fund for disaster relief	96	
	20,044	
Refunded overcharges	-2	
Subtotal		20,042

	Dollars in Thousands
International Committee of the Red Cross (ICRC) A contribution of $1.0 million was made to the ICRC to relieve the financial emergency resulting from the Committee's increased activities in the areas of humanitarian and disaster relief.	1,000
Total Contingency Fund - A.I.D.	22,542
Payments to U.S. Army Corps of Engineers: $3.7 million was provided from the Contingency Fund to the U.S. Army Corps of Engineers to pay a claim to a private U.S. contractor arising out of an A.I.D. construction project for which the Corps of Engineers was the implementing agent for A.I.D.	3,700
Transfer to Department of State: In accordance with the Presidential Determinations, pursuant to Section 2(c) of the Migration and Refugee Assistance Act, $10.0 million of FAA funds were transferred to the Department of State in two tranches in order to meet unexpected urgent refugee and migration needs in connection with assistance to refugees from East Pakistan. Of that total, $3.0 million were from the Contingency Fund. An additional $5,000,000 of Contingency Funds was made available for this purpose to the UNHCR as a disaster relief grant (see above).	3,000
Total Contingency Fund Uses, FY 1971	29,242

LEGAL BASIS FOR ADMINISTRATION POLICIES IN VIETNAM

Mr. RIEGLE. Earlier I think you mentioned our involvement with the North Vietnamese. I gather as a practical matter you would consider in effect that we are at war with North Vietnam. Is that so or is it not so?

Secretary ROGERS. I suppose there are a lot of ramifications to the legal state of war so that I have to be careful. As a practical matter that is what we are involved in.

Mr. RIEGLE. As you know, in the last 2 or 3 years we have taken action legislatively in this branch of government. We repealed the Gulf of Tonkin resolution. The President himself signed it into law. On two occasions, under the Military Procurement Act and in the extension of the Selective Service Act, there was an amendment which said that the United States would, as a matter of policy, set a terminal date, the earliest practical date, for full withdrawal from Vietnam contingent on release of prisoners.

I recall when the President signed that bill he said he felt that particular provision was not binding, though that is not an exact statement of his language.

What grant of authority are you using now, or what legal basis are you using now, to justify actions such as the ones we are taking with respect to the blockade and the mining of the harbors?

Secretary ROGERS. We are using the constitutional powers that the Commander in Chief has, Commander in Chief of the Armed Forces, to protect our troops and finish the involvement started.

Mr. RIEGLE. Then the next question—if that is true, how do we respond to people who say "Now the President has gone up into North Vietnam, as high as Hanoi, to try to stop supplies coming down"—using the justification you just cited. Why doesn't that justification also exist if they find another way to bring them into the country of North Vietnam? With 80 percent of the supplies coming from the Soviet Union, would the President be able to use that same power to go up and destroy the manufacturing facilities in the Soviet Union?

Secretary ROGERS. No; I don't think so.

Mr. RIEGLE. Where is that difference?

Secretary ROGERS. Talking now on the premise you started, that we are at war, we are at war together with the South Vietnamese forces against North Vietnam. However we got there, we got there. Most people think we got there because of the Gulf of Tonkin resolution. Once you are there, then the Commander in Chief under the Constitution has the authority to conduct that war in a way that he thinks is best in the national interest and protection of American troops.

Mr. PASSMAN. And the responsibility.

Secretary ROGERS. And the responsibility.

If we were to become involved with a totally different enemy, that is quite another matter.

INCURSIONS IN LAOS AND CAMBODIA

Mr. RIEGLE. We have gone into Cambodia. We have gone into Laos. We are now acting in this new way in North Vietnam. What I don't

understand is how are we protected against his going into some other new country?

Secretary ROGERS. As to Cambodia and Laos, we went there because the North Vietnamese were using those countries as sanctuaries. We didn't go in to fight the Cambodians but the North Vietnamese.

Mr. RIEGLE. Can we be certain this will not extend on to still another new country? Can we have that assurance or not?

Secretary ROGERS. You certainly have the assurance we will not make any attack on the Soviet Union.

Mr. PASSMAN. It is true, though, that the North Vietnamese would come across the borders and kill our men and then run back across the border, have a big party, and not be molested.

Secretary ROGERS. That is right.

Mr. PASSMAN. In a couple of days they would run in again, kill our men, and run back across the line. We went into Cambodia to save American lives and American resources.

I think history will prove it was one of the wisest decisions ever made by any President in the history of the United States. Is that not the way it looks at this time?

Secretary ROGERS. Yes, Mr. Chairman.

Mr. PASSMAN. It had to be done to protect our own men and to save lives. Has it not saved lives?

Secretary ROGERS. Yes, we think so.

Mr. HATHAWAY. Mr. Secretary, I want to pursue the questions I asked during the 5-minute period.

RISE OF CONFRONTATION WITH SOVIET UNION

Mr. HATHAWAY. Has the administration explained to the general public the reason why the risk of confrontation with Soviet Russia is not great as a result of this newly announced policy? If so, I have not seen it in the newspapers. I wondered why the administration has not made a statement with regard to it.

Secretary ROGERS. In the first place, we do not want to challenge the Soviet Union. We don't want it to appear we are saying "We are sure you will not confront us" because that may have the opposite effect.

Secondly, events themselves will justify that. If our judgment is correct we will know it pretty soon. In fact, it is beginning to look that way now. There is a feeling now that probably there will not be a major confrontation.

If you noticed yesterday the stories out of the Soviet Union, they indicated the summit will be on and they are passing on the word that the summit is still on.

The first reason I gave is that we don't want to do anything to exacerbate the Russians to take action.

Secondly, events will prove it for us. We don't have to say much. If there is no confrontation there is no confrontation.

Mr. HATHAWAY. The problem with us is that we face our constituencies every weekend justifying the risk not being great without being able to list a number of factors to buttress that statement.

Secretary ROGERS. I see no reason why you could not——

Mr. HATHAWAY. Are we at liberty to say what you have today?

Secretary ROGERS. I would appreciate your not quoting me but you can say this is your judgment. After all, you are on the committee and you can state it as your judgment.

If I say it, then it will look as if I am trying to challenge the Soviet Union. "We said you would not confront us and you have not." That is what we don't want to do. We want to keep quiet about it.

U.S. CONCESSIONS IN SEEKING A VIETNAM SETTLEMENT

Mr. PASSMAN. I think we have made every effort to conclude this war; have we not?

Secretary ROGERS. That is right.

Mr. PASSMAN. Would you put in the record at this time the concessions our President has made trying to conclude this war and bring the other 60,000 U.S. troops home? Would you put that in the record at this point?

Secretary ROGERS. Yes.

(The information follows:)

In October 1970 President Nixon put forth a five-point peace plan, including a proposal for an immediate cease-fire in place.

In May 1971 we offered to withdraw all U.S. forces by a fixed date in return for a cease-fire in Indochina and the release of prisoners of war.

When Hanoi insisted that we address the political as well as the military elements of a settlement, we responded by offering, in October 1971, a comprehensive eight-point proposal which provided for agreement on the withdrawal of U.S. forces, the release of prisoners, a cease-fire, and the holding of elections within 6 months with South Vietnam's President and Vice-President resigning 1 month before the elections.

When Hanoi failed to respond to this offer, made in private talks, President Nixon renewed it publicly in a major peace initiative in January 1972.

After Hanoi again rejected our overtures and instead launched its current military offensive, the President made yet another generous peace offer when he announced new military actions against North Vietnam on May 8. He said these actions would cease, and all U.S. forces would be withdrawn from Vietnam within 4 months, once Hanoi released our prisoners and a cease-fire was begun.

We have made clear that we are flexible in our negotiating approach; that we remain ready to discuss the other side's proposals as well as our own. Hanoi has rejected all our proposals and continues to insist that we agree not only to withdraw unconditionally but also to remove the present leadership of South Vietnam as a condition for any negotiated settlement.

U.S. ARMS AGREEMENT WITH ISRAEL

Mr. HATHAWAY. Do we use our arms supplies to Israel as a club over Israel's head to hasten them into negotiations?

Secretary ROGERS. No, not in that way. We do point out to Israel from time to time that they have to keep in mind that we have common interests. We are closely associated in the public mind and internationally with Israel, so we say to Israel in effect, "Look, you have to take into consideration our national interests, too, because we are involved in this together," though we don't do it in a coercive way.

Mr. HATHAWAY. You don't say "No cooperation, no jets." Not quite that way?

Secretary ROGERS. No.

Mr. HATHAWAY. But almost that way?

Secretary ROGERS. We try not to.

LEVEL OF ECONOMIC AID

Mr. HATHAWAY. Why is the administration's fiscal year 1973 request for economic assistance only $1.41 billion, down $173 million from last year? Should we not rather be stepping up our levels of economic aid, in view of continuing need for such aid and in view of the fact that the United States currently ranks only 12th among the 16 major aid donors, as measured relative to GNP?

Secretary ROGERS. We would very much like to step up our level of aid. The need and ability to effectively utilize additional funds by the LDC's is there. However, general U.S. budgetary constraints has forced us to seek only enough money to maintain our program at the very minimum essential levels.

THE NEEDS OF DEVELOPING COUNTRIES

Mr. HATHAWAY. Given the relative levels of economic and military assistance and the programs involved, can you say that our foreign aid program is responsive to the major needs of developing countries?

Secretary ROGERS. The two programs serve very different purposes. Our economic aid is designed to attack the essential, high priority problems facing the LDC's. Our military aid is largely concentrated in those nations facing an external threat. Without such military assistance they would have to divert their own scarce economic resources away from development to protect themselves against aggression.

SOVIET PROVOCATIONS

Mr. HATHAWAY. Even though the Soviets did not call off the Moscow conference, is there not a distinct possibility that they will provoke a confrontation in another part of the world, such as the Middle East at a later date in retaliation for our initiative in Vietnam?

Secretary ROGERS. There are no indication at this time that the Soviets would want to provoke a confrontation in another part of the world, such as the Middle East. On the contrary, at the Moscow summit the Soviets agreed to cooperate with us in several areas. General Secretary Brezhnev signed the basic principles of relations between the United States and U.S.S.R., in which the two countries undertake to "do their utmost to avoid military confrontations and to prevent the outbreak of nuclear war." Furthermore, "they will always exercise restraint in their mutual relations and will be prepared to negotiate and settle differences by peaceful means." In the joint U.S.-Soviet communique the two sides reaffirmed their support for a peaceful settlement in the Middle East in accordance with Security Council Resolution 242. The two sides also declared their desire to contribute to the success of the Jarring mission, and "to play their part in bringing about a peaceful settlement in the Middle East."

VIETNAM

Mr. HATHAWAY. Additionally, does the U.S. action not pose the threat of the Soviets' raising the level of military assistance to the North Vietnamese, perhaps by sending them more sophisticated missiles to use against U.S. ships?

Secretary ROGERS. We believe that the measures ordered by the President will be effective in limiting Hanoi's access to weapons of whatever variety which it seeks to acquire to pursue its aggression.

INDOCHINA WITHDRAWAL

Mr. HATHAWAY. Why does the administration envision its taking 4 months to withdraw our troops from Indochina once agreement is reached on a cease-fire and release of prisoners of war?

Secretary ROGERS. The President specified that we would proceed with complete withdrawal within a period of 4 months of release of prisoners and the accomplishment of the cease-fire. Presumably, the exact period required will be determined by the circumstances and administrative considerations.

MIDDLE EAST SITUATION

Mr. HATHAWAY. With regard to the Middle East situation, does the administration plan to support and give economic assistance to a Palestinian state established on the West Bank of the Jordan, should this be agreed to as a compromise measure by the conflicting parties in the area?

Secretary ROGERS. As your question implies, none of the parties to the Middle East conflict, including Palestinian spokesmen, have come out in favor of an independent state on the West Bank. Accordingly, the administration has no position on providing assistance. If such an independent state were to arise by agreement of all concerned we would of course consider sympathetically what we might do to be helpful.

PRC, U.S.S.R., DRV

Mr. HATHAWAY. Is not the U.S. action likely to promote closer relations between the Soviet Union and China, counter to trends in recent years? Both the Soviet Union and China have a stake in the North Vietnamese cause. Now that the North Vietnam ports are blocked, the Soviets will have to unload supplies at Chinese ports and then have them shipped by rail into North Vietnam.

Secretary ROGERS. To address the second part of your question first, although Peking and Moscow will be under some pressure to demonstrate their support for the DRV in the wake of the U.S. response to the North Vietnamese offensive, there are likely to be severe limits on the degree to which Soviet cargoes will be diverted through Chinese ports. In the first place, Peking has over the years consistently resisted Soviet efforts to use the Vietnam war as the basis for establishing a presence in southern China. So far, the Chinese are apparently still reluctant to allow large-scale diversion of supplies following U.S. mining of the DRV coast.

Even if there were mutual trust and harmony between the PRC and the U.S.S.R., there are limits to Chinese rail and truck capacity. Moreover, and more importantly, damage to DRV transport lines would tend to diminish the utility of such diversions.

More fundamentally insofar as the long-term global strategic situation is concerned, we have no reason to believe that Chinese and Soviet support for the North Vietnamese, even if pursued to some extent on

a cooperative basis, will lead to common policies on a broad scale now or in the future. There may be some papering over of Chinese and Soviet differences over time. Specifically, we foresee continuing improvement in Sino-Soviet trade and continued civility in diplomatic exchanges. We do not believe, however, that the basic national disputes, intensified by ideological differences, will be resolved in the foreseeable future. Neither a small degree of forced cooperation in supplying North Vietnam nor a conscious effort to mute extreme polemics will, in our opinion, heal the deep faults in what used to be viewed as the Communist monolith.

BLOCKADE OF NORTH VIETNAM PORTS

Mr. HATHAWAY. In international law, a blockade is considered to be an act of war. Since the Tonkin Bay resolution has been repealed by Congress, and since the SEATO Treaty provides that a member country shall act in accordance with its own constitution, what legal authority does the administration have to act as it has done against North Vietnam without asking the Congress for a declaration of war or any other authority to do so?

Surely the protection of the 60,000 remaining U.S. troops does not by itself justify such action.

Secretary ROGERS. The mining of North Vietnam's internal and claimed territorial waters does not constitute a traditional blockade. The United States has not stopped and boarded ships on the high seas nor have we attempted to capture vessels which proceed on to North Vietnam as would be our right in a blockade. Furthermore, the measures taken are measures of collective self-defense in response to an armed attack by NVN against SVN. The right under international law to take such measures is recognized by Article 51 of the United Nations Charter.

The President's constitutional authority in the field of foreign relations and as Commander in Chief and Chief Executive provides ample legal basis for him to end U.S. involvement in the war, which was underway when he assumed office, in a way which will protect the lives and safety of American forces in the field and bring about the release of our prisoners of war. The constitutional authority also empowers the President to bring about the withdrawal of American forces within the framework of a foreign policy designed to contribute to international peace and security and to the security of the United States.

Mr. PASSMAN. Mr. Robinson?

U.S. ASSISTANCE TO BANGLADESHH

Mr. ROBINSON. Mr. Shriver was pursuing a line of questioning that I would appreciate pursuing.

Mr. SHRIVER. You may go ahead, Mr. Robinson.

Mr. ROBINSON. I don't have to tell you that out in the rural areas, such as the 25 percent of Virginia's geography which I represent, we have a great deal of problems selling foreign aid.

Secretary ROGERS. Yes.

Mr. ROBINSON. The poll I conducted indicated that 85 percent of the people in the district were opposed to increasing foreign aid, and indeed they wanted it substantially decreased.

That being the case, and considering the fact that this is an appropriations subcommittee, we have talked about $50 million for Israel. Generally I think this finds favor within the committee.

However, we talked about $200 million for the Pakistan refugee problem, reduced to $100 million for the next fiscal year.

Secretary ROGERS. Yes.

Mr. ROBINSON. This is, indeed, very hard to sell. We need more justification for this kind of effort on the part of the U.S. taxpayer. How can we sell this to these people who do not even know where Pakistan is, or where Bangladesh is?

Secretary ROGERS. Let us attempt to provide some information in the record for that purpose, Mr. Robinson. At the moment, of course, we are not sure whether it will be enough or too much, but actually the American public is pretty generous if they understand the problems. This has been our nature. I think what probably will face Bangladesh is a massive problem of food shortage.

Our assistance to date has been channeled primarily through the United Nations and to a lesser degree through voluntary agencies. Other nations, we will insist, contribute their share, too. This is humanitarian aid and it is for a temporary period.

We will try to provide information for you on that.

(The information follows:)

The new nation of Bangladesh faces tremendous relief and rehabilitation needs following 9 months of civil strife culminating in military action in East Bengal between Indian and Pakistani forces last November–December. Experts estimate it will probably take very large amounts of foreign assistance over the next several years to meet Bangladesh's immediate relief needs and to bring the country's seriously damaged economy back to its pre-March 1970 level. Perhaps the most serious economic problem facing Bangladesh is its massive food deficit in which chronic shortfalls have been worsened by dislocations from the war.

Following the disruption of its East Pakistan relief operation during the Indo-Pakistan hostilities last November–December and the emergence of the new nation of Bangladesh, the U.N. redoubled its humanitarian activities in the area. On February 15, Secretary General Waldheim issued an appeal to the international community for donations. The appeal assessed the most urgent relief needs for the balance of this calendar year at $620 million, primarily food. On May 1, the U.N. issued another assessment, this one identifying longer range rehabilitation requirements at about $650 million for the relief effort.

The United States is committed to provide its proportionate share to the international Bangladesh relief effort. We have already funded a significant amount of urgently needed relief goods and services to the United Nations and to several private voluntary agencies having relief programs in the area. We are prepared to provide further relief and rehabilitation assistance, both to the U.N. and the voluntary agencies as well as for direct bilateral programs as new needs are identified. In this regard, in his February 9 foreign policy report to Congress, President Nixon emphasized that:

Our relief effort in East Bengal will continue. The authorities face the grim challenge of creating a viable political structure and economy in one of the most impoverished—and now newly devastated—areas of the world. We have never been hostile to Bengali aspirations. Our aid program in the 1960's increasingly concentrated on development in East Bengal. We provided two-thirds of the world's emergency aid to the provinces in 1971. We would expect other nations to bear a proportionate share of that responsibility in the future, but as the United States strengthens new relationships in Asia, we have no intention of ignoring these 70 million people.

Subsequently, in my March foreign policy report to Congress I noted that:

It is clear that the leaders of Bangladesh will be faced with staggering problems as they seek to recover from the disruption of war and to restore normal life to the millions of people whose lives were disrupted by the tragic events of 1971.

To help alleviate such suffering will be a major purpose of our policy in the area during 1972. Last month, in response to the U.N. Secretary General's appeal

for assistance to Bangladesh, we committed about $25 million worth of food and other supplies. The Congress has recently appropriated an additional $200 million for relief and reconstruction. We will continue to contribute from these appropriations to our share of a major multilateral relief effort under U.N. auspices.

Mr. ROBINSON. It is very difficult, particularly when we talk in these huge round figures, $200 million, $100 million, and there is no justification really except you say these people are needy. That is all we know.

Dr. HANNAH. Of course, we got into this Bangladesh business when it was East Pakistan. First they had a terrible cyclone, as you will recall, 3 million people without homes who had to be fed. We knew all last year we would have to provide food for these people because they could not feed themselves.

Then they got into this war. We were in the middle. We were not very acceptable either to the East Pakistan or the Indian leaders. The decision was made that we would not have people go hungry because of any failure on our part, so very early in that war we made the decision and we began delivering 100,000 tons of cereal grains per month to East Pakistan. We indicated regardless of our differences we did not want to let people die because there is no food.

That got along all right until they got into the war. Then the bridges were down, railroads didn't work, and foodstuffs could not be distributed.

The decision was made, at the insistence of the Secretary, that the U.N. would take the responsibility for feeding the people in Pakistan. We made lighters available to them, we furnished trucks, and we continued to deliver the food as best we could.

Now the war is over. We recognized Bangladesh. Approximately $71 million of the $200 million has been committed. Part went for refugees in India. Part went to the U.N. and U.S. voluntary agencies. Approximately $129 million is not yet committed.

The U.N. has calculated it will take about $600 million to furnish this relief job. The Secretary and the President have agreed we will not provide more than a third of the total cost.

The uncommitted amount left of the $200 million and the $100 million request for fiscal year 1973 we feel will be all that is necessary in addition to food aid. We will expand on that, tell you where the money is going, and how we will handle it from now on out.

(The information follows:)

FUTURE U.S. ASSISTANCE TO BANGLADESH

The unobligated balance of the $200 million appropriation is approximately $128.9 million. The U.S. Government is tentatively programing use of these funds as follows:

A. Bilateral contributions: This might consist of (1) commodity grants (cotton and tallow) plus other commodity requirements as well as (2) project assistance which is now being discussed with the GOBD. Areas of project activity we are considering include bridges and roads, coastal embankments, power transmission and distribution, low lift pumps.

B. Additional grants to voluntary agencies.

C. Additional assistance to UNROD (such as the charter by the U.S. Government of silo ships and vessels to transport 22,000 tons of Pakistan rice to Bangladesh.

D. Balance to support activity the IBRD may undertake, or other purposes.

Current estimates of relief, rehabilitation, and reconstruction needs in Bangladesh during fiscal year 1973 are:

A. *Food.*—In addition to 1.5 million tons of food already committed and which will meet requirements through August 1972, approximately 1 million tons of food grains and edible oil are needed for arrival in Bangladesh between September 1972 and March 1973.

B. *Nonfood.*—A United Nations-World Bank-International Monetary Fund survey that has just been completed lists nonfood requirements worth $648 million for the period of March 1972 through June 1973. Much of this is very preliminary and suggests simply an order of magnitude. A breakdown of the total shows estimates for agricultural inputs and rural works ($253 million), transportation ($109 million) and telecommunications ($3 million).

The U.S. Government proposes to use the $100 million requested for fiscal year 1973 to sustain or expand previously authorized programs, as well as to help support those additional assistance activities which may prove to be needed. Understandably, details are lacking at this time, and much of what we can and will do depends, in part, on future contributions from other countries. There is no question as to the great actual need of Bangladesh for continued humanitarian assistance throughout fiscal year 1973.

Additional U.S. Government food relief contributions may also be needed in fiscal year 1973, particularly during the period September–December 1972 when food stocks traditionally reach their lowest levels in Bangladesh. Again, we are not yet in a position to determine what the U.S. contribution might be, as this is subject to future assessments of need and pledges and contributions from other donor countries. At this time, however, it appears that there may be a need for a further USG contribution of approximately 500,000 tons of food commodities.

The Congress has expressed its desire that our "fair share" of humanitarian assistance for Bangladesh be limited to 40 percent of the total from all other donor countries if reasonably possible. The actual percentage of the U.S. share at any given time is determined from periodic reports issued by the UN Relief Operation, Dacca (UNROD), summarizing international pledges and contributions for Bangladesh relief. To date, however, U.S. commitments as a percentage of total international commitments is considerably lower than this 40 percent figure.

Mr. PASSMAN. Dr. Long asked me to submit the following questions for him.

(The questions follow:)

BLOCKADE OF NORTH VIETNAM

Mr. LONG. For how long does the administration plan to maintain its blockade of North Vietnamese ports?

Secretary ROGERS. The President specified on May 8 the conditions under which we will cease the actions taken to interdict the delivery of supplies to North Vietnam. First, all American prisoners of war must be returned. Second, there must be an internationally-supervised cease-fire throughout Indochina. When these conditions are met, the United States will stop all acts of force throughout Indochina, and proceed with a complete withdrawal of all American forces from Vietnam within 4 months.

Mr. LONG. Will any civilian (nonmilitary) ships be allowed to run the blockade?

Secretary ROGERS. U.S. naval vessels deployed in the area are not preventing merchant vessels of other countries from approaching North Vietnamese ports. Merchant vessels are merely warned that those attempting to enter the mined port do so at their own risks. The mining, however, is so effective that we expect no ocean-going ships can enter the ports.

MIDDLE EAST SETTLEMENT

Mr. LONG. What is the status of negotiations for a settlement of the Arab-Israel conflict?

Secretary ROGERS. Except for the flurry of military activity along the Israel-Lebanon border in late February, the cease-fire lines have been quieter for longer than at any time since the June 1967 war. This relative tranquility, however gratifying, is no cause for complacency since the military quiescence has been paralleled by a slowing of diplomatic activity. Ambassador Gunnar Jarring, the UN Secretary-General's Special Representative, resumed his contacts with the parties early this year, but they have not borne fruit due to the continuing fundamental differences between Israel and Egypt over the territorial terms of reference for negotiations.

On the other diplomatic track, the quest for an interim agreement which would reopen the Suez Canal and bring about a limited Israel withdrawal, we have Israel's agreement to participate in close proximity talks with Egypt, with the United States serving as a diplomatic go-between. Although it is clear that Egypt would prefer reactivation of Jarring's mission, and has held in abeyance a reply on entering proximity talks, it remains our view that an interim canal agreement offers the most promising avenue for progress toward a peaceful settlement. We will continue to be available to both sides in the interest of progress toward a genuine give-and-take negotiating process.

MIDDLE EAST ARMS BALANCE

Mr. LONG. Do you think it will be necessary to provide Israel with more jet planes in the next 12 months in order to maintain the arms balance between Israel and Egypt?

Secretary ROGERS. Maintenance of the arms balance in the Middle East remains a cornerstone of our policy in that troubled area. The President has made clear on numerous occasions our view that maintenance of the balance of military power contributes to regional stability, which is an essential precondition for progress toward a negotiated peace agreement. During an interview with CBS correspondent Dan Rather on January 2, 1972, the President stated "We have made a decision, Mr. Rather, implementing a policy that I have long announced, that we will not allow the balance, the military balance, in the Mideast to be shifted. Now the Soviet Union has been sending in very significant arms shipments to the UAR (Egypt). In view of those shipments, as that continues to escalate, we have had to consider the requests of Israel for planes in order to see that the balance does not shift. We have made a commitment, in principle. As far as implementing that commitment is concerned, however, this is not, of course, the time to go into it." While we refrain from public discussion of the details of our arms relationship with Israel, I can assure you that we have made arrangements with Israel covering the period you refer to, to carry out our ongoing policy of maintaining the military balance between Israel and the Arab states.

U.S. CONTRIBUTIONS TO INTERNATIONAL FINANCIAL INSTITUTIONS

Mr. PASSMAN. Gentlemen, let us not misunderstand this foreign aid. It has cost us $212 billion since we started it, half of our public debt, and we have priced ourselves out of the world market. Some of the other countries are making fools out of us. I am not a foreign aid enthusiast. I am trying to be a gentleman and it is the hardest thing in the world for me to do when we talk about this program.

Thank you, Mr. Secretary, for your appearance today.

Secretary ROGERS. Thank you, Mr. Chairman and gentlemen.

STATEMENTS OF INTERESTED INDIVIDUALS AND ORGANIZATIONS

Mr. PASSMAN. Before concluding our hearings on the fiscal year 1973 foreign aid program, I would like to insert in the record at this point several statements and letters concerning appropriations presently before the committee.

(The statements and letters follow:)

CITIZENS COMMITTEE FOR UNICEF,
Washington, D.C., May 15, 1972.

Hon. OTTO E. PASSMAN,
Chairman, Subcommittee on Foreign Operations, House Appropriations Committee, U.S. Capitol, Washington, D.C. 20515

DEAR MR. PASSMAN: The Citizens Committee for UNICEF requests your permission to file this letter in the record of your subcommittee's hearings this year in lieu of a formal presentation before the subcommittee.

The organizations that joined in filing a statement with you last year reaffirm our support of a contribution of $15 million by the United States to the UN Children's Fund. This is the amount which has been authorized for each of 2 years under the authorizing committees' action for fiscal 1972. We are pleased to note also that the executive branch is proposing a $15 million contribution this year. We support it wholeheartedly.

There are approximately 800 million infants and children under 15 years of age in countries currently assisted by UNICEF. Many of these children especially those in rural areas and slums and in the burgeoning urban shanty-towns, face a daily emergency of mere survival. Health care, adequate nutrition and enough schooling to become literate are among their most pressing needs. Thus, the major priority concerns of UNICEF will continue to be health services, nutrition, education and social services. This year the Children's Fund is cooperating in programs in 112 developing countries of Africa, Asia, the Eastern Mediterranean and the Americas.

Although the total financial resources available to UNICEF are small in comparison with the sums available to the multilateral financial lending institutions, the impact of UNICEF aid is magnified several fold by the fact that assisted governments provide substantial sums in addition to the international assistance made available by UNICEF. This self-help aspect of UNICEF aid gives added reassurance that UNICEF assisted programs are well planned and efficiently administered. In passing, it is interesting to note that one dollar in every eight of UNICEF's general resources from governments is contributed by a country which is itself cooperating with UNICEF on a program within its own borders (in which it also invests). This fact offers impressive testimony to the value placed on aid to children by the countries most directly involved. In 1971, a new record high of $42.8 million including regular and special contributions was contributed to UNICEF's general resources by 138 governments. So far in 1972 increases have been announced by 11 major donor governments other than the United States.

During the past decade there has been an informal understanding that voluntary contributions to UNICEF by the United States should be limited to no more than 40 percent of total contributions from all governments. Now, as other countries have been increasing their contributions, a U.S. contribution of $15 million in fiscal year 1973 will represent approximately 32 percent of total government contributions. According to recommendations in the Lodge report and opinions expressed by some Congressman that the U.S. share of financial support for the assessed programs of the United Nations should be reduced to around 25 percent, it should be noted that such proposals do not apply to the organizations supported by voluntary contributions.

The policies under which UNICEF has operated during the 25 years of its existence remain as sound and sensible now as they were in the beginning. Because these guidelines were so well chosen, UNICEF has been able to avoid many of the problems that are now appearing to plague some of the larger and more ambitious plans for economic development. UNICEF serves as the catalyst in advocating to the developing country that it make its most important investment of all: an investment in its human resources. The long range benefits to be gained from a healthy and educated population are truly incalculable. Without such development of people, some of the more sophisticated and visible indicators of economic growth many prove to be of limited value.

We urge this subcommittee to approve the request for $15 million for UNICEF in fiscal 1973. The Children's Fund has committed all of its present funds and has no funds on hand beyond those required for its current programs. There are no reserves in the pipeline. Furthermore, UNICEF's board has approved some $7.8

million in other needed programs called noted projects which are ready for implementation as soon as the resources become available to permit their activation.

In these days of searching reexamination of the effectiveness of the United Nations itself and of its affiliated organizations, we are confident that that subcommittee shares our view that the Children's Fund is an outstanding example of the good that can be accomplished by mutual cooperation among the nations of the world. We are grateful to the subcommittee for your sympathetic support of UNICEF in the past and look forward to your continuing approval in this year's appropriation bill.

Sincerely,

Mrs. Virginia M. Gray,
Executive Secretary.

Statement by John P. Richardson, Executive Vice President, American Near East Refugee Aid

The current debate in Congress over American foreign aid has brought into the open doubts of both liberals and conservatives about the wisdom of many uses to which American aid dollars have been put. While most concerned legislators concede the importance of some sort of foreign assistance program, all are in agreement that excesses have been tolerated too long. It is ironic that an apparent victim of the current politics of foreign aid has been one of the most meritorius and least expensive projects I know of; The vocational training program of UNRWA (United Nations Relief and Works Agency for Palestine refugees).

The late Congressman James Fulton of Pennsylvania introduced an amendment to the Foreign Aid Act of fiscal year 1970 that made available to UNRWA and earmarked $1 million for vocational training; the amendment included a like amount in the fiscal year 1971 act. In 1971 both the Senate Foreign Relations Committee and the House Foreign Affairs Committee authorized an extension of the amendment to cover fiscal year 1972 and fiscal year 1973, yet neither of the appropriations committees made the authorized sums available. This deletion, coupled with a grave budgetary deficit facing UNRWA this year, threatens to cut deeply into UNRWA's ability to train young refugee men and women for constructive personal futures.

While many of the facts about the Palestine refugees are well known, it is worth reiterating that refugees who became dependent on international assistance following the 1948 and 1967 Arab-Israeli wars were those who lacked skills to make them employable where they found themselves when the fighting stopped. They were primarily men who possessed only peasant farming skills and who lacked the opportunity to be retrained for other work in countries with a surplus of indegenous farm laborers. While the harshness of events and time has doomed many of the fathers of the 1948 refugee generation to stagnation and frustration in their remaining lifetimes, their sons—and daughters—are the hope of the future for the Arab people of Palestine. These young people, sharing with their parents a life of uncertain status outside their own homeland, realize that education is the single, indispensible key to their own future.

UNRWA has done a magnificant and often thankless job in providing services to dependent Palestinian refugees over the years. UNRWA was assigned no responsibility by the General Assembly—to whom it is accountable—for finding a solution to the refugee problem; rather its responsibility has been to serve current needs of the needy. UNRWA is now confronted with a budget deficit which imperils the continuation of the services it provides to Palestinian refugees. The deficit, estimated for calendar 1972 at $4.5–$5 million has already begun to cut into agency activities: Food ration distributions have been curtailed; monthly distributions of cake soap have been discontinued; the composition of the food ration itself has been changed. In the areas of sanitation and health, severe restrictions have been put on supplies, and personnel are instructed to maintain existing services at lowest possible cost. UNRWA has been forced to withhold previously paid subsidies to host governments for educational and medical services they have provided to refugees registered with UNRWA.

UNRWA has pledged itself to maintain possible services to refugees despite its financial problems—and there is little debate within the agency over the

decision that life-support services are the most important. Application of this grim yardstick means that the greatest relative cuts will be made in education and vocational-training, arguably a luxury if worse come to worst.

UNRWA operates eight vocational and/or teacher-training institutes in the Middle East (two in East Jordan, three on the West Bank, and one each in Gaza, Lebanon, and Syria). These centers have places for more than 4,300 trainees, most of whom are enrolled in 2-year programs. Vocational courses for men are oriented toward industrial and urban subjects, including refrigeration and air-conditioning, auto electricity, land surveying, and engineering drafting. Women's courses include clothing manufacture, secretarial, lab technician, and assistant pharmacist. The total cost of running these programs is $3,960,000, of which UNRWA currently provides $2,176,000 from its own budget.

Discontinuance of the special U.S. contribution will jeopardize operation of new or expanded centers in three key locations. The new, coed training center in Amman, built with private American contributions and opened with 700 students and 100 teachers last December, may have to be closed. Even if threatened centers remain open, it will be only because of drastic reductions in students and staff. Additionally, UNRWA will have to terminate other training programs, including adult education, nurses' training, and special programs for handicapped children.

The above-mentioned programs are the way out of dependency for the Palestine refugees, a proud people who have asked not for charity but for work all these years. Parents—often without education—line up each year to insure that their children will be able to enter UNRWA schools (run in cooperation with UNESCO); candidates for vocational-training schools exceed space available. Vocational graduates go wherever the jobs are: Libya, Kuwait, the Persian Gulf, Europe, or elsewhere. Once established, they send remittances back to their families, frequently providing educational opportunities for younger brothers and sisters as well as providing sufficient resources for their families to move off UNRWA ration rolls.

Benefits to the United States through support of UNRWA vocational-training are numerous. This support constitutes a sharing of resources with deserving individuals abroad in such a way as to provide tangible evidence to American taxpayers of the uses to which the funds are put. The assistance produces a multiplier effect in that the training received by refugee youth permits them to increase their lifetime earning substantially, the benefits of which are passed on to their families. Support to UNRWA educational programs assures an ongoing channel for youthful energies that might otherwise be diverted into political activities that could further threaten the fragile stability of the Middle East. There are few foreign-aid programs of which I am aware that provide such an impressive return to the American taxpayer on his dollar.

I urge that the Foreign Operations Subcommittee of the House Appropriations Committee do everything possible to insure that the original authorization of $1 million for UNRWA vocational-training be restored to the fiscal year 1973 foreign-aid bill and that this item remain in the foreign-aid budget in the future as a priority item.

FRIENDS COMMITTEE ON NATIONAL LEGISLATION,
Washington, D.C., May 9, 1972.

Congressman OTTO E. PASSMAN,
Chairman, Appropriation Foreign Policy Subcommittee, U.S. Congress.

DEAR CONGRESSMAN PASSMAN: We would like to bring to your attention a particular interest of the Friends Committee on National Legislation and other members of the Society of Friends. Our concern is the continuation and full operation of the vocational training program for the Palestinian people operated by the United Nations Relief and Work Agency (UNRWA).

Following the first Arab-Israeli war in 1948, the American Friends Service Committee was actively involved in the Middle East with relief services to the Palestinian war victims. With the creation of UNRWA in 1950, the responsibility for providing relief was regularized internationally, relieving the private agencies. Since that time, UNRWA has increased its humanitarian responsibility with health, social welfare, education, and vocational training.

The UNRWA programs contribute substantially to the present fairly stable situation in the Middle East. Stability is necessary if there are to be any meaningful peace negotiations. We believe that peace is in the best interest of the United States, and therefore we would concur with John A. Armitage of the State Department, who said in a testimony, "We feel strongly that UNRWA contributes to our overall interest in the Middle East."

All sides in the Arab-Israeli dispute have agreed that a final peace settlement must include the Palestinian people. Most of the inhabitants of the refugee camps in Jordan, Syria, and Lebanon are farmers. They cannot return to their farmlands and cannot find work. They need new skills and must be trained if they are to hope for useful employment. The vocational training programs of UNRWA have offered the Palestinian people a viable future, and a future for peace negotiations in the Middle East.

In the past Congress has appropriated, at the initiative of the late Congressman Fulton, a special contribution of $1 million to UNRWA. These funds were used to operate the vocational training centers in Amman, Gaza and Kalandia. Unless this year's appropriations include the $1 million, UNRWA will be forced to close these centers and 3,000 refugee students will be on the streets again.

There has been some justifiable concern that the United States contributes a disproportionate amount to the operation of UNRWA. Mindful of this criticism, UNRWA has made a strong and successful effort to obtain funds from other nations. However, the UNRWA budget has increased with new educational and vocational training programs. These programs offer a constructive future for the Palestinian people and deserve full United States support.

We urge the appropriations committee to recommend the special contribution of $1 million for UNRWA for fiscal 1973. Such support of the humanitarian work of UNRWA serves both the Palestinian people and the best interests of the United States and peace in the Middle East.

We would be very appreciative if this letter were included in the printed hearings of the committee.

Sincerely,

EDWARD F. SNYDER.

STATEMENT OF JOHN A. ARMITAGE, DIRECTOR, OFFICE OF UNITED NATIONS POLITICAL AFFAIRS

Mr. Chairman, Thank you for the opportunity to discuss with this subcommittee questions relating to the United Nations Relief and Works Agency for Palestine Refugees in the Near East (UNRWA).

Over two decades ago, more than 600,000 persons in the Middle East found themselves without homes or the means to sustain their lives. These refugees from the Arab-Israeli fighting in 1948–49 could not resume their former mode of living, and soon discovered that the resources of the Arab nations who sheltered them were scant.

Fortunately, the western world was willing and able to react constructively to this emergency after it became evident that outside help was needed. And, fortunately, there was an international organization—the United Nations—acceptable to the parties and willing and able to assemble, coordinate, and administer the assistance the western countries and others could provide.

Over intervening years, the U.N. Relief and Works Agency, established in 1949, has continued to provide relief, medical services, and educational opportunities to these refugees and their families. In 1967, some 250,000 persons fled to the East Bank of the Jordan from the West Bank and the Gaza Strip, most of whom Israel was unwilling to allow to return to the occupied areas. At the request of the U.N. General Assembly, UNRWA is also helping Jordan on an emergency basis to administer food, housing, and health services to these persons displaced by the 1967 war, although they do not all fall within UNRWA's original mandate. At the end of 1971, the total refugee population registered with UNRWA numbered about 1,487,000.

Questions which often occur to us and—I am sure to you—are: Does UNRWA still serve a useful purpose? How long will such refugee relief continue to be an international concern? Is the United States doing all it can to bring about conditions which would resolve the refugee problem in the long run? In the meantime are other nations being encouraged to help share a greater portion of the financial burden so long borne by the United States?

From the humanitarian point of view alone, the United States investment in UNRWA has been worthwhile. From the humanitarian point of view, the peo-

ple and Government of the United States could have done no less. I do not believe I need dwell on this.

More broadly, our continued support of UNRWA is an integral part of our overall efforts to maintain political stability in the Middle East and to help bring about a negotiated peace settlement between Israel and her Arab neighbors.

What do we mean by that well-worn phrase "political stability"? It has several elements. First, it means maintaining a suitable international atmosphere for continuing efforts to reach a peaceful settlement. After some ups and downs, the cease-fire we worked hard to promote remains tenuously in effect between Egypt and Israel. The parties adhere to it in part because of their hope that their differences can be settled in accordance with Security Council Resolution 242 of November 22, 1967. In recent months Ambassador Jarring has resumed contacts with Egypt, Jordan, and Israel, and Israel has accepted the idea of participating in proximity talks with Egypt through the United States to reach an interim Suez Canal agreement.

Continuing U.S. support of UNRWA is a visible and significant indicator for the Arabs of our continued support for a peaceful settlement that takes into account the legitimate concerns of the Palestinian refugees.

Second, "stability" means avoiding social and economic dissension within countries of the Middle East. UNRWA serves an important function in providing for many of the basic needs of the Arab refugees in the countries in which UNRWA operates. Adequate support of this kind helps to avoid dissatisfaction among refugees, and through UNRWA's training programs and educational projects, helps to give their children the means to participate constructively in the life that goes on around them.

At the same time, some of the burdens often thrust on host governments are alleviated by the international support granted to these refugees thru UNRWA. Moreover, the host governments can benefit from some of the techniques and services introduced by UNRWA in the normal administration of its programs.

Another element of political stability is the feeling of the refugees about their future. We must recognize that it would be potentially destabilizing if UNRWA were forced to reduce the level of its operations in the absence of an overall Middle East settlement, including a just settlement of the refugee problem as called for in Resolution 242.

So, the United States sees its significant strategic, political, and economic interests in the Middle East importantly served by the maximum possible degree of political stability in that area, and that UNRWA contributes importantly to that stability.

Now, one might hold that the United States had other important interests, and that one of these is generally to keep a tight rein on the level of our contributions to international programs to reflect more accurately the increasing ability of others to contribute to such programs.

We have recognized that it is unhealthy for UNRWA and undesirable for the United States to have the agency rely too heavily on the United States. So over the past few years, we have sought to move forward on several fronts, to reduce the percentage share of the U.S. contribution to UNRWA, while necessarily keeping in mind the direct impact of UNRWA's activities on U.S. interests in the area.

Like many other organizations—national and international—UNRWA suffers from a shortage of money. And as anybody else, it has the choice of soliciting more income or cutting its expenditures, or some combination of the two.

UNRWA has estimated its 1972 requirements at just over $51 million, an increase of $2.5 million over 1971. This increase stems primarily from the rising costs of materials and services and an increase in the number of refugee children in UNRWA/UNESCO schools.

UNRWA estimates that income for 1972 will be a little over $47 million, or about $2 to $3 million short of requirements after the deduction of subsidies to host governments—$1.4 million—which UNRWA has no ability to pay.

Confronted by this shortfall, the UNRWA Commissioner General took a hard look at UNRWA's programs and administrative procedures. He pointed out to the United Nations General Assembly in 1971 that it would be necessary to reduce services to the refugees if additional funds were not made available to cover this deficit. In January of this year, he followed up this warning by outlining those activities of the agency where reductions might reasonably be made. However, discussions in the U.N. and in the UNRWA Advisory Commission about implementing such reductions in services revealed staunch resistance on the part of Arab governments.

The Commissioner General had proposed reducing expenditure in 1972 by about $1.5 million. This would involve a discontinuation of the sugar ration, and

UNRWA's supplementary feeding program. In addition, UNRWA would no longer furnish soap, blankets, and kerosene to the refugees. Subsequently—after Congress did not appropriate $1 million in fiscal year 1972 for vocational training—it became clear that UNRWA would have to close the Amman Vocational Training Center as well. While the effects of these cuts would have been felt throughout UNRWA's area of operations, the cuts would have fallen particularly heavily on Jordan. Almost one-third of UNRWA's total refugee population presently resides there. A move by UNRWA to reduce the level of its services to refugees in Jordan would have serious implications for the country's stability * * *

Any cutbacks in UNRWA services would also have to be measured against the King's efforts to achieve reconciliation with his Palestinian subjects. And, as you know, he has just made a major effort in this direction by launching a proposal that his state be made into a federated kingdom in which the purely Palestinian west bank would have considerable autonomy, after conclusion of a peace agreement with Israel.

Bilaterally, the United States is providing supporting and long-term development assistance to Jordan.

UNRWA's programs supplement our own, and we believe it is desirable to help UNRWA to maintain its present program intact. However, unless UNRWA finds some funds in the near future, it will have to close the Amman Vocational Training Center—built with special congressional appropriations to UNRWA—short after its proposed dedication by King Hussein next month.

We do not wish to rule out further efforts toward greater rationalization of UNRWA's operations in the long run or toward decreasing refugee dependence on UNRWA. But I hope I have made it clear that it will be difficult for UNRWA to cut its programs or transfer them to Jordan in present circumstances, and why, pending a settlement of the Arab-Israeli dispute, we believe we must exercise a good deal of patience about UNRWA's budgtary problems.

At the present time, the United States contributes about 55 percent of UNRWA's annual budget. The total U.S. contribution in fiscal year 1972 was originally $22.2 million, made up of a cash donation of $13.3 million and $8.9 million in commodities made available under Public Law 480. Because we feel strongly that UNRWA contributes to our overall interests in the Middle East, we have recently reallocated an additional $1 million to UNRWA and are asking for an increase of $1 million in our fiscal year 1973 appropriation for UNWRA to help that agency maintain its present level of services within a balance budget.

Other major contributors (in descending order) are Great Britain, West Germany, Sweden, Canada, and France. Noticeable by their absence from the list of contributors are the Soviet Union and its Eastern European allies who—except for a contribution in 1971 from Romania—have contributed nothing to UNRWA.

As we said previously, efforts have been and are being made to increase the contributions UNRWA receives from the international community. In 1970, the General Assembly established a "working group" to study UNRWA's expenditures, to seek additional revenues, and, if necessary, to recommend measures to bring UNRWA's budget into balance. The United States is one of nine countries participating in this working group.

Approaches made to various countries by the working group, together with efforts by a special representative on behalf of UNESCO and the UNRWA Commissioner General, have resulted in additional contributions. So far, over $2 million has been contributed directly to UNRWA and to UNESCO for the schools serving the Palestine refugees. Several Arab countries which had hitherto refused to contribute to UNRWA contributed to a special appeal of the Director of UNESCO on behalf of the UNRWA/UNESCO schools.

The chairman of the working group is currently in the Middle East to see about the possibility of increasing contributions from certain countries in that area. The Secretary-General has made an appeal for increased contributions from all U.N. member states.

We believe that there should be a cooperative effort to bring the budget of UNRWA into balance. The United States should not assume the full responsibility but we do think that the United States should do its part in order to encourage others to do likewise. The increased funding we have proposed for UNRWA is also designed to this end.

Mr. Chairman, this has been a general review of how we in the Department of State see UNRWA's significance to the United States and what we are doing to maintain, and if possibe, increase its contribution to the well-being of the refugees and to the prospects for peace in the Middle East.

STATEMENT OF LAURENCE V. MICHELMORE, FORMER COMMISSIONER GENERAL OF THE UNITED NATIONS RELIEF AND WORKS AGENCY (UNRWA) OF THE UNITED NATIONS

Mr. Chairman and members of the subcommittee, I appreciate the opportunity to appear before your subcommittee to testify with respect to the Palestine refugees and the United Nations Relief and Works Agency.

UNRWA continues to meet the essential needs of over 1¼ million Palestine refugees who depend on it for health and education services, and, in the case of many of these families, for help with shelter and food as well.

As long as the present situation in the Middle East continues, there does not appear to be any viable alternative to the continuation of UNRWA to meet those needs. In the event of a solution of the political problems in the area—including a "just settlement of the refugee problem"—other arrangements might well be made, but even then UNRWA might have a transitional role that could extend for a considerable period.

In the meantime, however, an agency of the United Nations is in a better position than other agencies would be to maintain the integrity of the assistance program, and to cope with the many difficulties that arise out of present circumstances in the area.

The United Nations General Assembly at its last session adopted a resolution, introduced by the United States, to extend UNRWA's mandate until June 30, 1975. There seemed to be widespread agreement that present UNRWA activities should, if possible, be maintained "at least at their present level." The financing of these activities was left, as before, to be met by voluntary contributions.

THE UNRWA PROGRAM

The principal elements of the UNRWA program are education and training, health services, and relief services.

Education and Training

In recent years, the most significant change in the UNRWA program has been the expansion of education and training activities, which now account for 47 percent of the total budget. UNESCO provides the professional guidance for these activities, and donates the services of over 40 international staff members and associate experts.

School enrollment in UNRWA/UNESCO schools has nearly doubled over the last decade, due partly to population growth, but also to the fact that students, both boys and girls, are staying in school longer. There are now over 250,000 students in the nine grades of the UNRWA/UNESCO schools, with more than 7,000 teachers. In addition, some 65,000 students in higher grades, or who live too far from UNRWA/UNESCO schools attend government or private schools. Some of these students, but not all, receive financial help from UNRWA.

Despite the agency's chronic financial difficulties, special contributions have made possible many improvements in the schools, including additional classrooms, modest science laboratories in some schools, home economic facilities for girls in Gaza schools, and, perhaps most important of all, an intensive program of in-service training for teachers whose qualifications had been below standard. Some 4,000 teachers have taken part in this program. Experts in education report that improvement in the quality of teaching is clearly noticeable even while the training is still in progress. (Incidentally, Jordan is initiating a similar program based on the UNRWA experience.)

Many difficulties have faced the education and training activities. The war in 1967 and the fighting in Jordan in 1970 damaged many schools, which had to be repaired. The movement of tens of thousands of refugees from areas where schools and other facilities existed to places where there were none, meant that schools had to operate in tents, and that temporary but solid structures then had to be built. Some schools were unable to operate at times because of curfews, and at other times because of teachers' or students' strikes. These difficulties seem to have abated.

Unesco and its Director-General devoted a great deal of effort to two particularly difficult problems. One involved arranging for a school-leaving examination for students in Gaza that Arab educational institutions and employers would accept. It was finally agreed that Egyptian authorities would prepare the examination, that Unesco (with UNRWA's help) would transport the test papers to Gaza, supervise the examination, transport the papers back to Cairo for grading, and then publish the results. A second very difficult problem involved text

78-827 O - 72 - pt. 2 - 86

books that had been used in schools in the West Bank and Gaza (Jordanian and Egyptian books) some of which Israel considered to be objectionable in whole or in part. Unesco arranged for a review by experts of different nationalities of all the questioned text books, and the Director-General after much negotiation secured agreement that some of the books would be dropped, some modified, and some used as they were. This enabled nearly 500,000 copies of books to be sent from Jordan and Egypt to the West Bank and Gaza schools. Some questions remain, but great progress has been made toward resolving this problem. Although Syria did not participate in these arrangements, she later undertook to review the content of Syrian textbooks.

There has been a substantial growth in vocational and teacher training, financed by contributions earmarked for this purpose. The capacity of most of the existing training centers has been increased, and a large new center for men and women has been opened in Jordan. If sufficient funds can be found, a total of 4,300 students will be able to attend these centers in the 1972–73 academic year.

Health Services

Health services account for 13 percent of UNRWA's budget.

Despite the crowded and poor living conditions in which many of the refugees live, and despite their dietary deficiencies, the health of the refugees has been maintained over the years at a surprisingly good level. Much credit is due the health program, operated by UNRWA under the technical direction of five international staff members assigned by WHO and paid by that organization. Emphasis is on preventive measures, including health education, school health service, maternal and child health care, and immunization. Curative services are also provided on an outpatient basis. For hospital care, patients are referred to government or private hospitals, UNRWA bearing part of the cost in some cases. Significant improvements have been made in buildings and equipment in many of the 90 UNRWA clinics, including the establishment of many infant rehydration/nutrition centers, all financed by funds contributed specifically for these purposes.

Some indications of the value of the health services include marked reductions in trachoma, conjunctivitis, poliomyelitis, tuberculosis, diarrheal disease of infants, and measles (for which immunization is now given). The health services, cooperating with government health services, dealt effectively with the cholera epidemic of late 1970.

Another aspect of the health program is environmental sanitation in the refugee camps, which provides for the supply of water and the disposal of refuse and sewage.

Relief Services

Once the major part of the UNRWA program, relief services have declined in relative importance, and now account for about 40 percent of the budget. The main elements are basic rations, supplementary feeding and shelter.

Basic rations.—The monthly distribution of basic rations is the largest budget item in this group. Foodstuffs distributed (flour, oil, rice, sugar) have a total value of about $13.5 million, and are all contributed in kind, except for sugar.

The total number of rations issued is about 830,000—a reduction of about 50,000 from the number distributed 10 years ago. Less than 60 percent of the registered refugees receive rations. The decrease is not a reflection of lesser need, but is a result of the effect of ration ceilings imposed for budgetary reasons. On the contrary, the total number of refugees has steadily increased, and the number of children potentially eligible for rations, if they were available, has grown to 350,000.

The monetary value of each ration is about $1.30 per month. A family of six, for example, might receive four rations of foodstuffs worth $5.20.

Supplementary feeding.—Supplementary feeding is provided in several forms:

(*a*) Hot meals for children aged 1 to 6, and, on medical certification, older children and sick adults.

(*b*) Milk for children and expectant and nursing mothers.

(*c*) Additional dry rations for expectant and nursing mothers, and a corn-soya mixture (1.1 pounds a month) for children aged 6 to 10.

(*d*) Emergency feeding extended after the fighting and dislocation of 1967 was later curtailed to some extent, but still provides additional food to certain categories of persons in special need in the emergency camps in Jordan and Syria.

Shelter.—Some 620,000 persons live in 63 UNRWA "camps" including the ten emergency camps established in Jordan and Syria after the 1967 war. Special contributions have made it possible to replace the original tents with solid shelter

for the 120,000 inhabitants of these camps, and to build health centers, latrines, food distribution centers, water points, drainage ditches and other essential works similar to those in the older established camps.

After the initial construction, the continuing operating costs in relation to shelter are quite low, but there are expenses for the education, health and food services provided for the inhabitants, and for water supply and refuse disposal.

If all of the relief costs—food, shelter, blankets, clothing, and assistance for special hardship—were averaged over the number of persons eligible for such assistance, the average cost would be about $1.13 per person per month, or less than 4 cents a day. Obviously, this is far short of the minimum required to maintain a person, but it is a great help to families struggling to survive.

UNRWA Finances

UNRWA has been under great financial pressure for many years, and has appeared on many occasions to be on the verge of collapse with income falling short of expenditures.

Expenditures

Costs have risen because of higher prices and increased wages of UNRWA staff, because of the continual increase in the number of refugees, because of the consequences of the 1967 war with new and larger refugee needs, and because of the dramatic increase in the demand for education.

UNRWA EXPENDITURES: 1964 AND 1972

[Dollar amounts in millions]

	1964 actual	1972 budget	Increase	
			Amount	Percent
Relief services	$17.7	$20.0	$2.3	13
Health services	5.0	6.7	1.7	34
Education and training	14.5	24.4	9.9	68
Total	37.2	51.1	13.9	

The increase in the cost of relief services is due to higher prices for relief commodities and higher wages. The increased expenditure for supplementary feeding to families displaced in 1967 has been more than offset by the decrease in the number of food rations and blankets distributed, by stopping the general distribution of soap, by discontinuing burial grants, and by staff reductions related to these activities.

Higher health costs are due to larger numbers of people to be served and to higher costs of supplies and increased wages.

The increase of 68 percent in education cost in these years is almost identical with the increase of 66 percent in school enrollment over the period.

In an effort to stretch available funds to cover vital services, some activities have been curtailed and others eliminated. Economies in staff costs have been sought by improved procedures, higher performance requirements for workers, mechanization, and the replacement of international staff with local staff where possible.

Another measure taken to conserve funds has been the suspension of subsidies which had previously been paid to certain governments for medical and hospital services provided to refugees, and for part of the expenses of educating refugee children in government schools. These subsidies, amounting to $1.4 million a year, have been withheld for the last several years, despite government protests.

The unit cost of UNRWA services continues to be very low. The cost of the monthly food ration is about $1.30. Hot meals for young children are provided at about 10 cents a meal. The cost of educating a child in the elementary grades (1 to 6) is about $50 a year; in grades 7 to 9 the cost is about $75 a year.

Further reductions in UNRWA services would certainly be strongly resisted by the refugees and would doubtless cause very serious difficulties for the governments concerned. If UNRWA were forced for financial reasons to discontinue any of the education or health services, the governments responsible for the respective areas would somehow have to find the means to continue them. Reductions in the basic ration distribution, apart from causing human hardship and

possible disorders, would not ease the financial difficulties appreciably, as all of the commodities except sugar are donated in kind.

Conceivably some further reduction could be made in supplementary feeding, but the impact would be on the most vulnerable groups—children and pregnant and nursing women, sick adults, and persons in emergency camps still suffering special hardship as a result of the 1967 war.

Income

In the hope of avoiding further reductions in UNRWA services, the United Nations General Assembly, the Secretary-General, Unesco, WHO, the Commissioner-General of UNRWA and many others have made repeated call for additional contributions. Host governments have added their appeals. The General Assembly in 1970 established a Working Group on the Financing of UNRWA, and the Director-General of Unesco conducted during 1971 a special campaign on behalf of the UNRWA/Unesco educational services.

There has been a notable response by many countries, and UNRWA income has increased—although not sufficiently.

UNRWA INCOME: 1964 AND 1971

[In millions of dollars]

	1964	1971	Increase
Total income	35.2	47.4	12.2
Intergovernmental organizations, nongovernmental sources and miscellaneous	1.2	3.7	2.5
Governmental contributions	34.0	43.7	9.7
United States	24.7	[1] 23.0	(1.7)
United Kingdom	5.4	4.5	(.9)
Other countries	3.9	16.2	12.3

[1] Includes the basic contribution of $22,200,000 and $800,000 attributed to calendar 1971 from the special additional contribution of $1,000,000 for vocational training.

Until 1964, the United States and the United Kingdom contributed about 88 percent of UNRWA's total governmental revenue. In 1965 these two governments began to reduce their contributions, the combined reduction at the lowest point amounting to $3.4 million.

Countries other than the United States and the United Kingdom have increased their contributions from $3.9 million to $16.2 million—more than four times the 1964 amount. Some 20 countries (including the United States and the United Kingdom) contribute at a higher level than they would if the United Nations contributions scale were applied. Measured by that same scale of capacity to pay, 10 of the countries in this group contribute more generously than the United States and the United Kingdom (Denmark, Iraq, Kuwait, Libya, Morocco, Norway, Saudi Arabia, Spain, Sweden, and Switzerland).

A number of countries have announced further increases in their contributions for 1972, some in quite substantial amounts. This has improved the outlook for 1972 to some degree, but a deficit of the order of $4.5 million still faces UNRWA this year, and there will be an actual shortage of necessary cash at times. The Secretary-General on March 20, 1972, issued a further appeal for funds. The Chairman of the Working Group on the Financing of UNRWA is visiting various capitals to plead for funds. The Director-General of UNESCO is continuing his efforts. UNRWA is, of course, doing all it can in support of these appeals.

THE U.S. CONTRIBUTION

When, in 1965, the United States announced the beginning of the reduction in its contribution, the U.S. representative gave the following explanations:

The United States was bearing an unduly high proportion of UNRWA's expenses. The United States encouraged other countries to increase their contributions. The United States believed that relief costs could be cut and the number of recipients on the relief rolls reduced. The United States continued to support an increased emphasis on educational and vocational training programs. In the next 2 years, representatives of the United States made similar remarks in the course of announcing further reductions.

The objectives stated by the United States have been achieved to a very considerable extent. Countries other than the United States and the United Kingdom have increased their contributions to more than four times the previous level. The U.S. share in the total has dropped from 70 percent to about 53 percent. Relief services, except for supplementary feeding, have been kept at or below the 1964 level, despite the additional needs resulting from the constant population increase and the new dislocations which followed the hostilities of 1967 Health and sanitation services have been thoroughly reexamined and increasingly tight standards of sanitation workers per thousand population, and strict budgetary control of medicine and other supplies, have been applied. Similar economies have been sought in education and training. The demand of the refugees for education and training for their children, which they see as their hope for the future, has been so great that education has become the largest part of the UNRWA program, and will inevitably continue to grow. But this development is one that the United States said it supported.

Since other governments are now sharing the financial burden to a much greater extent, and since it is the growth of education and training that is responsible for UNRWA's financial plight, the United States might well consider increasing its contribution to help meet these additional needs. The inclusion in the authorizing legislation of an additional $1 million for the expansion of vocational training is a constructive step in this direction. But the maintenance of basic general education is also of prime importance, and the need for funds to pay teachers' salaries and to buy textbooks and school supplies is at the heart of the UNRWA financial progrem. If, for example, the United States had undertaken in 1964 and 1965, when it was reducing its contribution, to meet in future years 40 percent of the additional costs of education, this would amount by now to an additional $4 million a year.

The United States might also consider compensating to some degree for the changes which have taken place in the value of the dollar in relation to other currencies. Other governments, notably the United Kingdom, have made such an adjustment under similar circumstances.

A substantial increase in U.S. support of UNRWA at this stage would certainly be regarded by the refugees themselves as proof of U.S. concern for their welfare. It would also relieve the presssure on the Arab host government and on Israel that comes from the present uncertainty. Such a move, which would help assure the maintenance of essential refugee services, would also lessen the risk of instability in the area.

The benefits to the United States should be very worthwhile, not only in the satisfaction of meeting urgent humanitarian needs, but in increased good will toward the United States and in the contribution that assistance to the refugees, especially in education, can make toward ultimate peace in the area.

Mr. PASSMAN. The committee is now adjourned.

LIST OF WITNESSES

	Page
Abshire, D. M.	1293
Adams, S. C., Jr.	917
Askew, L. B.	338
Atherton, A. L.	189
Bardach, Henry	189
Birnberg, Richard	1165
Boehme, A. H., Jr.	1024
Breecher, C. H.	189, 420
Brinley, Sheridan	1165
Butterfield, S. H.	826
Campbell, Hon. J. F.	533
Chapman, Christian	493
Codi, M. A.	533
Costantino, A. G.	533
Crowley, H. S.	826
Cummins, Sidney	624
Davies, R. P.	420, 1165
DePalma, Samuel	624
Dodge, Dr. H. W.	189, 420
Doff, Maj. L. D.	338
Donelan, J. F., Jr.	493
Donoghue, E. I.	917
Engle, Byron	789
Furman, A. R.	1, 189, 338, 420, 533, 624, 789, 826, 917, 1024, 1165, 1293
Goin, L. J.	789
Govan, J. L.	917
Granger, John	493
Green, Marshall	189
Grogan, Michael	1024
Hannah, Hon. J. A.	1, 1293
Harvey, M. J.	1, 1293
Heller, J. I.	1024
Herrick, A. B.	1024
Higginson, Charles	493
Hogan, E. B.	917
Hummel, A. W., Jr.	1165
Jackson, M. E.	493
Kenney, G. R.	917
Kieffer, Jarold	826
Kleine, Herman	1024
Levick, K. S.	533
Lewis, W. H.	1293
Lowenstein, Linda	789, 826
MacDonald, D. G.	1165
Manopoli, J. F.	789
McDonald, J. W., Jr.	624
McGuire, R. J.	493
Meyer, C. A.	1024
Meyers, R. P., Jr.	1165
Morrison, D. T.	1165
Murray, R. W.	493
Myers, Robert	189, 420

	Page
Newman, George	189, 338, 420
Newson, D. D	917
Nooter, Hon. R. H	338
O'Connor, Hon. R. L	189, 420
Paolillo, Charles	1
Patrick, Lt. Col. G. W	338
Podol, R. L	533
Ravenholt, R. T	826
Rogers, Hon. W. P	1293
Springer, R. L	624
Tarr, C. W	1293
Westwood, Andrew	338
White, A. D	1165
Williams, J. E	533
Wright, R. B	493

INDEX

A

Page

Administrative and other Expenses, Department of State 493–532, 535
Budget for fiscal year 1973 519
Employees 520
Increases requested for fiscal year 1973 ..... 519, 520
Justification material 495
Military assistance and arms sales supervision 526
Mutual Defense Assistance Control Act (Battle Act) 525, 531, 532
Pay increase costs 519
U.S. Mission to NATO 521–525, 527
Deputy foreign ministers meeting 523, 528
Environmental activities 523, 528
Soviet buildup in Mediterranean 527
U.S. Mission to the Organization for Economic Cooperation and Development 524–526, 528–531
Unobligated balances 520
Administrative Expenses, Agency for International Development ... 533, 535–591
Administrator's advisory council 585
Appropriations, 1963–73 589
Assistant Administrator for Program and Management Services, AID, statement of 541
Budget for fiscal year 1973 583
Compensation of personnel 588
Consolidation of Asian development programs 586
Excess property program 584
Inspector General, Office of 587, 591
Interagency contracts with AID 585
Justification material 545
Local currencies, use of 590
Management responsibility and reform 541, 584, 590
Pay increase costs 586, 589
Project approval committee 585
Public Law 480 functions 586
Reduction in 585
Reduction in AID personnel 583, 607
Representation allowance 590
Administrator, Agency for International Development, testimony of 1–189
Accomplishments of foreign aid program 85, 101
Administrative expenses 7
African Development Bank 182
Aid to ordinary foreign citizen 90
Allocation of funds to Corps of Engineers 152
American Schools and Hospitals abroad 6, 98
American University of Beirut 99
University of the Americas 99
Weizmann Institute 100
Amount of U.S. foreign aid program 76, 77, 111, 150
Asian Development Bank, additional U.S. contribution to 68
Authorization ceilings, adjustment to meet 165
Authorizing legislation 113
Balance of payments of United States 114, 170
Bangladesh, assistance to 146, 171

Administrator, Agency for International Development, testimony of—Con. Page
Bilateral and multilateral flows of foreign assistance 174
Bilateral agreements as a condition of assistance 159
Bilateral versus multilateral program 116
Budget for fy 1973 67, 112
Adjustments to 4
Compared to prior years 71
Increase over 1972 112
Budget requests for foreign aid programs, 1969–73 71
Chile, aid to 139, 162, 179
Colombia, effects of aid program in 92
Contingency fund 7
Control of U.S. funds 176
Countries receiving foreign aid 103, 104, 112
Countries receiving U.S. and communist assistance 129
Debt capacity of developing countries 119
Deobligations, fiscal year 1971 139
Disaster relief 135, 177
Employees:
Number of 69, 74
Persons associated with aid program 73, 78
Reduction in 69, 89, 143
Spanish-surnamed employees 81
European Development Fund 149
Evaluation of technical assistance projects and contractor performance 161, 172
Evaluation paper on economic research 90
Excess property revolving fund 162
Expropriation of U.S. property 142
Food for Peace program 180
Food for work plan 176
Food supply, development of increase in 168
Former economically assisted countries 144
Grants, amount of 113
Grants to universities and nonprofit organizations, expansion of 175
Gross national product, compared to aid program 77, 79
Hickenlooper amendment 142
Housing guarantee program 146
India, program in 171
Indus Basin project 5, 149, 170
Inter-American Foundation 178
International Development Association 71, 181
International narcotics control program 7
International organizations 5, 148
Israel's desalinization plant 129
Justification material 8
Least developed countries, increased assistance to 70
Loans by international financial institutions 109
Loans, development 5, 108, 144
Payments on 75
Receipts to U.S. Treasury from 150
Subsidy element 129
Terms of 108
Malaria and smallpox programs 164
Malta, assistance to 103, 115
Marshall Plan and present foreign aid program 80
Military equipment purchases by countries receiving economic aid 118
Monitoring U.S. funds 144
Multilateral organizations 116, 181
Narcotics control 152–158
Nationalization of U.S. companies abroad 142
OPIC coordination with agriculture 172
Participant training program 78, 118
Personnel associated with foreign aid program 73, 78
Population control programs 5, 97, 151

Page

Administrator, Agency for International Development, testimony of—Con.
Procurement of commodities within United States 115, 170
Program emphasis, major 3
Public Law 480 program 148
Reassignment of personnel returning from overseas 82
Receipts to U.S. Treasury 150
Redirection of aid program 2
Reforms in aid 143
Research centers 168
Research funds, increase in request for 67
Research program, results of 167
Research projects 129
Salary waivers 120
Science and technology 177
Securities of United States held by countries in 1973 program 123
Security assistance program 113
South Asia relief and reconstruction 6, 145
Specialization, efforts toward 176
Suppliers of commodities 169
Supporting assistance 6
Overfunding of 115
Tax burdens of nationals of recipient countries 172
Technical assistance 4, 89, 102, 144, 161, 172
Withdrawal of technical aid personnel 162
Thailand, assistance to 109
Transfer of appropriations 139
Transportation costs 159
Turkey, program in 158
Unexpended fiscal year 1973 funds 117
United Nations Development Program 93
Vietnam:
Assistance destroyed by the war 184
Enemy's supply needs 185
Pacification program 185, 186
Population alinement with the Vietcong 182
Security of South Vietnam 184
Supporting assistance to 98
Urban migration versus rural pacification 183
War damage to rural hamlets 187
Voluntary and nonprofit organizations, development activities of 163

Africa 917–1023
Accomplishments in 971
African-American Labor Center support 984
African Development Bank 926, 1012, 1014
Agricultural production increase 983
Ahmadu Bello University Faculty of Agriculture 1021
Amount of U.S. assistance since inception of aid program 964, 977
Assistant Administrator, Bureau of African Affairs, statement of 917
Assistant Secretary, Bureau of African Affairs, statement of 923
Bilateral economic assistance from former metropoles 1013
Budgets for 1971, 1972 and 1973 943
Central and West Africa Region 1003–1007
Participant training increase 1005
Public Law 480 program 1004
Regional road maintenance 1006
West Africa Rice Development Association 1005
Communist assistance to 925, 955, 964, 980
Competition from African countries for U.S. agricultural products 1018, 1022
Completion of projects in fiscal year 1973 946
Contract technicians 984
Deobligations 973
Development assistance to 968
East Africa Regional program 1007
Education, improvement in 970, 982, 1019

Africa—Continued	Page
Ethiopia	965, 985–987
Export of U.S. wheat and livestock products to	1018
Family planning	1020, 1023
Free world assistance to	980
Ghana	987–989
Health programs	984
Justification material	927
Kenya	989–991
Least developed countries	1017
Level of aid program	925
Liberia	991–993
Loans, development:	
Loans authorized in fiscal year 1972	978
Program for fiscal year 1973	969, 979
Middle-Level Manpower Training program	1022
Morocco	993
Multilateral contributions	1014
Nationalization of U.S. interests in	954
Nigeria	995–997
Noncontract participants	985
Opportunities Industrialization Center Program	1017
Participant training program	947, 1005, 1008, 1009
Peace Corps technicians	1003, 1023
Planning and management improvement	983
Policy discussions on aid to	1021
Priorities of countries in	923
Private investment in	948
Projects proposed for fiscal year 1973	972
Scholarship travel costs	983
Self-help programs in	955
Sorghum, development of	970
Sources of assistance to	1020
Southern Africa Regional Program	1008
African graduate fellowship program	1011
International Institute of Tropical Agriculture	1011
Somali Republic:	
Development bank loan	1010
Use of contingency fund to pay claim involving port facilities	492
Summary of programs by area and country	936
Tanzania	997–998
Trade with Africa	948, 951, 952
Tunisia	998–1000
Uganda	1000
Unexpended balances	945
Unobligated balances	945
Zaire	1001
Alliance for Progress, development loans	536
American Schools and Hospitals Abroad	535, 545, 550, 612–624
Budgetary support	622
Completion of project funding	612
Distribution of projects, wider	613, 621
Institutions receiving aid since inception of program	619
Local currency, use of excess	618
Monitoring of funds	621
Near East phaseout	622
Poland:	
American Children's Hospital	621
Polish American Congress feasibility study	615
Polish currency, use of	615
Priority funding of projects	615
Projects in fiscal year 1973	617
Purpose of program	621
Robert College in Turkey	614
Selection of projects	622

Page

Asia ---------- 1165–1292
Afghanistan and Nepal ---------- 1173, 1269, 1272
Agriculture and rural development ---------- 1166, 1283, 1284
Aid given by United States in consortia ---------- 1241
Aid to countries not having diplomatic relation with United States ---------- 1243
Amount of U.S. aid since inception of program ---------- 1238
Asia Regional Program ---------- 1259
Assistance from other countries ---------- 1251
Assistant Administrator, AID, statement of ----------
Bangladesh ---------- 1173, 1248–1250
Relief and rehabilitation for ---------- 1204
Budget for fiscal year 1973 ---------- 1201
Cambodia:
Leadership of ---------- 290
Supporting assistance ---------- 190, 284–292
Commodity import program ---------- 245–247, 288
Economic reforms ---------- 291
Economic stability in ---------- 246
Exchange Support Fund ---------- 287
Increase in funds for fiscal year 1973 ---------- 284, 305
Maintenance of Laotian embassies ---------- 243
Other contributors to exchange support fund ---------- 242
Personnel in ---------- 241, 290
Phnom Penh mission ---------- 292
Supplemental funds for fiscal year 1972 ---------- 291
Unobligated funds ---------- 288
Total U.S. aid to ---------- 269
Ceylon ---------- 1254, 1287
Commodity import program, purchase of U.S. commodities ---------- 335
Consultants ---------- 1242
Cost sharing ---------- 1174
Countries receiving assistance ---------- 1206
Deobligation of funds ---------- 1228
Deputy Assistant Secretary of State for East Asian and Pacific Affairs, statement of ---------- 1177
Deputy Assistant Secretary of State for Near Eastern and South Asian Affairs, statement of ---------- 1174
East Asia regional supporting assistance program ---------- 192, 304, 333, 435
Personnel cuts in ---------- 334
Education and manpower training ---------- 1169
Expenditures in, average annual ---------- 1207
Future assistance programs in ---------- 329
Green revolution, effect of ---------- 1255
Gross national product of countries in ---------- 1242
Increase in U.S. bilateral aid for South Asia ---------- 1289
India ---------- 1173, 1259–1264, 1290
Agricultural projects ---------- 1264
Loans, development ---------- 1215, 1263
Peace talks with Pakistan ---------- 1250
Relations with United States ---------- 1203
Soviet presence in ---------- 1205
Termination of U.S. aid to Indian Universities ---------- 1256
Total assistance to ---------- 1203
Indonesia ---------- 1172, 1178, 1272–1276, 1287
Indus Basin Development Fund ---------- 1244
Funding levels ---------- 1246
Loans and grants ---------- 534
Total U.S. cost ---------- 1247
Industrial and urban development ---------- 1170
Iran ---------- 1281
Justification material ---------- 1179
Korea ---------- 1171, 1179, 1276–1278

Asia—Continued

Laos: Page

Ceiling on aid program in 249
Cost of U.S. operations in, 1972–73 247–249
Military assistance program in 248
Officials in government of 268
Supporting assistance 191, 292–299
Agriculture development project 298
Assistance from other countries 294
Commodity import program 268
Foreign Exchange Operations Fund 243, 294, 330
Refugee assistance 293, 297, 331
Size of mission in 298
Total U.S. assistance in fiscal year 1973 293, 294
Loans, development 1239
Aid from communist countries 1241
Authorized in fiscal year 1972 1239
Delinquent 1208
Rescheduling of 1211
Pakistan, establishment of blocked rupee accounts by 1214
Payments on 1211
Proposed in fiscal year 1973 1240
Status of loan agreements 1216
Terms of other bilateral aid loans 1251
Unallocated loan request 1254
Unexpended balances 1208
Pakistan 1173, 1264–1269
General Accounting Office report on 1266
Loans, development 1268
Delinquent 1209, 1214, 1215, 1254
Participant trainees 1282
Cost per participant 1238
Personnel involved in programs in 1281
Philippines 1172, 1178, 1278, 1291
Population and health programs 1168, 1202, 1240, 1285
Pathfinder Fund 1203
President Nixon's Peking trip, reaction to 334
Programs for 1971, 1972 and 1973 1226
Projects terminating in fiscal years 1972 and 1973 1237, 1243
Public Law 480 commodities 1242
Reduction in funds for 1287
South Asia Relief and Rehabilitation 535, 1247, 1288
Southeast Asia (*See also* individual countries):
Change in programs from loans to grants and bilateral to multilateral assistance 275
Development assistance from Australia and Japan 322
Economic benefits in 323
Future U.S. policy in 315
Losses due to the war in 322
Multilateral aid in 325
Nixon Doctrine, accomplishments of 328
Total U.S. economic aid to countries in 318
U.S. interest in security of 255
Unexpended balances 280
Summary of program by area and country 1195
Supporting assistance programs in 190, 1282
Assistance from other countries 330
China policy, effect of change in 327
Coordination of country programs 270
Future programs in 330
Japanese assistance programs in 330
Personnel in Washington, D.C 266
Personnel involved in, total 266
Policies underlying security assistance program 325

Asia—Continued Page

Tax revenues of less developed countries in ... 1251
Technical assistance projects ... 1227
Thailand:
Asian Development Bank loans to ... 259
Cost of operations in, fiscal year 1973 ... 257
Cost of U.S. Military operations in ... 259
Defense expenditures in ... 264
Gold and foreign exchange holdings ... 243
History of assistance to ... 241
Loan to the United States ... 240, 253
Military capability of ... 309
Military spending in ... 335
Political-military outlook in ... 309
Public Law 480 program in ... 259
Security interests of United States ... 254, 256
Supporting assistance ... 191, 299–304, 331
Commitments of United States to ... 307
Direction of program in ... 326
Education system ... 301
Guerrilla activity in ... 263, 300, 331
Housing guarantee program in ... 451–466
Japanese loans ... 302
Loans ... 302
Participant training ... 303
Postponement of fiscal year 1972 ... 251, 263
Projects in fiscal year 1973 ... 260
Total U.S. aid in fiscal year 1973 ... 300
Total U.S. aid to ... 264
Turkey ... 1172, 1256, 1284
Crop substitution program in ... 1282, 1284
Narcotic control program in ... 490, 491
Robert College ... 1258, 1281
Unexpended funds ... 1207, 1227
Vietnam (*See also* Southeast Asia):
Supporting assistance ... 190, 338–420
Administrative and program support costs ... 380
Agricultural general support project ... 387
Agricultural production in Vietnam ... 410
Amount of assistance since inception of programs ... 379
Animal production project ... 398
Asian Development Bank loans ... 372
Assistance from other countries ... 344, 371, 378, 396
Balance of payments, effect of aid program on ... 366
Black market operations ... 419
Budget for fiscal year 1973 ... 363
Capital projects ... 412, 414, 415
Commodity import program ... 384, 418
Comparison of programs in, 1971, 1972 and 1973 ... 372
Control over funds ... 379
Cooperatives, improvement of ... 387
Cost of war in ... 251, 397
Defense Department expenditures and AID expenditures in ... 373
Defense spending, reduction in ... 392
Deobligated funds ... 376
Department of Defense reimbursement to AID for certain projects ... 386
Deputy Coordinator for Supporting Assistance, statement of ... 338
Development planning project ... 389
Dredging project ... 391
Drug abuse problem in ... 368, 404, 407, 492
Due process in ... 313
Economic Development Fund ... 342, 385
Economic Support Fund ... 384
Education program ... 398

Asia—Continued
Vietnam (*See also* Southeast Asia)—Continued
Supporting assistance—Continued
Page
Elections in ... 313, 316, 317
Employees in Vietnam ... 378
Exports ... 397
Fishing industry, support of ... 414
Highway assistance project ... 415
Highway maintenance ... 397, 399, 412
Hospital facilities ... 383
Import of luxury items ... 419
Increase in funds for ... 324, 391
Industrial development project ... 388
Inflation in ... 380
Invasion of North Vietnamese ... 244, 311, 402
Investment of U.S. industry in ... 401
Justification material ... 345
Land reform program ... 381, 398
Level of funding, future ... 345, 371, 382, 397, 410, 416
Local currency purchases ... 392
Local currency, use of ... 385
Logistics general support project ... 388
Longer term development in ... 364
Management of program ... 394
Medical and dental education projects ... 390
Medical and health programs ... 403
Misuse of funds ... 381
My Thuan bridge project ... 401
National police budget ... 406
National Rehabilitation Institute project ... 390, 399
Objectives of program ... 339
Offensive capability of North Vietnamese ... 309
Orphan adoption agency ... 395
Pacification program ... 386
Participants in program, number and cost of ... 377
Personnel reduction ... 392
Personnel working in, United States ... 344
Pipeline ... 374
Progress to date ... 339
Project program, fiscal year 1973 ... 343
Projects proposed in fiscal year 1973 ... 375
Projects under supporting assistance ... 392
Public Administration and general support project ... 389
Public health services ... 390
Public Law 480 program ... 384, 418
Public safety telecommunications project ... 391
Public works projects ... 385, 411
Purpose of U.S. aid to ... 313, 365
Rate of exchange in ... 366, 368, 380, 381
Refugee relief program ... 369, 380, 383, 401
Residual force in ... 315
Rural electrification program ... 411
Shift of portions of program to development assistance ... 393, 395
South Vietnam economy, effect of invasion by North Vietnamese on ... 367
Standard of living in ... 364
Tactical military problems in ... 310
Taiwan vegetable center ... 417
Taxes ... 379
Third-country technicans ... 378
Total assistance to Vietnam ... 373, 397
Trade union development project ... 388
Vietnamese Engineering and Construction Company project ... 391
Vietnamization program ... 311
Economic assistance in ... 383
Success of ... 249, 367

C

Page

Commitment of U.S. to appropriate funds 308
Contingency Fund 534
Contributions to International Organizations and Programs 624–788
Administrative expenses 658
Assistant Secretary of State for International Organization Affairs, statement of 625
Audit of organizations 657
Audit of programs 681, 684–721
Budget for fiscal year 1973 655
Communist countries receiving funds 659
Dual administrative organizations 658
Evaluation of programs, independent 680
Excess currency utilization 668
Funding of multilateral organizations 682
Indus Basin Development Fund 636, 788
International Agency for Research on Cancer 776, 785
International Atomic Energy Agency Operational program 631, 741–746, 774
International Secretariat for Volunteer Service 634, 755, 777
Justifications material 636
Letters of credit 674
Obligations and expenditures 673
Recipients of aid, living level of 683
Republic of China, participation of 659
South African refugees, aid to 767
Unexpended balances 672
United Nations Children's Fund 629, 736–741
United Nations Development Program 626, 721
Administrative costs 726, 734
Africa, assistance to 735
Allocation of funds in fiscal year 1973 726
Budget for fiscal year 1973 726
Communist countries assisted by 734, 763, 779
Contributors 727, 766
Delinquent members 766
Development planning 768
Headquarters 736
Housing for 780
International Labor Organization, funding of 722
Jackson study 723
Program level 735
Projects withdrawn 782
Restrictions on contributions to 726
Specialized agencies funded by 726
Summary of programs 729
Unexpended resources of 735
Unliquidated balance 674
United Nations Force in Cyprus 636, 788
United Nations Fund for Drug Abuse Control 630, 768, 774, 783, 786
United Nations Fund for Population Activities 628, 785
United Nations Institute for Training and Research 749–754, 780
United Nations Relief and Works Agency 635, 757–762, 767, 781
United Nations, Soviet contributions to 778
United Nations Technical Assistance and other programs 534
United Nations working capital funds, depletion of 778
U.S. contribution to 662–667, 679
Excess currency or agricultural commodities 668–671
Fiscal years 1971–73 676
Voluntary contributions and assessed contributions 655
World Food Program 632, 668, 747–749, 780, 787
World Health Organization—Medical Research 634, 754
World Meteorological Organization Voluntary Assistant Program 632, 746

E

Page

Europe:
Cyprus, United Nations peacemaking forces in, U.S. contribution to 193, 429, 445–448, 475–478, 487
Contributions of other countries 477
Malta:
AID delegation to 443
Technical assistance to 444
Total aid to 442
U.S. contribution to NATO alliances base agreement 193, 427, 435–444, 474, 486
Spain, supporting assistance program 193, 428, 436, 444, 475, 487
Total U.S. economic aid to countries in 328

H

Housing guarantees, list of projects authorized and under contract and not under contract 454–465

I

Interregional and program support activities 544, 554, 591
Agricultural research centers 595
Ceiling on research projects 607
Cholera epidemics 593
Construction of residences in Laos 606
Dependent education program 606
Development research 600
Export development program 597
Grants to U.S. Institutions 577, 602
Kansas State University 608
Increase requested over 1972 592
Legislative development project 610
Overlapping of program requests 592
Participant training program 573, 597
Public safety programs 571, 789–825
Study on use of satellites 596
Technical Assistance Bureau research projects 604, 607
Washington program support 544, 582, 605

L

Latin America 1024–1165
Agricultural sector, assistance to 1139, 1140
Agriculture and rural development sector, loans to 1088
Alliance for Progress 1053
Amount of aid from all sources, fiscal year 1971 1074
Amount of economic and military assistance programed for fiscal year 1973 1069
Amount of U.S. aid since inception of aid program 1070
Assistance from other countries 1071
Assistant Administrator for Latin America Agency for International Development 1027
Assistant Secretary of State for Inter-American Affairs, statement of 1024
Bolivia program 1090
Brazil 1092
Budget for fiscal year 1973, increase over 1972 1054
Caribbean Regional program 1121
Central America Regional program 1114
Central American Stabilization Fund 1116
Change in program emphasis 1128
Chile 1095
Nationalization of U.S. private investment 1096, 1099
Public Law 480 program 1100
Colombia 1100
Impact of program in 1130
Communist countries, relations with 1083

Latin America—Continued	Page
Consultants	1076
Contingency funds, use of	1083
Cost per participant	1069
Costa Rica	1116
Coups in	1082
Credit union movement in	1089
Deobligation of funds	1059
Dominican Republic	1102
Ecuador	1103
Education, assistance to	1089, 1139, 1149
Scholarship program for American universities	1154
Scholarships provided by Latin American countries	1156
El Salvador	1115, 1117
Employee evaluation and appeals system	1134
Expenditures, annual	1056
Family planning	1088, 1137, 1163
Farmers, aid to small	1088
Gross national product growth	1080, 1127
Guatemala	1118
Guyana	1106
Haiti	1107
Health and population programs	1163
Honduras	1090, 1115, 1119
Inflation in	1077
Inter-American Organizations	1124
American Institute for Free Labor Development	1127, 1159
Jamaica	1107
Justification material	1037
Latin America regional programs	1122
Coffee Diversification Fund	1123
Loans, development	1030, 1070
Proposed in fiscal year 1973	1070
Malaria eradication program in	1147
Military expenditures of countries in	1057
Nicaragua	1120
Organization of American States	1160–1163
Pan American Development Foundation	1087
Panama	1108
Paraguay	1110
Partners of the Americas program	1138
Personal observation of Directors of programs in	1130
Peru	1111
Population growth	1088, 1137
Procurement from non-U.S. sources	1085
Programs aimed at the common man	1127, 1147
Programs in, 1971, 1972 and 1973	1057
Progress in	1128
Projects proposed in fiscal year 1973	1059
Projects terminated in fiscal year 1972 and 1973	1068, 1082
Public Law 480 program	1076
Purchases of non-U.S. military equipment	1056
Regional banks, loans through	1090
Savings and loan associations in	1146
Soviet aid to revolutionary movements	1085
Spanish-surnamed persons, employment of	1131
Statistics on programs in	1128, 1129
Tax revenues	1078
Technical assistance	1031
Terrorist activities	1085
Trade with	1054, 1077
Unexpended balances	1055, 1059
University of the West Indies	1086
Uruguay	1113
Venezuela	1114

Page

Loans, development, worldwide 538

M

Middle East:
Arab nations, U.S. diplomatic relations with 333
Israel:
Binational Science Foundation 1250
Deletion of language earmarking funds for 276
Housing guarantees for 450
Immigrants to, cost of resettling 332
Local currencies in 450
Other countries contributing to 336
Public Law 480 agreement for education program in 1226
Supporting assistance 192, 420, 448–451, 468–471, 482
Amount of aid to 468
Commodity import program 448, 449
Defense spending 469
Exports and imports 468, 471
Housing loan guarantee 471
Military credit sales program 449
Multilateral assistance to 483
Public Law 480 program 449
Reserves 468
Resettlement of Soviet Jews in Israel 471, 481, 482
Jordan:
Supporting assistance 193, 423, 466, 472–474, 483–486
Aid from other countries 472
Amount of aid to 472
Budget support for 466
Cash grant to 474
Contingency funds used 473
Defense spending 473
Deobligation of funds for use in 493
Gross national product of 483
Technical assistance 472
Telecommunications improvement loan 485
Transfer of funds to 467
Unliquidated obligations 466
Supporting assistance 436

P

Population and Humanitarian Assistance, AID 826
Foreign Disaster Relief Coordination 832, 840, 899
Humanitarian assistance program 836
Private organizations, support to 839
Population programs 827
Accomplishments 870, 914
Authorizing legislation 841
Bureau of the Census support of activities 893
Cooperation from recipient countries 902
Cost/benefit analysis of programs 914
Cost effectiveness analyses 915
Countries without family planning 868
Economic assistance and family planning 868
Effectiveness of program 869
Family planning budget for 1973, worldwide 866
Fertility survey, worldwide 893
Growth of populations 828, 903
Obligation of funds 834, 842
Other family planning organizations 866
Population control organizations 886
Population growth related to availability of world resources 905
Principles guiding U.S. assistance 829

Population and Humanitarian Assistance, AID—Continued
Population programs—Continued Page
Program for fiscal year 1973 829, 833
Breakdown by countries 867
Projects funded 847
Religious and social problems 843
Research in family planning 868, 885
Research in fertility control 902
Scope of program 828
Undisbursed balances 834
Undistributed funds 841
U.N. Fund for Population Activities 841, 870
U.S. contribution of worldwide population programs 885
University overseas population interns program 895
Private and voluntary cooperation 830, 837
Institute for Internation Development, Inc 899
International Executive Service Corp 898
Private development assistance programs 895
Public Safety programs, AID 789–825
Accomplishments 813, 822
Advisers 792, 805
Africa 794
Allocation of funds 796, 824
For commodities 812
Assessment of program results 804
Criticism of program 818
Latin America, program in 794, 812
Ecuador 813
Guatemala and Dominican Republic 821
Legal processes in host countries 804
Manner of functioning 791
Narcotics enforcement, aid to 795, 798
Number of programs, reduction in 806
Participant training 792, 802, 810
Police Academy 810
Phasing out programs 803, 808
Purpose of 790, 797
Recruitment of personnel 801
Saudi Arabia, program in 795, 812
South East Asia, program in 794, 812
Thailand 822
Vietnam 793, 824
Status of program 792
Support of program 820

S

Secretary of State, testimony of 1293–1359
Balance of payments of United States 1317, 1326
Bangladesh 1315, 1344
Cambodia 1317
Contingency fund 1297
Expenditures from 1334
Contributions of other countries 1327
Contributions of United States to international financial institutions 1348
Development and humanitarian assistance 1294
Effectiveness of foreign assistance program 1321, 1327
Expropriation of U.S. property abroad 1313
Funding level of aid program 1342
India-Pakistan situation 1315
Information on programs in 1289
Israel:
Arms agreement with 1341
Jewish refugees from Russia 1311, 1319
Supporting assistance to 1312

Secretary of State, testimony of—Continued
Korea:
Forces in Vietnam ... Page 1311
Modernization of military forces ... 1310
Middle East situation ... 1343, 1347
Narcotics control, international ... 1296, 1301, 1318
Turkey crop substitution program ... 1301
Nixon Doctrine, implementing of ... 1312
Overview of foreign assistance program ... 1297
Peace talks ... 1319
People's Republic of China, relations with ... 1316
Procurement outside the United States ... 1312
Republic of China, commitments to ... 1317
Security supporting assistance ... 1294, 1300
Coordinator for ... 1325
Soviet foreign policy objectives ... 1306
United Nations programs, U.S. participation in ... 1299
Vietnam:
Blockade of North Vietnam ports ... 1343, 1344, 1347
Soviet reaction to ... 1304
Consultation by Executive Branch with Congress before acting in ... 1302
Invasion of North Vietnamese ... 1307
Legal basis for U.S. policies in ... 1339
Options open to U.S ... 1303
Settlement in, U.S. concession in seeking ... 1341
Support of Administration's policies in ... 1307
Supporting assistance program in ... 1309
Withdrawal of U.S. forces from ... 1308
Legislation relating to ... 1298, 1303
Statements of interested individuals and organizations ... 1349
Supporting Assistance (*See also* geographical areas for programs in individual countries) ... 189–493, 540
Assistant Secretary of State for East Asian and Pacific Affairs, statement of ... 194
Broadening of programs ... 438
Budget for fiscal year 1973 compared with 1972 ... 239
Central AID program support and services ... 193
Coordinator for Security Assistance ... 274
Coordinator for Supporting Assistance ... 190
Countries receiving Defense Department funds ... 283
Deobligations in fiscal year 1972, project ... 280
Deputy Assistant Secretary of State for Near Eastern and South Asian Affairs, statement of ... 197
East Asia regional program ... 192, 304, 333, 435, 487–489
Housing guarantee program ... 451–466
Interregional programs ... 431, 478–480
Justification material ... 197
Mexico and North Africa ... 491
Narcotics control program ... 490–492
Cost of drug abuse in United States ... 490
India and Turkey ... 490
Latin America ... 491
New projects in fiscal year 1973 ... 280
Participants from recipient countries ... 283
Projects to be terminated ... 283
Public safety programs ... 432, 481
Rationale for program ... 274
Receipts, reimbursements, and recoveries in fiscal year 1973 ... 273
Reduction in program ... 240
Restrictions on ... 277
Savings in military personnel costs due to increased economic and military assistance programs ... 284
Security Assistance organization ... 275

Supporting Assistance—Continued
Summary of programs for security supporting assistance (excluding Vietnam, fiscal year 1971–1973 ... Page 277
Transfer of funds to administrative expenses ... 276
Worldwide ... 420

T

Technical Assistance, worldwide ... 535

Turkey (*See* Asia)

V

Vietnam (*See* Asia)

○