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FOREIGN ASSISTANCE AND RELATED AGENCIES
APPROPRIATIONS FOR 1974

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BEFORE A

SUBCOMMITTEE OF THE
COMMITTEE ON APPROPRIATIONS
HOUSE OF REPRESENTATIVES
NINETY-THIRD CONGRESS

FIRST SESSION

SUBCOMMITTEE ON FOREIGN OPERATIONS AND RELATED AGENCIES

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¹ Temporary appointment effective May 30, 1973.

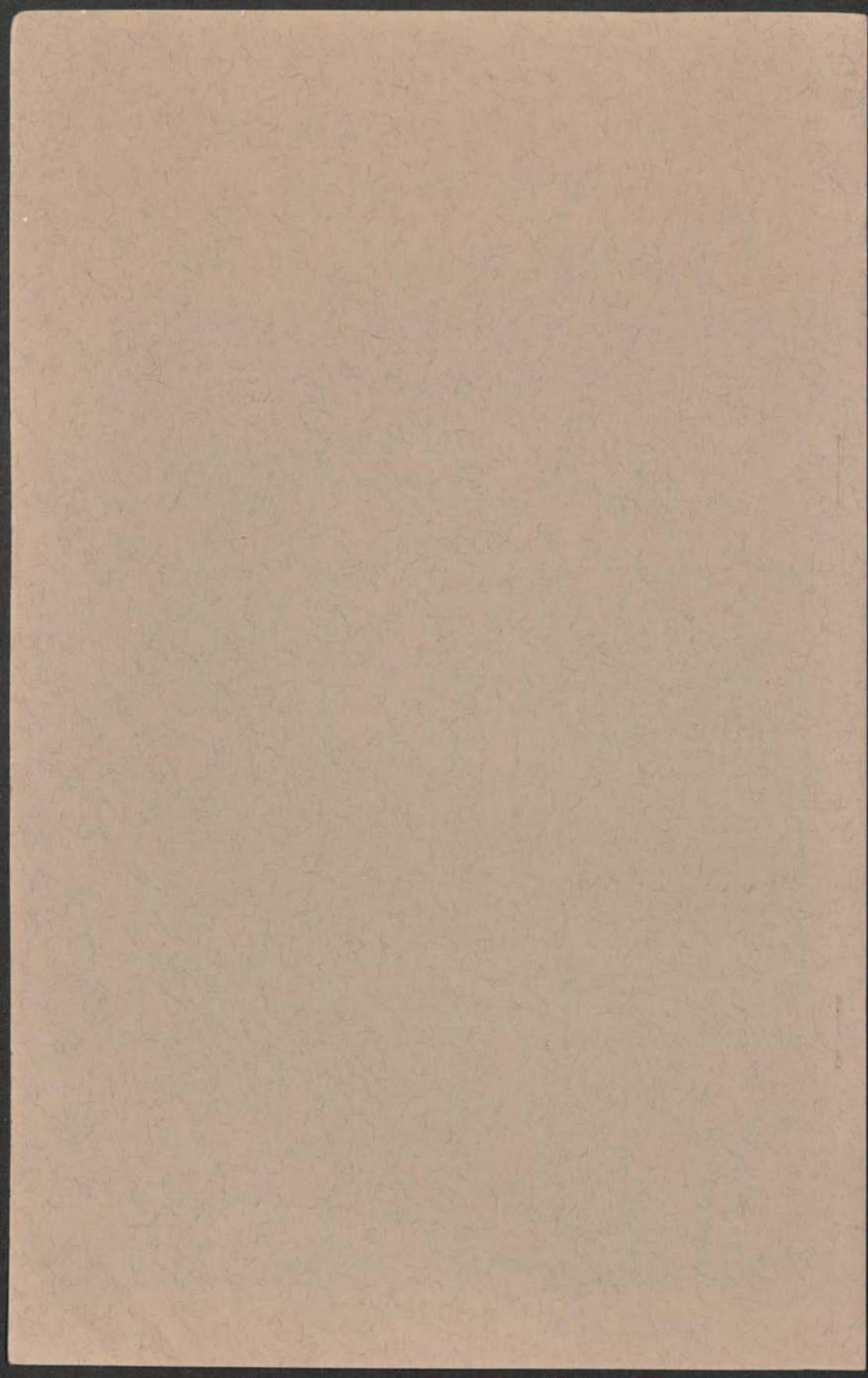
PART 3

DISASTER RELIEF ASSISTANCE
EMERGENCY MILITARY ASSISTANCE FOR CAMBODIA
EMERGENCY SECURITY ASSISTANCE FOR ISRAEL

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FOREIGN ASSISTANCE AND RELATED AGENCIES APPROPRIATIONS FOR FISCAL YEAR 1974

WEDNESDAY, NOVEMBER 14, 1973.

DISASTER RELIEF ASSISTANCE

FUNDS FOR SAHEL AFRICA, PAKISTAN, AND NICARAGUA

WITNESSES

HONORABLE MAURICE J. WILLIAMS, DEPUTY ADMINISTRATOR,
AGENCY FOR INTERNATIONAL DEVELOPMENT
DONALD G. MacDONALD, ASSISTANT ADMINISTRATOR FOR ASIA,
AGENCY FOR INTERNATIONAL DEVELOPMENT
HERMAN KLEINE, ASSISTANT ADMINISTRATOR FOR LATIN AMER-
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SYSTEMS, BUREAU FOR PROGRAM AND POLICY COORDINATION,
AGENCY FOR INTERNATIONAL DEVELOPMENT
CHRISTOPHER H. RUSSELL, DIRECTOR FOR LEGISLATIVE PRO-
GRAMS, OFFICE OF LEGISLATIVE AFFAIRS, AGENCY FOR INTER-
NATIONAL DEVELOPMENT
RONALD D. LEVIN, ASSISTANT DIRECTOR FOR LEGISLATIVE PRO-
GRAMS, OFFICE OF LEGISLATIVE AFFAIRS, AGENCY FOR INTER-
NATIONAL DEVELOPMENT

BUDGET REQUEST FOR EMERGENCY AID

Mr. PASSMAN. The committee will come to order.

The committee will consider this morning the budget amendment of \$150 million which has been referred to as emergency aid for Pakistan, Sahel Africa, and Nicaragua, and was included in House document 93-169. Is Sahel a region in Africa?

Mr. WILLIAMS. It is six countries that are spoken of as on the border of the Sahara Desert. The Sahel is an Arab term which means the shore of the sea.

In this case the sea is the Sahara.

Mr. PASSMAN. We have as the principal witness the Honorable Maurice J. Williams, Deputy Administrator, Agency for International Development and other supporting witnesses whose names will be noted in the record.

I assume you have a statement you would like to make to the committee in behalf of the budget request?

GENERAL STATEMENT OF THE DEPUTY ADMINISTRATOR

Mr. WILLIAMS. Mr. Chairman and members of the committee:

When Dr. Hannah appeared before this committee in July 1973 he stated that although we did not believe that the AID funding request was adequate to respond to our interests in assisting the less developed world, it represented the administration's judgment as to what we should provide in light of the Federal Government's overriding need to economize. At the same time, Dr. Hannah advised the committee that if unforeseen needs arose—large-scale disasters requiring sustained relief and rehabilitation assistance in fiscal year 1974—we would have to request additional funding from the Congress.

It is in the light of these two statements that I appear before this committee today. The need for economic assistance is greater today than we foresaw last July. We find ourselves nearly half-way through the fiscal year still operating under a continuing resolution which restricts our ability to plan sound programs. We face the prospect of painful cuts in an already lean budget request as an outcome of the authorization conference. World food shortages have forced major reductions in Public Law 480 food aid. The developing countries have had to buy essential food at high commercial prices. Many are meeting this unexpected cost by reducing their development budgets, and their external assistance needs have increased significantly. We are now confronted with extraordinary requirements for relief and reconstruction in Sahel Africa, Pakistan, and Nicaragua.

In this situation—the President concluded that our national interest and humanitarian concerns demanded an adequate response to these unexpected disaster requirements and justified a supplemental request for \$150 million.

Permit me to describe the magnitude of the cruel natural destruction which I have seen in these three countries, affecting some of the poorest people in the world, for which we seek these funds.

DROUGHT IN SAHEL AFRICA

For the past 5 years, six countries of Sahel region of Africa have suffered the cumulative effects of an expanding drought. A country or region may survive 1 or 2 years of drought conditions without major assistance, but over successive years the deterioration becomes progressively more severe and the reserves of human energy and land and resources become depleted. This happened this year in the Sahel threatening the lives and livelihood of some 25 million people.

The U.S. Government has played a leading role in the international relief effort which has succeeded in averting mass famine in Sahel Africa over the last year. Public Law 480 food aid, about \$41 million providing more than 256,000 tons of grain—along with 400,000 tons additional from other countries and organizations around the world—has saved the lives of millions of Africans in the six affected nations. About \$7.2 million of nonfood aid for such items as airlift of grain to villages inaccessible by road; blankets, tents, and medicines for refugees; and supplementary cattle feed, also helped to save the lives of people and cattle. Moreover prompt U.S. action helped to stimulate a worldwide effort totaling \$154 million in food and nonfood aid.

Widespread starvation was prevented this year, but serious drought and food supply problems remain for the coming year.

The U.N. Food and Agriculture Organization predicts a grain shortage of about 720,000 tons of grain over the coming year. The drought effects—little and irregular rainfall, another year of poor crops, and decimation of cattle herds—will again mean widespread food shortages, general malnourishment, and increased vulnerability to disease for the people of this region.

The leaders of the Sahel states, with our help and that of other donors, have tried over the past year to break into manageable parts the seemingly intractable problem of emergency relief for survival and future recovery. A basic framework to link international emergency relief aid to recovery efforts was discussed at a meeting of the six affected states which I attended in Upper Volta in September of this year.

The President's proposed assistance of \$40 million in fiscal year 1974 will support both emergency relief and a phased recovery program in the six Sahelian states of Chad, Mali, Niger, Mauritania, Upper Volta, and Senegal. These funds will be part of a major international effort to combat the continuing drought and to create a basis for attacking longer term recovery problems.

About \$6 million of this request is needed to address immediate emergency needs including medicines and transport in areas still fighting for survival. Further Public Law 480 food grain also will be needed.

The bulk of the funds requested, about \$32 million, will be directed to recovery and rehabilitation projects. Activities such as improving storage facilities and roads, creation of earthen dams for water storage, and seed multiplication will be undertaken as rapidly as possible in order to maximize the 1974 harvest and avoid the need for continuing food relief shipments.

A small portion of the \$40 million would address the unprecedented long-term problem of the Sahelian region.

PAKISTAN FLOODS

The floods that swept Pakistan in late August and early September were the most devastating in its history. They came just as Pakistan had completed a record wheat harvest and was beginning to register significant economic progress.

An area three times the size of the State of Connecticut was inundated. Nearly 5 million people—1 out of every 13, in the country—were adversely affected. Homes lost or severely damaged numbered about 900,000. About 4 million acres of cropped land were damaged. The flooding of 9,717 villages and the damage of public and private facilities—railways, canals, roads, schools, housing, the irrigation systems, and in many areas the land itself—severely strains the social and economic life of the country.

In economic terms the damage to cotton and rice, Pakistan's principal export crops, and to wheat stocks in storage, will total approximately \$400 million. Approximately 600,000 bales of cotton (\$140 million at today's prices), Pakistan's most important export crop, have been lost, as have 300,000 tons of rice (\$110 million). Losses in stored

wheat are estimated at 650,000 tons (\$150 million). Some \$147 million of anticipated tax revenue has been lost while costs of rendering aid to the homeless and destitute and rehabilitation and reconstruction of health centers, schools, irrigation systems, transport, and other public facilities damaged by the flood waters, will add an initial \$127 million to the government's expenditures.

The Government of Pakistan's highest recovery and reconstruction priorities are:

Repair of the irrigation and ground water systems and the road and railroad net in the flooded area;

Seed, fertilizer, and other agricultural-related inputs to achieve maximum production from the rabi crop (mainly wheat) planted this fall and from the kharif crop to be planted next spring;

Reconstruction of schools, hospitals, and other government facilities damaged by the flood; and

General balance of payments assistance to help offset the loss of foreign exchange earnings.

The President is requesting \$95 million to support Pakistan's reconstruction effort: \$23 million to reimburse other accounts for the emergency loan and disaster relief efforts already undertaken plus \$72 million in recovery and reconstruction assistance.

The Government of Pakistan has mounted a repair and rehabilitation effort of unprecedented magnitude and vigor, making great inroads into the task of restoring the transportation network and vast irrigation canal system upon which agricultural production depends. These works have been financed by imposing new emergency taxes expected to return the equivalent of \$77 million, and by shifts from the development budget at a cost to future economic progress. However, Pakistan does not have the resources to mount a major reconstruction program on the scale the situation demands and at the same time sustain the momentum in the rest of the economy. The program for which we are seeking funds will help the Government of Pakistan meet these needs.

The \$95 million in this supplementary appropriation request consists of \$58 million in long-term loans and \$37 million in grants. It will help finance the most urgent reconstruction needs:

The \$32 million in grant funds will be programed for such urgently needed activities to rehabilitate the economy as school and medical facilities reconstruction repair and restoration of community water systems and irrigation works, reconstruction of grain storage, repair of railroads, highways, and power facilities, and repair of tubewells.

The remaining \$5 million of the \$37 million requested in grants will reimburse the "Supporting assistance" account for the emergency assistance already extended and pesticide spray and agricultural seeds supplied immediately after disaster struck in August, as notified to the chairman of this committee and to the chairman of the Appropriation Subcommittee of the Senate Appropriations Committee in my letter of August 29, 1973.

The \$58 million in loans will provide Pakistan with commodities urgently needed to help restore agricultural production and storage facilities, combat flood-aggravated disease and health problems, and to help relieve pressure on Pakistan's balance of

payments caused by the losses to anticipated export earnings sustained as a result of the flood and increased import needs to mitigate its effects.

Both grant and loan programs are described in greater detail in the annex to this statement.

The Pakistan economy was showing signs of sustained economic growth before the floods. At one stroke the country suffered a stunning setback affecting its economic and political stability.

Help is needed from the United States and others to assist Pakistan's effort to permit the millions of people affected by the flood to regain their livelihood and to work toward early restoration of schools, health facilities, and water supplies.

The assistance we are requesting will help Pakistan deal with the difficult problems of recovery with renewed hope for the future.

EARTHQUAKE RECONSTRUCTION AT MANAGUA

The disastrous earthquake which struck the capitol of Nicaragua on December 23, 1972, was described in our congressional presentation. In the months that followed the earthquake, the international community provided timely and massive emergency relief and rehabilitation assistance totaling \$87 million, of which \$27.6 was U.S. Government assistance and \$8.4 million from U.S. private voluntary agencies.

The emergency relief assistance phase has ended. The Government is now adopting guidelines for replacement of facilities destroyed in the earthquake. Generally, the guidelines call for rebuilding Managua dispersed over a wider geographic area in the same general location. Major features of the plan are upgraded and earthquake resistant construction standards, greenbelts in the more geologically dangerous locations, dispersed governmental, medical, and public service facilities, and more rapid development of suburban cities close to Managua.

The value of destroyed housing, schools, hospitals, and other public infrastructure has been estimated to be in the general range of \$500 million. The reconstruction cost will likely prove even higher because of the upgraded construction standards, dispersion of facilities over a wider area, and generally rising costs.

The Government of Nicaragua recognizes that most of the burden of reconstruction will have to be met from domestic resources. Early this year it revised taxes and established a special \$13 million fund for initial reconstruction expenses. It is currently upgrading its implementation and planning capabilities and is preparing a new budget for 1974-78 reconstruction activities, reflecting principal reliance on domestic resources including increased taxes.

At the same time, Nicaragua needs international assistance to carry out a task of this magnitude. The World Bank and the Inter-American Development Bank indicate that they are planning capital assistance of approximately \$58 million over the next 2 years. It is likely they will commit additional amounts as other reconstruction investments are identified.

We are proposing an AID level of approximately \$50 million over the next 3 years—mainly to contribute to replacement of low-cost housing, public service facilities, and infrastructure.

For fiscal year 1974, the President has requested \$15 million to assist the Government of Nicaragua with its highest priority—low-cost housing. Fifty thousand units, mostly of the type inhabited by people of modest income, were either destroyed or damaged by the earthquake. Of these, perhaps 40,000 are beyond repair. Given an average family size of 6 persons, roughly 240,000 persons need homes at present. Many are housed in makeshift quarters while others are crowded in with relatives. To meet this critical need, the \$15 million proposed for Nicaragua under the supplementary appropriation amendment would provide some 9,000 low-cost homes.

CONCLUSION

I have described devastating destruction in three parts of the world largely in statistical and material terms. In human terms it has meant for millions of poor and uneducated people an inexplicable blow of fate which has threatened their lives and livelihood. It is difficult to convey the look of bewilderment and despair I have seen this year on the faces of a Nicaraguan family surrounded by debris at the site of its former home; a proud herdsman of Niger bereft of his cattle; or a Pakistani farmer who has just seen the crops, on which he based hope for his future and that of his children, suddenly wiped out.

If it were possible to help these people out of funds previously requested under the AID program, I would not be here today. However, the tight fiscal year 1974 budget which we proposed made no allowance for disasters of this scale. Now, cuts made in the authorization bill jeopardize important parts of the originally proposed program. Even an appropriation level between the House and Senate authorization amounts will restrict planned technical assistance activity. If loan receipts are denied the Agency, as proposed in the Senate bill, we will not be able to meet assistance commitments and essential needs of many of the developing countries in which we have important foreign policy interests.

These reduced levels would impair our effectiveness under any circumstances. This year severe cutbacks in Public Law 480 food availabilities have raised real questions in the minds of the recipients about our intent to assist them in their development effort. If progress is to be made and our foreign policy objectives met, AID must not be forced to absorb further cuts, and additional funds must be provided so that we can respond to the important needs I have outlined today.

Mr. Chairman, I herewith submit attachments, annex A, B, and C, to my statement for the record and am prepared to answer any questions you have bearing upon the budget request before you.

ANNEX A

DROUGHT IN THE SAHEL

The Sahel is a region which occupies a belt across Africa some 2,600 miles long from Mauritania and Senegal on the west to Sudan on the east. Even if there were no drought crisis today, this region faces major development problems. Four of the six Sahelian countries—Chad, Mali, Niger, and Upper Volta—are among the world's least developed countries as identified by the United Nations. These countries have large nomadic populations whose basic resource has been livestock. Literacy rates in this region are among the lowest in the world. Communications and transportation systems are rudimentary. Between

1963 and 1970, food production in the Sahelian States increased at an annual rate of only 0.4 percent, while population increased at a rate of 2.3 percent.

Natural forces have always posed significant threats to this region. Rainfall varies from less than 20 inches per year to about 40 inches, but more significantly, the precipitation is irregular and subjects farmers and herders to great uncertainty. Another natural force, still not fully understood, is the Sahara Desert which continues to advance southward. A rough estimate is that about 250,000 square miles of arable land have been forfeited to the desert in the past 50 years.

Most of the area's ecological deterioration is probably attributable to man's interventions. Human population in the region has grown substantially through migration and natural increase. Animal populations, largely a result of veterinary progress, have also grown tremendously. In turn, the search for water has intensified. Modern technology has helped develop new wells which lead to an overconcentration of animals. As a result, the land is stripped of vegetation and becomes vulnerable to erosive forces.

This degenerative process has now reached a climax in the current crisis. The drought, reaching its fifth year, has had a cumulative effect and the fragile ecological base of the area is extremely imbalanced. The human and animal populations have nearly exhausted the carrying capacity of the land. The economic base of existence for many people has been severely eroded. Thousands of nomads have lost their livestock and must seek a new livelihood. Many farm families have joined in the mass migration in search of food. The drought has made it clear that a new base of social, economic, and environmental harmony must be developed.

The FAO reports that 30 percent of the livestock in the region has perished. Other reports indicate that Mauritania, for example, has lost as much as 70 percent of its livestock. In Senegal, the peanut crop, which provides 70 percent of the export earnings, was cut in half. Niger had similar losses. The FAO predicts there will be a grain shortage of almost 720,000 tons this coming year. Not only has human misery increased, but the loss of crops and animals has nearly depleted the revenue-earning resources available to governments to develop a response to the crisis situation.

PREVIOUS U.S. EMERGENCY ASSISTANCE

By the fall of 1972, it became evident that problems of major proportions were developing. Since then events have moved quickly, and our response both in initial planning and emergency relief has been significant. In March 1973, the six Sahelian States formed the Interstate Committee for the Struggle Against Drought in the Sahel—CILSS—headquartered in Ougadougou, Upper Volta, to help facilitate the international relief aid, and to help link emergency aid to longer-term efforts. We have been working with CILSS as well as the individual African States and other donors in carrying out emergency assistance.

The United States took a leading part in the major effort to alleviate the drought emergency. The interest of a wide spectrum of U.S. citizens and private voluntary agencies shows a rising concern about human problems in the Sahel, and with greater intensity, than could be noted previously, about development problems African people face. To date, the United States has provided nearly one-third of the total donor effort. We have provided over \$47 million in emergency drought assistance out of a total effort of about \$154 million. Most of the U.S. assistance has been food contributions—256,000 metric tons of cereals valued at \$40.8 million. The remainder includes costs of airlift, seeds, livestock feed, medicines, and related needs. Other major donors include the European Economic Community, United Nations, France, and China, and Africa donor nations—Nigeria, Zaire, and Libya. This collaborative emergency effort has helped avoid massive famine which threatened the Sahelian countries only weeks ago.

Although major starvation has been averted, serious food supply problems remain. People now without livestock, to help meet food needs, have turned to grains and have increased the demand on foodstuffs. Several of the countries report inadequate harvests again this fall. Other problems also persist. Diseases and malnutrition afflict many people. The dislocation of people has been immense.

THE SUPPLEMENTAL REQUEST FOR MEDIUM TERM RECOVERY PROGRAM

In the face of this continuing crisis, AID is requesting supplemental funds to support a recovery program. The African States, through CILSS, have created a framework for continued assistance. We have encouraged the Sahel States

and other donors to develop a recovery and rehabilitation program to get underway in the next month or two. The additional funds requested will help finance this program. It will affect the capacity of the people to cope with the problems of their fragile environment within the next 12-24 months. These funds are necessary to promote the recovery of the wasted lands of the Sahel by putting additional resources in the hands of people so they can better cope with problems of survival. Our assistance is needed to help redress the imbalance of too many people and too many animals on prior ranges and unproductive soils. The drought problem is not one of obtaining more water. More cattle have died for lack of adequate pasturage than for lack of water. Therefore, the natural ranges must be regenerated. Herders must learn better how to manage their livestock. Beyond these efforts, however, for many people, alternate areas to live in and new vocations to replace nomadic herding must evolve. These fundamental readjustments are estimated to affect some 6 million people in the Sahel region itself and some 20 million more in neighboring countries.

The challenges posed by these problems are now clearly recognized by the six Sahel governments. They are the ones who must arrive at solutions to the Sahel problem. It is urgent that we and other donors work in close collaboration with these governments in order to make an effective, immediate contribution to the recovery effort.

We are seeking \$40 million in supplemental grant funds to address the following needs:

1. Emergency requirements—

About \$6 million is needed to help keep people and animals alive until recovery efforts take hold. Funds are needed to purchase medicines, to rent or buy trucks to keep grain moving, and to provide airlift to inaccessible areas. \$2.5 million of these funds will be used to reimburse AID's contingency funds which have already been used for airlift, medicines, and used clothing among other items.

2. Recovery and rehabilitation program—

The bulk of our request, \$32 million, is required to support a medium term recovery program. These efforts will focus on maximizing the harvest of next fall and overcoming problems which have contributed to drought conditions in past years. These funds will help support the following kinds of activities.

Storage and transport. First and foremost, the threat of famine and further losses of herds must be avoided as well as reducing the need for excessively costly air shipments of relief food supplies. Simple storage facilities must be constructed to sustain rational distribution of food and seed grains in areas most subject to critical shortages. Similarly we must help extend the seasonal periods that road and river transport facilities can be used. This means funds for repair and maintenance activities. We also must assist efforts to expand the tonnage capacity of these facilities and improve the rate of utilization of barge fleets.

Agricultural production. In the next few weeks, the Sahel governments must initiate projects aimed particularly at increasing food production next fall. They have developed proposals which we anticipate assisting such as: (a) Multiplication and distribution of proven high-yielding varieties of millet, sorghum, corn, and rice, (b) extension through simple labor-intensive techniques of irrigation systems along rivers, and (c) in selected instances, more ambitious development of irrigated croplands where significant production increases could result. In addition, we will seek to support projects to develop mixed farming and open the way to settlement of traditional herdsmen. Projects to improve local diets and to create employment among nomads are being developed.

Livestock and range development. Immediate attention must also focus on insuring the survival of the remaining cattle as a nucleus for restoring herds. Mobile teams of local veterinaries must carry out animal health campaigns. Supplies for these campaigns will be necessary. Maintenance rations must be provided for surviving cattle, and new sources of food must be developed through expansion of pit silos and feed mills. Projects aimed at reseeding pastures and introducing forage into regular crop rotation will be undertaken.

Health protection. Emergency conditions of the drought have further weakened people already little resistant to disease. There is a considerable requirement for medical equipment and supplies to provide preventive health care, disease control, development of sanitary water supplies, and providing mobility and logistic support for health teams will be critical needs.

3. Long-term planning—

We will need funds, about \$1.5 million, to assist efforts to plan long-term development requirements. When the current crisis of survival ebbs, the Sahel

governments face the need to overcome the fundamental problems of the area. Planning must begin now.

4. Operating costs—

Support costs for AID employees to be stationed in the Sahel countries to help implement the recovery projects over the next year will require approximately \$500,000.

In all the activities in which we participate, the primary responsibility for planning and implementation is that of the local government. Within this frame of local government administration, however, we seek the closest possible collaboration with all other donor agencies. With the encouragement of the host governments we have reviewed our programs especially with the European Development Fund and the bilateral French program carried out under the Fund for Assistance and Cooperation, as well as with the resident representative of the UNDP who coordinates the programs of the U.N. agencies concerned with the recovery of the Sahel. We have also coordinated our activities with contributions of the dedicated American volunteers in the Peace Corps and have enlisted the collaboration of a number of outstanding voluntary agencies who have a distinguished record of achievement in promoting the recovery of the drought stricken areas. We seek to the greatest extent possible to reach an integration of effort, so that the limited funds available from all sources can most effectively meet the challenge of the relief and recovery of the Sahel.

ANNEX B

FLOODS IN PAKISTAN

The summer 1973 flood was the most devastating in Pakistan's recent history. Rainfall in Pakistan and in the Himalayan foothills was considerably heavier than in previous years, up almost fivefold in some districts. Flood damage was most severe in two provinces, the Punjab and the Sind. These two provinces account for 80 percent of Pakistan's 67 million people. Almost 90 percent of the food and fiber produced in Pakistan comes from these two provinces. Naturally, most of the nation's infrastructure—irrigation, canals, roads, bridges, railroads, communications, and tubewells—is concentrated in these two provinces.

The floods were a serious setback to Pakistan's economic progress. Four million acres of croplands (20 percent of arable land in the Punjab and Sind) were flooded. The death toll was fortunately relatively small, largely due to rapid and effective measures undertaken by the Government of Pakistan. Some 9,700 villages were inundated and about 900,000 homes were severely damaged or totally destroyed. Seven thousand schools were either destroyed or so extensively damaged as to require replacement. About 100 medical facilities also were extensively damaged. Thirteen city water systems were severely damaged and water systems in some 6,000 villages require rehabilitation and improvement. Some 4,000 miles of unpaved roads must be rebuilt and over 1,000 miles of paved highways must be repaired. More than 20,000 tubewells require replacement or major repair while restoration of major irrigation works, such as dams and canals, will require movement of an estimated 59 million cubic yards of earth. There has also been extensive damage to railroads, power, industrial facilities, and community buildings.

The immediate American response to this tragedy was rapid and effective, both by voluntary agencies and by the U.S. Government. The highlights of emergency assistance provided in the first month are as follows:

- (1) Vegetable seeds as well as pesticides essential to protect crops endangered by the floods were purchased and transported to Pakistan.
- (2) Medical supplies, consisting of vaccines, antimalaria drugs, inoculation equipment and instruments were provided by AID. Two epidemiologists from the Communicable Disease Center in Atlanta, Ga., spent 4 weeks in Pakistan assessing the danger of epidemics and supervising transfer of supplies to Pakistani health authorities.
- (3) Helicopters and boats were provided for evacuation of flood victims and flood-threatened people and for the transport of food and emergency supplies and for conduct of aerial damage assessment.
- (4) Aircraft, equipment and personnel were furnished to carry out a fuel airlift within Pakistan to overcome disruption in land transportation. (\$5 million were allocated in disaster relief assistance for meeting the costs of the above measures.)

(5) One hundred thousand metric tons of wheat valued at \$19.5 million were authorized for shipment to Pakistan under Public Law 480, consisting of 60,000 tons of sales under title I and 40,000 tons of donations under title II through the world food program.

(6) A cash contribution equivalent to \$100,000 of U.S.-owned Pakistani rupees was made by the American Charge d'Affaires to the Prime Minister's relief fund for immediate support of the flood victims.

(7) U.S. voluntary agencies contributed \$1,200,000 in cash, food, and pharmaceutical and medical supplies.

The Government of Pakistan has mobilized all its agencies at national and provincial levels in a crash recovery effort. In the agricultural sector, top priority has been given to the repair of irrigation facilities to restore the flow of water needed for crops in the ground and to replant areas this November. Construction equipment belonging to the Army and to a variety of governmental agencies is being employed in this task. Over 4 million cubic yards have already been moved and most canals are now operating, although full restoration of irrigation works still lies ahead.

The Government has selected and diverted from its own food resources 120,000 tons of wheat to be used for seed in planting the winter crops in the next few weeks. The equivalent of \$60 million has been allocated for interest-free loans to small farmers in flood areas for seed, fertilizer, tools, animals, and repairs. Flood-affected farmers with outstanding bank debts have been given an interest-free extension on payments until the next crop harvest season.

In communications and power, priority was given to the restoration of power to industries and tubewells, a task which was accomplished on a makeshift basis within a month of the flood. Government stocks of equipment and spare parts have been largely exhausted in the process and need replacement. Similarly railroads, highways, and telecommunications have been temporarily repaired and put back in operation.

Twenty million dollars equivalent has been allocated by national and provincial governments for low-cost housing construction in towns which had been flooded and for loans to flood-affected homeowners on special terms.

The vaccination of 11 million people against endemic diseases has been made possible by a tenfold increase in vaccine production on a 24-hour-a-day basis. The Government is completing minor repairs on scores of flood-damaged health facilities and has begun a major repair and reconstruction program for seriously damaged facilities.

Both national and provincial agencies were authorized to get these recovery efforts underway with available funds in the absence of special allocations. Subsequently, the Government has temporarily delayed \$43 million equivalent of other budgeted development programs to finance recovery efforts. This action together with a special flood tax expected to generate \$77 million equivalent additional revenue, reflects the Government's intention to avoid increasing the budget deficit and to minimize ensuing inflationary pressures.

Assistance from other donors so far, exceeds \$20 million of which \$16 million is cash donated by Arab States. Great Britain has authorized an accelerated drawdown of existing credits which will add about \$2 million to availabilities this year. Canada has contributed \$2 million in cash for the rehabilitation of railroad and power infrastructure; Sweden contributed \$1.7 million which was mainly wheat. A sympathetic understanding of flood-related needs has certainly influenced the generous response by a number of countries, particularly Canada, in the donation and concessional sale of wheat which had been sought before the flood. Pakistan has provided the IBRD/UN team which is now in Pakistan with a detailed memorandum of losses and damages. We understand the IBRD will support Pakistan's rehabilitation efforts and will urge the consortium members to provide assistance also.

PROPOSED U.S. LOAN FUNDS

The \$58 million requested in loan funds will address the interrelated agricultural production and balance-of-payments problems which influence the well-being of the entire Pakistan economy.

(1) An \$18 million loan for agricultural inputs, authorized on September 14, 1973, will concentrate on restoring agricultural production of wheat and rice to pre-disaster levels and to increase acreage planted to food crops in the Punjab and Sind areas where the Pakistan Government is attempting to maximize the April 1974 wheat harvest. The loan funds will be used for fertilizer, seed (wheat,

forage, pulse, and oil crops seeds), pesticides, mechanical equipment, for example, pumps, pipes, tillers, tractors and spare parts, implements and water well drilling equipment.

(2) Approximately \$40 million will be used for a program loan, the primary emphasis of which is to finance the import of items directly related to agricultural production such as fertilizer, farm machine spare parts, and farm machinery. The loan will also permit procurement of replacement equipment and supplies for hospitals and clinics and essential material required to combat infectious diseases, primarily malaria, resulting from the flood. These funds are also required to replace the inventories of light industries whose supplies were destroyed or consumed as a result of the disaster.

PROPOSED U. S. GRANT FUNDS

As an immediate response to the flood disaster, AID drew upon contingency and supporting assistance funds to furnish disaster teams to deal with initial rescue and medical operations. In addition, to prevent further losses to crops in the field, a major spraying campaign was undertaken to combat the increased threat of losses from pests. Five million dollars is required to reimburse other accounts for these emergency obligations. The remaining \$32 million is proposed for the following programs (for a total of \$38 million):

1. *Grain storage.*—One of the major losses of the flood was the destruction of stored grains worth approximately \$100 to \$150 million, much of which was stored in mud bins which were destroyed. As major efforts are being made to increase the fall crops, increased storage capacity is needed. AID proposes to provide \$4 million to construct both government warehouses and village storage facilities which would permit the purchase and safe storage of a larger percentage of the crops in flood as well as normal years.

2. *Tubewells.*—An estimated 20,000 to 25,000 diesel and electrically powered tubewells were damaged. AID proposes \$2 million to assist in the rehabilitation of these tubewells, a major step needed to restore production and help people get back to their feet.

3. *Roads, railways, and power.*—Rebuilding secondary and provincial roads is an important objective in linking villages to major highways and is necessary for marketing agricultural commodities. This important work, to be carried out by labor intensive means, will provide needed employment in the rural areas. In addition, damaged rail lines will need to be repaired. AID estimates that \$5 million is needed to support these projects as well as to replace supplies and equipment of provincial electric authorities used in the rehabilitation effort.

4. *Schools.*—Approximately 7,000 primary, middle, and secondary schools must be replaced as a result of the disaster. A project for the construction of schools to replace those destroyed is proposed on a cost-sharing basis. Standard plans would be developed for each type of school which would incorporate plans for flood resistant construction. AID funds would provide approximately 70 percent of the cost of the buildings. Furnishings, books, and supplies would be provided by Government of Pakistan and/or other donors. AID is considering providing \$7 million for financing this activity.

5. *Medical facilities.*—The flood completely destroyed or severely damaged 100 medical facilities ranging from hospitals to family planning clinics. The AID effort, estimated at \$1 million, would be directed to reconstruction of those facilities deemed most important for providing basic health services in the quickest possible manner. The project will be based on a shared-cost basis with AID providing funds for approximately 70 percent of the costs.

6. *Community water.*—The flood ruined the safe water supply of many villages and cities. A project to provide pumped and piped water systems to some 1,200 villages with populations of 2,500 or over is planned in order to partly restore the wide range of safe water facilities which were destroyed. It will be conducted on a cost-sharing basis with the AID share proposed at \$3 million.

7. *Major irrigation works.*—Restoration of major irrigation works, a critical element for maintaining agricultural production, will require moving approximately 59 million cubic yards of earth. The Government of Pakistan has already accomplished approximately 10 percent of this task. A project is planned to assist the Government of Pakistan in completing this project as soon as possible by sharing some of the costs and by providing some of the spare parts required to repair flood damaged machinery already in place. This will increase the amount of machinery available for this work and thereby expedite the task; \$10 million is estimated by AID to be required for this activity.

ANNEX C

EARTHQUAKE IN MANAGUA

On December 23 of last year the city of Managua was struck by a devastating earthquake in which an estimated 10,000 people were killed, 20,000 injured, and over 200,000 were left homeless.

The international community responded rapidly and generously to the plight of the Nicaraguan people. An estimated \$35 million in assistance flowed to that country in the months following the disaster. Official U.S. assistance in the early emergency stage of recovery totaled approximately \$12.6 million. (This included \$3.9 million in Public Law 480, title II food, \$3 million for an emergency shelter program, two U.S. military field hospitals and other emergency assistance.) Relief assistance from U.S. private sources is estimated to have been \$8.4 million and help from the international community—that is, other donor countries and foreign private organizations—totaled \$14.3 million.

In February, a \$15 million loan was extended to the Government of Nicaragua by AID to help insure that economic activity in the country was not unduly slowed down by the devastation caused by the earthquake. These funds helped finance rubble removal and salvage operations, construction of two new hospitals, emergency repair and expansion of provisional hospital facilities, clearing and repair of major drainage channels, repair of an essential highway serving Managua and five bridges, construction of provisional classrooms, repair of usable public buildings, the construction of a customs office and warehouse and the costs of a contract with the Central American Graduate School of Business Administration to provide the Government with the capacity for planning the reconstruction effort. These activities, most of which were labor intensive and thus provided job opportunities for thousands of unemployed earthquake victims, were considered vital first steps in the reconstruction and rehabilitation process.

To date the funds from this program loan and some funds from preceding loans have enabled the Government of Nicaragua to:

Complete 244 classrooms in Managua, repair 210 classrooms damaged by the earthquake, and begin construction of 800 more in Managua. There are now sufficient classrooms to provide primary education to every child in Managua on a double-shift basis.

Rehabilitate and expand one 300-bed hospital—the only one now operating in Managua, expand the physical rehabilitation center, construct five warehouses for hospital supplies and medicines and begin the construction of two new 250-bed hospitals. It is estimated that the new hospitals will be completed by May 1974.

Clear 550 city blocks totally destroyed by the earthquake. (To date, salvage operations have been virtually completed, 250 blocks have been cleared of rubble and a contract with a U.S. firm has recently been signed for the demolition and clearing of the remaining 300 blocks. It is estimated that demolition and cleanup operations in Managua will be completed by June 1974.)

Clear and rehabilitate 8.1 kilometers of storm drains.

Pave 3.5 kilometers of roads, and initiate construction of five bridges, to reroute traffic around the old central city.

Restore to use public buildings which were damaged but not entirely destroyed by the earthquake.

While progress is being made, and we are proud to have made a contribution to this progress, the major tasks of reconstruction lie ahead. The vital center of Managua is still unoccupied and unusable; the facilities it contained have not been replaced. Despite the real progress made in providing hospitals and temporary schools, the facilities thus far constructed do not approximate the levels existing prior to the earthquake, levels which were inadequate even then. The replacement value of housing and public facilities lost in the earthquake has been estimated at \$500 million and the decision to spread the new city over a greater geographic area to lessen future seismic risks and rising price inflation will likely cause reconstruction costs to be even higher. Nicaragua will need substantial additional outside assistance if it is to complete the task of reconstruction within a realistic time frame.

The Government of Nicaragua is now in the last stage of adoption of a master plan for the replacement of facilities destroyed in the earthquake. This planning is based on the scientific and technical advice of many experts on urban planning, including a group sponsored by the Government of Mexico; the study of geological constraints by the U.S. Geological Survey; reconstruction studies by

an international group sponsored by the World Bank, the Inter-American Bank and the Organization of American States; and economic analyses conducted through the Central American School of Business Administration (INCAE). This work is expected to result in guidelines for future investment essential for the Government's acceleration in the earthquake.

Although AID's participation has been significant, other donors have also played key roles in the rehabilitation and reconstruction efforts. In addition to the international disaster relief assistance noted earlier, the Inter-American Development Bank and the World Bank have made reconstruction loans of \$16.7 and \$20 million, respectively, to help restore power, telecommunications, and water services, construct educational facilities, and finance small industries.

The Government of Nicaragua also has demonstrated a considerable measure of self-help by taking steps to improve its own situation. Early this year it established a special \$13 million fund for initial rehabilitation expenses. This fund is based mostly on revenues from special taxes, largely on exports imposed immediately following the earthquake. These export tax receipts for the first half of 1973 have been very good, as demand for coffee, cotton, and beef have been strong. Foreign exchange holdings as well as tax receipts have risen with the new export advances. This will provide Nicaragua with some cushion to start to absorb the heavy demand for foreign exchange that will come with the growing reconstruction effort. The Government of Nicaragua has shown a remarkable ability to gear up administratively, which immediately after the earthquake was a cause of concern, in connection with its effective utilization of AID's program loan. A special implementation unit set up within the government to carry out the program has worked well and is expected to be used as a model for other governmental units involved in reconstruction efforts.

The Nicaraguan private sector also has shown highly commendable resilience. Activity in the industrial sector is up to 95 percent of preearthquake levels; employment in the commercial sector, according to data from the Social Security Institute (which generally does not cover small, self-employed artisans and the service trades), was at 75 percent of prequake levels as of June 1973. One large, new 195-unit shopping center is in operation and three more are under construction. Thus far, the Nicaraguan construction industry has been able to handle the volume of new construction and is taking steps, such as sponsoring a training program for skilled workers, to gear up for the much greater demands to come. It seems clear, however, that some construction capacity will have to be imported once the reconstruction effort reaches full momentum.

In summary, the relief operations have been extremely successful and the prospects for reconstruction are promising. The Nicaraguan economy has proven to be unexpectedly resilient. Development of financeable reconstruction plans are nearing completion.

AUTHORIZATION REQUEST FOR EMERGENCY AID

Mr. PASSMAN. Thank you for a comprehensive statement, Mr. Williams.

We have certain questions to ask about the request.

Are you requesting an authorization for the \$150 million budget amendment?

Mr. WILLIAMS. We are requesting an authorization, and we understand this is under consideration by the appropriate committees, Mr. Chairman.

Mr. PASSMAN. Have you submitted formally to Congress an official budget request from the Office of Management and Budget and the President for these emergency funds?

Mr. WILLIAMS. That is correct. The President has requested the \$150 million as an extraordinary supplementary budget request.

PROGRAM BREAKDOWN BY AREA

Mr. PASSMAN. Would you please provide a detailed breakdown showing the amounts for each area and the amounts to be allocated by specific programs within each area?

Mr. WILLIAMS. Yes, sir.
[The information follows:]

Supplemental Request for Sahel Recovery Programs

Of the total request for \$40 million, about \$6 million is needed to address those continuing emergency needs which are related to maintaining human and animal life until the next harvest. The major portion of the request, about \$32 million, is required to address those recovery needs which are related to maximizing the harvest or next fall and to assuring effective distribution and utilization of donated food supplies. These funds will be used for priority needs in storage and transport; range management and livestock; agricultural production; and health protection. AID will provide supplemental financing to expand and accelerate the benefits of recovery activities being carried out by the host country governments. About \$1.5 million will be used to assist efforts to plan long term development requirements of the Sahel. Support costs for the AID employees to be stationed in the Sahel countries are estimated to be approximately \$500,000.

Earthquake Reconstruction for Nicaragua

Low cost housing..... \$15,000,000

U.S. disaster assistance proposed for Pakistan

	<i>Millions</i>
Loans:	\$58
Agriculture Production Loan.....	18
Commodity Importation Loan to increase agriculture production, combat malaria and replace lost equipment inventories.....	40
Grants:	37
Replace Contingency and Supporting Assistance funds already used for Emergency Assistance and Pesticides and Seeds provided after the disaster.....	5
Construction of Grain Storage Facilities.....	4
Rehabilitation of Tubewells.....	2
Rehabilitation of primary, middle and secondary schools.....	7
Repair of medical facilities.....	1
Rebuilding community water facilities.....	3
Restoration of irrigation works.....	10
Restoring roads, railways and power.....	5

AMOUNTS PROGRAMED UNDER CONTINUING RESOLUTION

Mr. PASSMAN. What amount of AID funds have already been allocated and obligated for these purposes?

Mr. WILLIAMS. In the emergency for Pakistan because of the very serious floods there, there have been some funds already allocated, \$5 million of emergency grants for medical relief and crop spraying, which were drawn, Mr. Chairman, from supporting assistance account, and an \$18 million loan for agricultural inputs. This was done so that we could meet the extraordinary relief efforts that arose quite unexpectedly with the flood situation. We have also used \$2.5 million of the contingency fund in the Sahel, largely for grain transportation and medical supplies, as well as \$1.1 million of development grant money.

Mr. PASSMAN. Under the continuing resolution under which you are presently operating, there is a limit as to what you could obligate for these purposes.

Is that correct?

Mr. WILLIAMS. That is correct, sir.

Mr. PASSMAN. Would you place in the record at this point, the amounts you have allocated under this authority?

Mr. WILLIAMS. Yes.

[The information follows:]

AMOUNTS PROGRAMED UNDER THE CONTINUING RESOLUTION AUTHORITY

Pakistan: \$5 million of supporting assistance; \$18 million of development loans.

African Sahel: \$2.5 million of contingency funds; \$1.1 million of development grants.

Nicaragua: Nothing.

PROPOSED DEVELOPMENT LOANS

Mr. PASSMAN. Will the \$150 million request be used to reimburse these accounts?

Mr. WILLIAMS. A portion of it will be used to reimburse the accounts. For Pakistan that would be \$5 million in grants to reimburse the contingency and supporting assistance account, and it would also include \$18 million in loans to reimburse the development loan account. For the Sahel it would be \$2.5 million for the contingency fund and \$1.1 million for development grants.

Mr. PASSMAN. Would you place in the record at this point the countries the development loans would be made to?

Mr. WILLIAMS. Yes, sir.

[The information follows:]

DEVELOPMENT LOANS PLANNED FROM DISASTER RELIEF/RECONSTRUCTION
SUPPLEMENTAL FUNDS

Pakistan: \$58 million.

Nicaragua: \$15 million.

PLANNING OF REHABILITATION PROGRAM FOR NICARAGUA

Mr. PASSMAN. In the budget document you indicate that at the time of the transmittal of the budget the extent of the drought and flood disasters in Pakistan and Sahel could not have been foreseen. However, the earthquake problem in Nicaragua was known at the time.

Is that correct?

Mr. WILLIAMS. The earthquake had occurred in December of last year, and we did know there would be a very large construction program and expenditures required.

However, Mr. Chairman, we did not know exactly what that would be or what the plans of the Government were.

Mr. PASSMAN. The U.S. Government or the Nicaraguan Government?

Mr. WILLIAMS. The Government of Nicaragua. So we were not able to make a request at that time.

Mr. PASSMAN. It follows, nevertheless, that the earthquake had transpired. We had U.S. personnel in Nicaragua evaluating the damage. Didn't all this happen prior to the time of the January submittal of the budget?

Mr. WILLIAMS. Yes, sir, it happened in late December just before Christmas, Mr. Chairman.

Mr. PASSMAN. During our hearings in the early months of this year, did you testify for any funds for Nicaragua?

Mr. KLEINE. Mr. Chairman, in our request for 1974 we did refer to activities that we had funded out of fiscal 1973 for the first stages of the emergency and the immediate rehabilitation stages following the earthquake.

And in our submitted program we had some programs totaling up to \$50 million that we said we had not yet refined, that these were still being considered in light of the planning by the Government of Nicaragua for reconstruction, and only during the subsequent months have these plans become more firm.

We are now in a position to be able to respond for the reconstruction phase.

Mr. PASSMAN. But you did not at the time specify any particular amount for Nicaragua?

Mr. KLEINE. Not within the program request.

Mr. PASSMAN. The committee felt inasmuch as you had this prior knowledge, that any funds for Nicaragua could be allocated out of prior appropriated funds or deobligated funds.

I certainly hope you are not asking for additional funds if adequate funds were requested in your original submission. You understand, this committee is trying to be considerate of the budget proposals.

Mr. WILLIAMS. We could not have foreseen the request, what its size would be, Mr. Chairman, and the budget that was put forward was a very lean budget. In fact it was well below any prior year request.

Dr. Hannah, when he testified at that time, said in his judgment the budget was a lean budget and not adequate to meet our interests in the developing countries and if any unforeseen or additional requirements arose he would need to come back to the committee.

Mr. PASSMAN. Yes, I recall that statement; and that at least gives us some reason for determining whether additional funds will be provided.

ALLOCATION OF FUNDS

How much of the \$150 million will be allocated to Nicaragua?

Mr. WILLIAMS. \$15 million in loans out of the \$150 million is planned for low-cost housing in Nicaragua.

Mr. PASSMAN. You are talking about a loan out of the \$150 million?

Mr. WILLIAMS. That is correct.

Mr. PASSMAN. What part of the \$150 million will be for loans and what part for grants?

Mr. WILLIAMS. The \$15 million for Nicaragua will be in loans and for Pakistan the figure is \$58 million. Again they will be loans.

Mr. PASSMAN. I believe Nicaragua and Pakistan are eligible for all forms of aid, are they not?

Mr. WILLIAMS. They are.

Mr. PASSMAN. With the exception that Pakistan wouldn't be eligible under the Alliance for Progress program.

Mr. WILLIAMS. Yes. We have ongoing programs in both countries, although I will say that the Public Law 480 has been severely cut this year because of shortage of available commodities.

DEOBLIGATIONS AND REFLAWS

Mr. PASSMAN. Don't you have a pretty large AID funding pipeline that you can draw from?

Mr. WILLIAMS. The pipeline, as you know, Mr. Chairman, is for committed and ongoing obligations and cannot be drawn for unforeseen contingencies such as disaster and reconstruction.

Mr. PASSMAN. Isn't there always a large amount of deobligated funds that can be made available for emergency projects?

Mr. WILLIAMS. First of all the budget is very tight to begin with, and second the reflaws, as you know, at least it has been proposed on the Senate side, have been suggested to be cut out.

Mr. PASSMAN. It hasn't become law yet. You are operating under the old law. Isn't that correct?

Mr. WILLIAMS. Yes; but as you know we present a total program, Mr. Chairman, which includes the calculation of reflaws.

Mr. PASSMAN. Don't you have some unforeseen reflaws?

Mr. WILLIAMS. They seem to be less than we had foreseen earlier, Mr. Chairman, for reasons beyond our control. So in fact that tightens the situation as to the fund availability.

Mr. PASSMAN. I yield to Mr. Shriver of Kansas.

HUMANITARIAN NATURE OF REQUEST

Mr. SHRIVER. This is a supplemental request which we used to consider sort of an emergency request, something not anticipated in the previous statement. It appears to me much of this is just ordinary aid and not the result of some recent occurrence.

If you remove from this request those items which are largely for long-term rehabilitation and development, how much would that leave for the immediate humanitarian needs caused by disasters?

Mr. WILLIAMS. Mr. Congressman, the three disasters that occurred could not have been foreseen and they were very large disasters.

The floods in Pakistan that occurred, inundated an area three times the size of Connecticut, adversely affected the lives of 5 million people, and left untold damage behind.

This is an emergency reconstruction proposal to help these people rebuild their livelihoods in terms of homes that were destroyed, some 900,000. I cannot see this as normal development in any sense as it affects Pakistan.

These were unprecedented floods. There has never been floods like this in the history of Pakistan, sir.

Mr. SHRIVER. None of these items then are for long-term rehabilitation?

Mr. WILLIAMS. That is correct. It is entirely humanitarian because of the earthquake, the drought, and floods in each of the areas where these terrible disasters have occurred.

U.N. CONTRIBUTIONS

Mr. SHRIVER. What has the United Nations contributed in these three disaster areas?

Mr. WILLIAMS. The United Nations, in the Sahel, has collected funds from other countries. We have contributed to the United Nations fund some \$300,000. I believe the total fund is \$8.3 million for the emergency relief in Sahel.

PERCENTAGE OF UNITED STATES TO OTHER DONOR CONTRIBUTIONS

Mr. SHRIVER. How much are you asking for the United States here to contribute to that particular fund?

Mr. WILLIAMS. This was in the emergency relief period. We are not asking that the \$40 million go through United Nations administration. These are funds that we would hold under our own direct bilateral administration.

Mr. SHRIVER. I understand that.

Mr. WILLIAMS. I am sorry. Maybe I did not understand your question, sir.

Mr. SHRIVER. How much have these other nations contributed to the three disasters as it would compare with the amount you are asking here for our contribution?

Mr. WILLIAMS. In terms of the Sahel, the worldwide contribution to date has been \$154 million of which the U.S. contribution to date has been \$47 million. Most of the U.S. contribution is in Public Law 480, title I, food.

That is to say, \$40 million was for food and \$7 million was from AID contingency funds. For the future we would expect those proportions to remain the same. In other words, we would be making about a third of the contribution to the emergency relief and reconstruction costs of Sahel.

Mr. SHRIVER. In addition you are asking for this amount for the Sahel?

Mr. WILLIAMS. That is correct.

Mr. SHRIVER. It would be more than a third of the total?

Mr. WILLIAMS. No. We expect that other contributions will be coming from other countries in helping with the ongoing emergency in the Sahel and that our proportion would remain about a third of the total, sir.

FERTILIZER PROCUREMENT

Mr. SHRIVER. How much of this request is for fertilizer?

Mr. WILLIAMS. Fertilizer imports for Pakistan represent a portion of the \$18 million agriculture production loan. Mr. Shriver, but the exact quantity would depend on availability and price.

Mr. SHRIVER. Where will that come from?

Mr. MACDONALD. It is dependent upon the supply.

Mr. SHRIVER. We are short in this country.

Mr. MACDONALD. Yes.

Mr. SHRIVER. My farmers can't get it.

Mr. MACDONALD. There is a world shortage and the Pakistan Government has sought to order fertilizer and has been very unsuccessful in getting either supply or prices that they can afford.

We had anticipated something on the order of \$10 million or \$12 million worth for Pakistan in the special agricultural production loan. They are not likely to get more than \$5 million worth.

Mr. SHRIVER. I have used up my 5 minutes, Mr. Chairman.

Mr. PASSMAN. Thank you, Mr. Shriver.
Mr. Long?

REGIONAL COOPERATION OF SAHEL DROUGHT COUNTRIES

Mr. LONG. Did any concrete agreements on regional cooperation among these drought-affected Sahel states come out of the September meeting?

Mr. WILLIAMS. The September meeting at Ouagadougou, Upper Volta, is the second meeting of the States joining together to coordinate assistance and meet their regional problems, Mr. Congressman.

The conclusion of the Sahel Governments at the September meeting was they had a continuing disaster on their hands. As indeed they do—the crop has again failed. And they called for further assistance from the international community.

They presented a program of relief and rehabilitation which was costed at about \$900 million. They set some priorities in terms of need for emergency relief.

Mr. LONG. Did they do anything to come up with any conclusion about what they might do to help themselves or was this meeting concerned with working up a request to the international community, including the United States?

Mr. WILLIAMS. They did discuss measures for regional programs affecting water and for regional programs affecting the grazing rights as it involved the whole region. They saw a need here. I would not say they have come to a conclusion as to exactly how they will pursue the problem.

Mr. LONG. That was their main intent at the meeting. Right?

Mr. WILLIAMS. I am sorry, sir.

Mr. LONG. There is no indication from the meeting they are really going to do anything about their own problem?

Mr. WILLIAMS. In a meeting that took place over several days they certainly identified the problem, and they did set up a permanent secretariat. I think they have an intention to do something about it. They did not accomplish concrete programs at the meeting itself.

Mr. LONG. Put down for the record a couple of things you think they could do about it as opposed to us.

[The information follows:]

SELF-HELP EFFORTS OF THE SAHELIAN DROUGHT COUNTRIES

The performance of the six Sahel countries in attempting to overcome the consequences of the worst drought in a century has been impressive, especially when the basic economic circumstances of these countries are kept in mind. For example, the per capita income, even during normal years, ranges from \$70 to \$180.

Most of these nations are among the 25 relatively least developed countries in the world. The average annual real growth rate is only 1.4 percent. Approximately 90 percent of the total labor force is engaged in agriculture, much of which is on a subsistence basis. Up to 75 percent of their development budgets and up to 30 percent of their normal operating budget are financed by external assistance. None of these countries could afford to import food on commercial terms in the amounts required; none of these countries really have financial resources which could be diverted to drought-related problems.

What the governments have done in the short run is to reorient the utilization of their existing infrastructure and manpower resources to meeting the drought problems.

Specifically, the Armed Forces of Mali have undertaken the distribution of donor grains and were largely responsible for getting grain to populations on-farm. This activity has insured that populations would be onsite for plantings this season. In Senegal, Mali, and Upper Volta, voluntary wage taxes were utilized for national relief funds. All governments utilized executive powers to direct transporters to utilize commercial mechanisms for public activity, foreign exchange licenses were revoked to conserve scarce availabilities for emergency requirements, and health ministries disrupted regular activity and devoted attention to the most pressing needs. In Mali and Niger, local Red Cross chapters, with government support, established refugee centers for dislocated populations from their and adjoining countries.

In the long run, that is once the immediate threats of mass starvation, malnutrition, and disease have been averted, the countries can begin to develop the agricultural production base, the range management systems, and the water resource arrangements which will be required for development. The countries have taken the first steps in this direction by agreeing at the Ouagadougou meetings to establish regional programs. It is important to remember that solely technical questions are not at issue. The programs which need to be developed affect the basic sociocultural patterns of an area nearly as large as the United States. The process will of necessity be slow and results will be difficult to gage or quantify.

FRENCH ASSISTANCE TO SAHEL

Mr. LONG. What portion of the aid needed by these countries is being provided by France, keeping in mind that they were all former French colonies and France comes pretty close to being as prosperous a country as we are per capita?

Mr. WILLIAMS. France has been a very large contributor for these countries.

Mr. LONG. For the emergency relief program?

Mr. WILLIAMS. Yes, sir. For example, in terms of food, which was the main requirement, the French have provided 78,000 tons of grain.

Mr. LONG. What proportion is that of their needs and how does that compare with what we are being asked to do?

Mr. WILLIAMS. It is about a third of what we have done in cereals last year, Mr. Chairman. But they also put food in through the European Economic Community which is \$11 million, and the two together come to about half of what we have done.

The cash, however, is much larger. The European contribution was \$22 million for general relief purposes such as transporting the grain, as compared to our \$6 million. I would say the French are carrying a very large share of the burden of the assistance to these countries.

ALLEVIATING THE CAUSES OF DISASTER

Mr. LONG. I would guess that this type of disaster has probably been historically very cruel, but nature's way of holding population down. They have probably had many of these disasters in the long history of these regions.

When we come in with food and these things we make it unnecessary for them to do anything really to restrict their population and so on.

Is there any recognition of that, because we are putting them on a higher and higher scale from which they could fall if we ever pulled out?

Mr. WILLIAMS. This is a very real concern to me, Congressman. First of all, this is the worst disaster they have seen for a century. The records show they had something like this about a hundred years ago.

Mr. LONG. They have often had cruel disasters, haven't they?

Mr. WILLIAMS. It is a cruel environment in Sahel of Sahara.

Mr. LONG. If we are going to keep helping them they have to do something.

Mr. WILLIAMS. This is a main purpose of the large part of the funds we are requesting—to focus on recovery and putting them in a position to produce. Otherwise we will have these countries on permanent dole. I could not agree with you more.

CONGRESSIONAL NOTIFICATION

Mr. LONG. Why do you notify only the chairman of this committee of the shift of funds from the "Supporting assistance" account?

Mr. WILLIAMS. On August 29, 1973, Mr. Williams, as Acting Administrator, sent a letter to the chairman of the Subcommittee on Foreign Operations of the House Committee on Appropriations and the chairman of the Subcommittee on Foreign Operations of the Committee on Appropriations of the Senate, explaining and justifying the \$5 million supporting assistance expenditure in Pakistan. Since this proposed expenditure constituted the initiation of a new supporting assistance activity, the applicable appropriation act required that it be justified to Congress.

This special justification requirement was added by the Foreign Assistance and Related Programs Appropriation Act of 1968 (Public Law 90-249). In testifying before the House Subcommittee on Foreign Operations, Mr. Gaud, then AID Administrator, explained the Agency's interpretation of this provision. He stated that ordinarily new projects will be justified by inclusion in the congressional presentation books; however, he indicated that if the need should arise to initiate a new activity at a time subsequent to this presentation, AID would submit the justification materials to the Appropriations Committees on behalf of Congress. (Hearings on Foreign Assistance and Related Agencies Appropriations for 1969, pt. 2 at 349.) Since that time, it has been AID's practice to submit such justification materials to the appropriation committee chairmen in their official capacities.

WHY MANAGUA WILL BE REBUILT IN THE SAME LOCATION

Mr. LONG. Why is the United States providing assistance to Nicaragua to rebuild the city of Managua in the same location where it was destroyed by an earthquake? Can you guarantee that there will not be another earthquake in the same place?

Mr. WILLIAMS. The Government's decision was in accord with the recommendations of a high-level international panel, sponsored by the Inter-American Development Bank, the Organization of American States, and the World Bank, which noted that much of the country's industrial capacity remained largely intact around the destroyed core of Managua and substantial amounts of infrastructure (waterlines, sewers, connecting highways, etc.) in the immediately surrounding area were still usable. The international panel also pointed out that substantially all of Nicaragua was in a high earthquake-risk area. The policy of dispersion of facilities adopted by the Government will lower the risk in any given earthquake of the kind of total destruction that took place in December 1972. The Government of Nicaragua has decided to rebuild in the same general area though utilizing quite a dif-

ferent pattern for reconstruction. The new city will be deconcentrated and spread out over a wider area and new construction is to be carried out utilizing earthquake resistant building codes.

PAKISTAN DEBT RESCHEDULING

Mr. LONG. Connected to the flood disaster in Pakistan, has there been recently or is there projected a rescheduling of the Pakistani external debt, public and private?

If so, would you provide for the record the terms of this rescheduling and a brief analysis of the Pakistani external debt situation. Please indicate the level of participation in the rescheduling of all aid donors and of private agents, such as export suppliers and private banks.

Mr. WILLIAMS. As a result of the 1971 war, Pakistan was left with the burden of servicing \$3.5 billion in foreign debt, having lost more than half its population and a major source of foreign exchange earnings. As an interim measure, until the debt could be divided, consortium creditors agreed to reschedule 56 percent of debt service due on official credits, originally in the 26-month period ending June 30, 1973, and later extended an additional year to June 30, 1974. Rescheduled service is to be repaid in 5 years including 2 years of grace. No private credits were affected. In the absence of movement toward division of the prewar debt between Pakistan and Bangladesh the creditors agreed that they would impose no sanction on Pakistan for failure after June 30, 1974, to service debt incurred for projects visibly located in Bangladesh and the Bangladesh Government has indicated its willingness to assume liability for them. The total of the two interim reschedulings was \$336 million, \$74 million, or 22 percent, of which is borne by the United States. (The United States is owed 43 percent of the debt.)

The IBRD, as head of the Pakistan Consortium, is studying Pakistan's needs for longer term rescheduling after the interim rescheduling period runs out. Its study is expected to be completed early next year.

The amounts of relief provided by the creditors in the two interim reschedulings were as follows:

	<i>Millions</i>
Belgium -----	\$1.1
Canada -----	9.7
France -----	21.7
Germany -----	85.4
Italy -----	28.8
Japan -----	62.7
Netherlands -----	5.2
Sweden -----	0.4
United Kingdom -----	47.1
United States -----	73.9
Total -----	336.0

UTILIZATION OF BARGES

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

Mr. Miller?

Mr. MILLER. Mr. Williams, you mentioned in your testimony concerning the Sahel that we will assist efforts to expand the tonnage capacity of these facilities and improve the rates of utilization of barge fleets. Are you speaking of furnishing barges?

Mr. WILLIAMS. No, we are not speaking of furnishing barges. The problem of concern is in Mali where in the past year, we have had an airlift in order to move grain to the northern part of the country.

The U.S. Air Force lifted grain from May to October in order that the community in the north on the Niger River, Timbuktu, and Gao, and the nomadic people who are in refugee camps there, having lost their herds and total means of assistance, would not starve.

What I am proposing for the year ahead is to try to avoid this expensive airlift by having the barges move more swiftly. This would be stepping up the capacity of the motors of these barges so they could store the grain in advance before the period when the river falls and barge traffic cannot get through.

In other words, this is the normal way of feeding these northern communities and these are measures we would take to try to avoid another airlift.

Mr. MILLER. Are you speaking then of furnishing more powerful tugs to move the barges faster?

Mr. WILLIAMS. We would not be furnishing boats at all, Mr. Congressman. It would be increasing the capacity of the motors of the boat. We would be furnishing the motors if this proposal is accepted.

We would also be helping them with certain managerial aspects of loading so they could get more grain north in the short season they have when the river is navigable.

PROJECTS TO INCREASE EMPLOYMENT

Mr. MILLER. You also speak of "projects to improve local diets and create employment are being developed." What type of employment? Is that new industry?

Mr. WILLIAMS. No, it is certainly not industry in this area. This is one of the poorest areas in the world. They are listed at the bottom of the ladder as the poorest countries by the United Nations.

These are for the large numbers of people who are totally destitute and have no means of livelihood and are dependent on relief feeding. This is not a good situation, and the kind of projects would be land clearing and improving water catchment basins and drainage, irrigation—these kinds of projects. Intensive labor related more to rural activity, not to industry.

SPECIAL FLOOD TAX

Mr. MILLER. In the case of Pakistan you state that a special flood tax, expected to generate \$77 million additional revenue, would be put into effect. Who pays this special flood tax?

Mr. MACDONALD. The tax is applied nationwide, but the major contributors are urban consumers who have not been adversely affected by the flood.

Mr. MILLER. Who have not been adversely affected?

Mr. MACDONALD. Yes.

OTHER DONOR CONTRIBUTIONS TO PAKISTAN

Mr. MILLER. You also indicate that other donors have given assistance. You indicate the amounts such as for Great Britain, Canada, and Sweden. How about Japan and West Germany? Are they helping in any way? They are in a position at the present time to even purchase a part of our national debt.

Mr. MACDONALD. They have provided limited emergency assistance but have not as yet joined the rehabilitation efforts, Mr. Miller, but the World Bank will soon be making a recommendation to members of the Pakistan consortium with the suggestion that there be a sharing of the total costs. Past precedent leads us to expect that consortium members will be responsive.

REPAIR AND REPLACEMENT OF TUBEWELLS

Mr. MILLER. Would you explain the tubewells in that quite a bit of money would be used for the 20,000 to 25,000 diesel and electrically powered tubewells that were damaged.

Are we saying that new diesel engines and new electrical motors would be needed in order to bring the tubewells back up to standard?

Mr. MACDONALD. Yes, a large number have been damaged or destroyed, some will need replacement, Mr. Congressman, and others will need to be repaired. We do not have at the present time details as to how many will need replacing and how many will be repaired.

BALANCE OF PAYMENTS ASSISTANCE

Mr. MILLER. In your general statement you have mentioned the general balance of payments assistance to help offset the loss of foreign exchange earnings from the various countries. That is one of our big problems at the present time.

It seems any flow of cash toward another country would only create problems with our balance of payments. Would you explain your remarks?

Mr. WILLIAMS. We are not proposing a flow of cash, Mr. Congressman, but proposing to provide American goods as essential imports to help Pakistan for its reconstruction. Consequently the effect would be neutral on our balance of payments.

Mr. MILLER. How would that help their balance of payments?

Mr. WILLIAMS. They would need those commodities, and they have lost foreign exchange because of the destruction of their crops, the destruction of the cotton crop and rice as well as the loss of almost a million tons of wheat that had already been harvested.

Consequently it helps them to meet their essential emergency needs.

Mr. MILLER. Without an outflow from them?

Mr. WILLIAMS. That is correct.

Mr. MILLER. In other words this would be given to them or provided under long term loans, and therefore they would not have a cash outflow from their country. That is what you mean by helping them in their balance of payments?

Mr. WILLIAMS. Yes, that is right.

Mr. MILLER. Thank you very much.

Mr. PASSMAN. Thank you, Mr. Miller. Mr. Bevill?

EFFECT OF EMERGENCY REQUEST ON REGULAR BUDGET REQUEST

Mr. BEVILL. Thank you, Mr. Chairman.

Mr. WILLIAMS. I am not clear on the total amount you are seeking on the supplemental for all of these countries. What is the total amount? Is that \$150 million?

Mr. WILLIAMS. It is \$150 million being requested, Congressman, as a budget amendment.

Mr. BEVILL. And this is solely for the relief of these three countries?

Mr. WILLIAMS. That is correct, sir.

Mr. BEVILL. This would not have anything to do with your regular appropriation request for fiscal 1974?

Mr. WILLIAMS. It would have some effect on the funds that we would be providing to Pakistan under the regular request in that, though the emergency has been so overwhelming for Pakistan, there has been some re-direction of their own investment priorities, and there would be some redirection of our own program.

In the cases of Sahel and Nicaragua it has no effect on the regular program; it is entirely an additional unforeseen emergency.

EFFORTS OF AFRICAN DEVELOPMENT BANK

Mr. BEVILL. Has the African Development Bank taken any part in this? Is it helping in any way, and if so, how much?

Mr. WILLIAMS. It has expressed an interest to help. It attended the regional meeting at Ouagadougou in September and has placed its facilities at the disposal of these countries. I don't believe they have made a decision on funds as yet. They have not made an allocation but are considering it.

Mr. BEVILL. This puzzles me, Mr. Williams.

The purpose of this international bank was for the development of African countries and underdeveloped countries there in Africa, and we are being asked to make contributions over there in effect.

Yet the bank actually was set up for the purpose of developing these countries, and I notice most of these funds are for development to get them back on their feet. This puzzles me. Do you have any further comment about this?

Mr. WILLIAMS. Yes, Mr. Congressman.

These funds are not for development as we would normally consider it. These funds are for an emergency that has arisen that was unforeseen in terms of the failure of the crop and in terms of the death of the livestock herds resulting from the drought.

These are emergency relief and rehabilitation efforts that are proposed and development banks, IBRD, or the African Development Bank, are not normally set up to deal with such emergencies.

The African Development Bank funds are rather limited and in fact their terms of reference do not include humanitarian emergency aid.

ASSISTANCE BY INTERNATIONAL RED CROSS

Mr. BEVILL. Is the International Red Cross helping these countries any?

Mr. WILLIAMS. Yes, it is and I would be pleased to put in the record the International Red Cross and other voluntary agency contributions which have been substantial in each of the countries.

Mr. BEVILL. Thank you, Mr. Chairman.

NATURE OF REQUEST FOR EMERGENCY AID

Mr. PASSMAN. Actually this is not a supplemental appropriation request. This is an emergency request to be added to your original submission and to be handled in the regular bill.

Mr. WILLIAMS. That is correct but it is an amendment to the budget.

Mr. PASSMAN. But it is not a supplemental item.

Mr. WILLIAMS. Not as a supplemental appropriation, but it is a supplement to the budget.

Mr. PASSMAN. Of course we do have a supplemental appropriation bill that is handled separately from our regular bills but you are presenting this on the basis it will be a part of the regular annual appropriation bill.

Mr. WILLIAMS. That is correct.

Mr. PASSMAN. Mr. Roush.

Mr. ROUSH. Mr. Chairman, I am confused. I guess I thought this was part of the supplemental appropriations bill.

Mr. PASSMAN. These items will be handled in the regular bill. The items have been submitted as budget amendments and not as a supplemental.

Mr. ROUSH. Then, Mr. Chairman, this will not be included in the general supplemental bill?

Mr. PASSMAN. It will not be.

Mr. ROUSH. Thank you for clearing that up because I intended to pursue Mr. Shriver's questions on this. I had considered it as a supplemental, and I look at a supplemental as an emergency bill. I find moneys in this particular proposal which I do not believe relate to emergencies as I know emergencies.

Mr. SHRIVER. If you will yield.

Mr. ROUSH. Yes.

Mr. SHRIVER. I thought the same thing. In fact, the statement Mr. Williams prepared says: "proposed supplemental appropriations," and that was my assumption, too. I am glad to get it straightened out.

Mr. PASSMAN. I wanted to clear it up because it is an amendment to the regular bill.

Mr. ROUSH. In that event I shall not ask any questions at this time.

Mr. PASSMAN. Mr. Yates.

CALCULATING THE AMOUNT OF REQUEST

Mr. YATES. How do you arrive at the figures that make up your statement?

Mr. WILLIAMS. The \$150 million?

Mr. YATES. Yes.

Mr. WILLIAMS. In terms of Managua this is a contribution toward low-cost housing. The \$15 million will build, I believe, 6,000 units.

Mr. KLEINE. It will be in the neighborhood of 9,500 to 10,000 units.

Mr. WILLIAMS. The destruction was of course much greater than that. It is a judgment of the contribution that allows—

Mr. YATES. It isn't precise then. The question was how do you make these computations?

Mr. WILLIAMS. It is precisely \$15 million in that sense, Congressman. It is a judgment. It could be higher. I tried to hold it to a minimum and still make a reasonable contribution to the very great needs present there.

In the case of Sahel I have roughly tried to consider that we would be providing about a third of the total emergency relief and rehabilitation that would be required and that I expect that other countries will be coming forward with. It is based on rather specific ideas of what needs to be done in order to avoid the situation that Congressman Long called attention to, that is to avoid having people on a permanent dole from the international community.

In terms of Pakistan it is related to the kinds of needs they have in terms of the very large destruction that took place.

Mr. YATES. How do you arrive at the amount? Is this purely guesswork?

Mr. WILLIAMS. Not purely guesswork. These are judgment factors looking at their needs, looking at their internal capability and probable contributions from other countries. Judgment, not guesswork.

Mr. YATES. In what amount are other countries making contributions?

Mr. WILLIAMS. In the Sahel, as I mentioned earlier, over the past year—and one can be more precise about the past year than about the future—\$150 million was provided for the six countries for the emergency. This was largely in food.

We provided \$47 million of that, or a third. Our calculations for the future are in terms of the food needs which will be as great in the period ahead as in the last year, plus trying to put them in a position to get a maximum crop in the next planting so that we don't have this permanent year-to-year dependency.

And as in the past year, we would contribute about a third of the requirement for the Sahel in the period abroad.

Mr. YATES. Thank you, Mr. Chairman.

Mr. PASSMAN. Mr. Chappell.

ADDITIONAL FOOD ASSISTANCE

Mr. CHAPPELL. Just one question.

What percentage of these moneys are set aside for food as compared to housing?

Mr. WILLIAMS. None of these funds would be used for food directly which would be drawn from Public Law 480. So there is an additional assistance from the United States which would be under Public Law 480.

However, they are related to food in that it is hoped and directed to increasing the production in these countries so their dependency does not continue and does not grow on outside food resources.

USES OF EMERGENCY AID

Mr. CHAPPELL. Then specifically what does it go for?

Mr. WILLIAMS. In terms of Managua it specifically goes for low cost housing, the \$15 million. In the case of the Sahel \$6 million is for emergency transport in the movement of food, medical supplies largely.

The \$32 million is very much directed toward agricultural production, water catchment basins. In other words, we are trying to get what can be done within the next 9 months to improve the situation.

Mr. CHAPPELL. Is that Pakistan?

Mr. WILLIAMS. I am talking about Sahel at that point.

Mr. MACDONALD. For Pakistan we are proposing \$58 million in loans. First is an \$18 million loan and that is actually going forward now. We are pressing to get agricultural input into Pakistan and into the ground so the next crop will be as large as possible in order to avoid the risk of famine and in order to minimize further, much more costly financial drains on the Pakistan treasury to finance food imports. We expect these inputs will be in the ground in time.

The additional \$40 million will also largely be in support of agriculture but aimed at the next planting season in the late spring and early summer. The remainder is all related to physical reconstruction of things damaged or destroyed—schools, hospitals, clinics, roads, bridges, tubewells, things of that sort.

Mr. CHAPPELL. This is all in the inundated areas?

Mr. MACDONALD. Yes; solely related to reconstruction.

Mr. CHAPPELL. The crops can be put right back in the same area?

Mr. MACDONALD. Yes.

AVERTING FUTURE FLOODS

Mr. CHAPPELL. What about the floods? Do you expect that to be of any significance in the future? It just destroyed all the food crops.

Mr. MACDONALD. We recognize that. This is unprecedented by severe flood, but an effort will be made in the reconstruction of the irrigation systems to make the dams and the structures somewhat stronger than they were so this won't repeat itself 10 or 15 years hence.

TYPES OF FUNDING

Mr. CHAPPELL. What percentage is loans and what percentage is grants?

Mr. MACDONALD. \$58 million for Pakistan is loan and \$37 million is grant.

Mr. CHAPPELL. How about the other countries?

Mr. WILLIAMS. For Sahel of Africa the entire \$40 million is grants, and for Nicaragua the \$15 million is entirely loan, sir.

Mr. CHAPPELL. Thank you, Mr. Chairman.

PROBLEMS IN U.S.

Mr. PASSMAN. At 2:15 this morning I had a call from Mr. Bishop, a very large cotton and soybean producer in my congressional district. Last year they had almost complete crop failure because of excessive rains, which would not allow the cotton pickers and combines into

the field to harvest the crop. As a result their diesel fuel consumption was somewhat low.

Under the regulations we are now following the oil dealers may provide to the consumers only the amount of diesel fuel they were provided in 1972. So when this man called me he said, "We are distressed" and asked me if I would call the appropriate officials. The gentleman stated: "In my own case two-thirds of my cotton is still in the fields, and I don't have a drop of diesel oil for either one of my cottonpickers. Over half of my soybeans are still in the field. I cannot get a drop of diesel oil for my combines. For the five tractors we use to pull the cotton carts we can't get a drop of diesel oil. This is not the exception, this is pretty much what is going on in the entire State of Louisiana. What are you going to do about it?"

I said, "What can I do about it? There is a scarcity."

I mention this because I haven't discovered many people in Washington shedding any tears about the predicament we find our farmers in. I wonder if we shouldn't start shedding a few tears about what is happening in our own country.

I find you people are shedding a lot of tears about the welfare of other people around the world, and we have these problems in our own country which are very serious.

I am trying to relate my problems to the problem that you are confronted with.

I look at another problem, the Department of Agriculture about last March or April made a prediction that rice would be a certain price in November of this year. They are trying to make that prediction come true. The United States had the largest rice yield in 1973 of any year in the history of America.

The docks are so loaded with rice at Lake Charles they can't even bring other cargo in.

What do we find? Instead of the Department of Agriculture with the White House, issuing the P.A.'s (purchase authority) and moving the rice out, they are reluctant to move on it.

PROCUREMENT OF KOREAN RICE

With this tremendous rice yield, with the docks loaded and the warehouses loaded with rice, they are buying 60,000 to 70,000 tons of rice from Korea. Rice which they are going to have to pay the Koreans to load on boats and pay the freight to Cambodia and Vietnam and unload the rice, knowing very well almost tomorrow you are going to have to turn around then and provide the same amount of rice for Korea.

So they are keeping this American rice from moving so as to make their projections come true.

What are the facts? The total world production of rice this year will be 300 million tons. We only have 4 million tons in America. The price of rice is going to go up. All of this is trying to make a prediction come true.

There is a problem, and I represent a few of these rice farmers. In my State rice is one of the largest cash crops we have. They don't understand Mr. Passman, chairman of the Foreign Aid Subcom-

mittee, providing the money to pay the freight on rice from Korea to ship to Cambodia and Vietnam when our docks are so loaded.

So we do have problems in our country.

ECOLOGICAL DETERIORATION IN SAHEL

I would like to make this observation from your statement on the Sahel.

Most of the area's ecological deterioration is probably attributable to man's interventions. Human population in the region has grown substantially through migration and natural increase. Animal populations, largely a result of veterinary progress, have also grown tremendously. In turn, the search for water has intensified. Modern technology has helped develop new wells which lead to an overconcentration of animals. As a result the land is stripped of vegetation and becomes vulnerable to erosive forces.

Aren't we in effect saying that U.S. aid has brought this about because of man's intervention? We have sent all of our technology over there to train them how to do things better. I want to commend you for a very factual statement, but can't we just say this area would have been better off without our aid program? Would you discuss this statement briefly?

Mr. WILLIAMS. Yes, Mr. Chairman.

The past programs in these countries have not been adequate to their needs, and it is quite clear that a new direction and better planning and I think probably larger scale of investment both by the countries and with outside help is indicated.

These countries in the best of time were falling behind in terms of meeting the needs of their people, basic needs such as food. These are the poorest of the poor countries. They are at the bottom of the list of 25 poor countries that have been listed by the United Nations as the lowest developed.

Mr. PASSMAN. I am not quarreling with your statement. But I wish you would address yourself to the statement in annex A.

Most of the area's ecological deterioration is probably attributable to man's interventions. Human population in the region has grown substantially through migration and natural increase. Animal populations, largely a result of veterinary progress, have also grown tremendously. In turn, the search for water has intensified. Modern technology has helped develop new wells which lead to an overconcentration of animals. As a result the land is stripped of vegetation and becomes vulnerable to erosive forces.

So it certainly looks like this is a statement that says we would have been better off without these aid programs. I wish you would address yourself to this one statement.

Mr. WILLIAMS. Right, Mr. Chairman.

The need for food with the population increase calls for more development, not less; and the region has the capacity to produce food, if it gets the help it needs in terms of development and take the measures they need to take.

Mr. PASSMAN. This statement is contrary to what you are saying, that the ecological deterioration is caused by mankind and without this aid you wouldn't have this situation. You wouldn't have had a concentration of animals.

I am not trying to quarrel with you, but actually trying to understand this statement.

Mr. WILLIAMS. More development rather than less is needed to produce the food for the people. In terms of livestock, they have the same problem that we once had in the way we handled the western ranges, and that is to say they need to get down to very strict grazing laws so they don't overgraze the range.

We didn't solve our dust bowl problem until we did that, and we had to change the way in which man was using the soil and the water of the West.

Mr. PASSMAN. But didn't your statement say deterioration attributable to man's intervention?

Mr. WILLIAMS. That is correct.

Mr. PASSMAN. What are you going to do to stop it? Shouldn't you bring the experts home as quickly as you can?

Mr. WILLIAMS. We don't have experts in these countries, sir, working on technical programs. These are countries that have previously been under French Colonial rule.

Mr. PASSMAN. I am trying hard to understand this, but you say, "Most of the area's ecological deterioration is attributable to man's interventions."

Mr. WILLIAMS. That is correct just as most of the deterioration in our dust bowl before the 1930's was due to the malpractices in the use of land and water in the West.

Mr. PASSMAN. You have a concentration of animals, and therefore the land is stripped of vegetation and becomes vulnerable to erosive forces.

Mr. WILLIAMS. That is correct.

Mr. PASSMAN. We are trying to help them to correct that?

Mr. WILLIAMS. They need to take very stringent steps in the grazing of the ranges. We will try to help them but they must be their own initiative and self-help programs.

Mr. PASSMAN. We do have a technical aid program, don't we, helping these people solve these problems?

Mr. WILLIAMS. The efforts have not been adequate in the past.

Mr. PASSMAN. So far the steps that have been taken are actually working against their interest. If these people accept our aid and want to understand our technology, I don't know why we don't move in this area and correct some of this.

Mr. WILLIAMS. I agree with you, Mr. Chairman, the development programs in that area in the past have not been adequate to the needs, have not been well directed.

PUBLIC LAW 480 FREIGHT COSTS

Mr. PASSMAN. In considering your request we have to take into account that all foreign aid programs are related. You have the Public Law 480 program which is coordinated I believe in your Agency. Even though this committee does not handle the Public Law 480 budget request, I believe it is up to your Agency to coordinate the Public Law 480 program along with the type of aid you disburse.

Mr. WILLIAMS. That is correct.

Mr. PASSMAN. Is the expense of moving rice from Korea to Cambodia and Vietnam paid by AID?

Mr. WILLIAMS. The Government of Vietnam is paying the freight costs; in the case of Cambodia the freight costs are being paid from supporting assistance funds.

Mr. PASSMAN. Public Law 480 concerns agricultural commodities, and as I understand it, they don't accept rice in payment of the freight costs. They have to pay cash.

Mr. WILLIAMS. This is paid for as I described a moment ago.

TRANSACTION RELATING TO KOREAN RICE

Mr. PASSMAN. If the rice is purchased from South Korea for Vietnam and Cambodia under what AID account is that paid for?

Mr. WILLIAMS. It is not being purchased. All of the rice you are asking about was borrowed from Korea and will be replaced with American rice under Public Law 480.

Mr. PASSMAN. What you are doing is moving in a lot of undesirable rice as you well know. We will leave that in the record so we will find out consequently I know what I am talking about. They are moving in a lot of undesirable rice to make the dream come true on their March or April prediction.

You are buying this rice from Korea, aren't you?

Mr. WILLIAMS. No, just borrowing it.

Mr. PASSMAN. But won't it be paid for out of the AID funds?

Mr. WILLIAMS. No, Mr. Chairman, because our proposal to Korea is to replace it with Public Law 480 rice.

Mr. PASSMAN. But the facts have changed since we talked last. They now say they are purchasing the rice from Korea.

Mr. WILLIAMS. If it is purchased it would be out of supporting assistance funds.

Mr. PASSMAN. It says 600,000 tons will be purchased from Korea. So are you not exchanging a ton of some of the very finest American rice for a ton of undesirable rice?

Mr. WILLIAMS. I don't know the answer to that question.

Mr. PASSMAN. Insert the information in the record.

Mr. WILLIAMS. Yes.

[The information follows:]

SHIPMENT OF KOREAN RICE TO INDOCHINA

Since July of this year Korea has provided a total of 67,000 metric tons of rice to help meet the emergency food requirements of Indochina. Some 47,000 metric tons of this rice was provided to Vietnam in July of this year and 20,000 metric tons was provided to Cambodia over the past 2 months. This 67,000 metric tons of rice was provided by Korea with the understanding that it would be replaced on a ton-for-ton basis with Public Law 480 rice at a later date from the fiscal year 1974 title I rice allocations for Vietnam and Cambodia.

All of the earlier diversion of 47,000 metric tons and 5,000 metric tons of the second diversion were from Public Law 480 rice that previously had been provided to Korea, and thus the replacement will be of comparable quality.

Before agreeing to the replacement of the remaining 15,000 metric tons of indigenous Korean rice with Public Law 480 rice, we considered the following alternatives:

1. We first determined that Korea and other nearby countries had no more Public Law 480 rice which could be made available;
2. We then explored all of the options open to us to meet Cambodia's immediate food requirements in other ways, and concluded that rice from the United States could not be shipped in time to meet the immediate critical food needs;
3. And finally, we tested the indigenous Korean rice offered by Korea to assure ourselves that the Korean rice was of an acceptable quality. We found that the

indigenous rice was adapted from one of the rice varieties developed by the International Rice Research Institute (IRRI) in the Philippines and was of an acceptable quality.

Only after we had taken all of the above measure did we agree to the shipment of 15,000 metric tons of Korean rice with replacement to be made later from Public Law 480 availabilities.

The cost of moving this 47,000 metric tons of rice from Korea to Vietnam was paid by Vietnam out of its own foreign exchange holdings; the cost of moving the 20,000 metric tons from Korea to Cambodia will be financed from AID supporting assistance funds.

Mr. PASSMAN. You know the Department of Agriculture is trying to make this prediction come true and the only way they can do it is stack up this American rice and not issue the P.A.'s and borrow the rice from Korea.

At one time they proposed buying rice from Thailand, did they not?

Mr. WILLIAMS. That was considered and rejected.

Mr. PASSMAN. I want to give you credit for rejecting that proposal. It gives you an idea of the things they are doing to make that prediction come true at the expense of the American taxpayer.

REDUCED PUBLIC LAW 480 PROGRAM

With respect to the Public Law 480 fund, how will that be applied to the present area in which you are asking for emergency funds? Do you have Public Law 480 commodities in addition to this request?

Mr. WILLIAMS. Public Law 480 commodities would be in addition to the request, sir, although, as you know, there is a great shortage this year and the programs of Public Law 480 overall have been cut by 50 percent because of lack of availability.

Mr. PASSMAN. Availability of what?

Mr. WILLIAMS. Of grains for concessionary programs, sir.

Mr. PASSMAN. I am not a great advocate of concessionary commodities and loans. I wish we could work on a basis of good sound deals and settle for cash.

You are restricting your concessional agricultural commodities presently to Cambodia and Vietnam, are you not?

Mr. WILLIAMS. For rice, that is correct.

Mr. PASSMAN. And that is 400,000 tons of rice?

Mr. WILLIAMS. That is the approximate figure for Vietnam. In addition there is about 200,000 tons for Cambodia.

Mr. PASSMAN. I believe they do plan later in the year to take another look at it and open it up for other countries in that area.

Mr. WILLIAMS. That is correct.

FOREIGN AID—ALL INCLUSIVE

Mr. PASSMAN. I think we should make a record at this point for the benefit of the members of the committee. Of course the foreign aid request this year, all spigots, makes it the largest request in the history of foreign aid.

The total budget request, multilateral, bilateral, the Export-Import Bank, et cetera, is \$18,003,191,000.

Now to determine the grand total we would have to add to that the \$2.2 billion request for Israel, \$200 million for Cambodia, and this \$150 million to the prior figures?

Mr. WILLIAMS. Yes, sir.

Mr. PASSMAN. This is a frightening figure.

DEVELOPMENT PROGRAM FOR SOUTH VIETNAM

The first of the year I discussed with the AID Director, Dr. Hannah, the advisability of switching this grant aid over to a concessionary loan basis. We always say that these developing countries will sooner or later come into their own and be prosperous countries. All you have to do is look at the \$30 billion we gave to Europe in World War II to know what it would have meant to this country if we had made it on a concessionary loan basis, giving them possibly a 10-year grace period. Now we would have had that money flowing back in; is that true?

Mr. WILLIAMS. Yes, sir.

Mr. PASSMAN. Dr. Hannah went to Cambodia, Laos, and Vietnam. He discussed the possibility of switching aid from a grant-aid basis to a loan basis. You are familiar with that, are you not?

Mr. WILLIAMS. Yes, sir.

Mr. PASSMAN. He supported it. I pursued this matter and I discussed it with the President of Vietnam. He said, "Yes, it is a good idea. We can see that after 2 more years we will be coming into our own and we can shift it over to a loan rather than to a grant-aid basis."

I subsequently went to Saigon, at my own expense, and spent about 21½ hours with the President of South Vietnam. We discussed five items with respect to aid to South Vietnam: One, all subsequent aid would be on a loan basis and not on a grant basis. He agreed to it. You are familiar with that?

Mr. WILLIAMS. Yes.

Mr. PASSMAN. No. 2, we reached an agreement that the Vietnamese would open up a procurement office in Washington where we could see what is going on. All purchases for Vietnam would be made out of this procurement office in Washington, D.C., so that if they wanted to buy a commodity, instead of having three bids on it 12,000 miles away, you may have 30 companies bidding in the United States. Every company would know whom the bid was awarded to and on what basis. That was one of the agreements we reached. Is that true?

Mr. WILLIAMS. Yes, sir.

Mr. PASSMAN. No. 3, they would contract with one bonded freight mover with the approval of AID, so that on freight you would ask for a bid and you may have 30 people bidding on this cargo. We agreed also that all commodities would be separated from freight. Instead of getting a price quoted delivered to Saigon where nobody would know what actually the commodities cost and the freight cost, this would be separated. You would have the freight on one contract and the commodity on another. I believe that you have implemented that?

Mr. WILLIAMS. That is correct.

Mr. PASSMAN. I believe you also implemented the agreement they would have one shipping agent with the approval of AID that would contract for these vessels?

Mr. WILLIAMS. That is correct.

Mr. PASSMAN. Unless a person has experience in this field, they don't realize the advantage. Many, many times you have a vessel in the Gulf of Mexico going to Saigon and they may have possibly space for 50,000 tons of rice or wheat. You may negotiate and get a rate for one-third the regular rate to fill up that space. Are you familiar with that?

Mr. WILLIAMS. Yes, sir.

Mr. PASSMAN. This was all carried out with the approval and the cooperation of AID. When I came back I discussed it with the President. This was such a tremendous shift from the old system to the new system it couldn't all be done in 1 year.

Are we making some progress toward establishing a procurement office?

Mr. WILLIAMS. Yes, sir. An office has been established and there is staff. Progress is being made. As you say, Mr. Chairman, the objective which you laid down, which was accepted, is being implemented. But it turns out to be a little slower than we would like to see.

Mr. PASSMAN. Our goal is still there?

Mr. WILLIAMS. Yes, sir.

Mr. PASSMAN. Are you going to try this year to put part of the reconstruction funds on a loan basis?

Mr. WILLIAMS. We are going to try and do that, Mr. Chairman, recognizing the humanitarian assistance would not be put on a loan basis.

Mr. PASSMAN. You are talking about humanitarian assistance. I thought we had an agreement that the technical aid, family planning, and these items would be on a grant-aid basis but as far as the other, it would be on a loan basis?

Mr. WILLIAMS. Yes, sir. The needs of refugees, some of the rehabilitation, and technical assistance however, would continue to be on a grant-aid basis.

Mr. PASSMAN. Are you going to still work to meet that goal at the quickest possible date?

Mr. WILLIAMS. With the cease-fire of January—which is also being implemented slowly, Mr. Chairman, and yet some progress is being made—the prospects for South Vietnam turning to a more normal development program is improved. The objectives that you have laid out for a transition from grant to loan assistance for this general development program is a very good one. It is accepted by all parties. As you said in your discussions with President Thieu—

Mr. PASSMAN. He agreed with that.

Mr. WILLIAMS. And discussions with President Nixon.

Mr. PASSMAN. He agreed to it but are we trying to do too much too quickly, shifting from a complete grant aid to a loan program?

Mr. WILLIAMS. We intend to move in this direction and implement it as rapidly and flexibly as we can, given the circumstances.

Mr. PASSMAN. I think the time is coming where, with the exception of certain types of aid, it is going to have to be on a loan basis or there will be no aid. I am glad that you can tell the committee, so far as the shipping, you have approved one shipper to help you get the best possible price?

Mr. WILLIAMS. We have done that; yes, sir.

Mr. PASSMAN. All shipments will be separated so you know what the freight is costing and what the commodity is costing?

Mr. WILLIAMS. Yes, sir.

DISPOSITION OF EMERGENCY AID REQUEST

Mr. PASSMAN. Now let us get back to the emergency request. I would want the committee members to understand that this could

properly be called a supplemental to the original request. That would not preclude it from being handled in the regular bill. I have always contended, if at all possible, all aid should be in one bill because it can become fragmented. Instead of looking at this as an emergency supplemental, we are going to look at it as a regular request. It becomes a part of the regular request. I think it is a pretty good bet that this so-called bare-bones budget that you people say that you have presented will contain a little fat on those bones.

Everything was bare bones, but we found an awful lot of fat and we are going to look for the fat this time.

COUNTRIES OF SAHEL REGION

Could you tell the committee what countries make up the Sahelian Africa?

Mr. WILLIAMS. There are six countries that make up the Sahel of Africa: Senegal, Mauritania, both on the sea, and four interior countries, Mali, Chad, Niger, and Upper Volta.

SELF-HELP PROGRAMS FOR SAHEL

Mr. PASSMAN. Don't we already have an AID program going into all of those countries?

Mr. WILLIAMS. We don't have programs in the countries as country programs. We have had some assistance on a regional basis for the broader area of west Africa, some 17 countries. These have been regional programs, primarily directed at—

Mr. PASSMAN. You have also had bilateral aid to some of these areas?

Mr. HOGAN. The only thing has been small amounts of self-help assistance.

Mr. PASSMAN. All six?

Mr. HOGAN. Yes, sir.

Mr. PASSMAN. When did they come into existence?

Mr. HOGAN. In the early 1960's.

Mr. PASSMAN. They are really new countries.

Mr. WILLIAMS. Yes, sir.

Mr. PASSMAN. You know we had an AID program going into 128 nations of the world. How come you missed these 6?

Will you give them cash?

Mr. WILLIAMS. The proposal is for grants because the—

Mr. PASSMAN. Self-help? It is still aid?

Mr. WILLIAMS. It is a self-help effort—a modest sum under the Ambassador's direction. It is for very small projects, but it has been provided in each of these countries. I would be glad to put in the record what this amount has been.

Mr. PASSMAN. Insert that in the record so we will know the amount.

We have provided so much money to Africa in the past 15 years, I just don't know how this particular area has been missed. Maybe I should be complimenting you, not criticizing you.

If you will, place that in the record.

[The information follows:]

SELF-HELP PROGRAMS FOR THE SAHEL, FISCAL YEARS 1965 TO 1973

[In millions of dollars]

Country	1965 to 1972	1973	Total, 1965 to 1973
Chad.....	0.6	0.1	0.7
Mali.....	.4	(1)	.4
Mauritania.....	.2	.1	.3
Niger.....	.6	.1	.7
Senegal.....	.5	.1	.6
Upper Volta.....	.6	.1	.7

¹ Less than \$50,000.

POSSIBLE IDA ASSISTANCE TO SAHEL COUNTRIES

Mr. PASSMAN. Aren't all these countries eligible for aid under the International Development Association?

Mr. WILLIAMS. Yes, sir, they are.

Mr. PASSMAN. Are they getting any aid from them?

Mr. WILLIAMS. The World Bank is contemplating assistance.

Mr. PASSMAN. IDA credit terms are 50 years, no interest, 10-year grace period and 1 percent a year on the capital repayment. Is that right?

Mr. WILLIAMS. That is correct.

Mr. PASSMAN. Aren't these countries eligible for this type of aid?

Mr. WILLIAMS. They are eligible for that type of aid.

Mr. PASSMAN. These people have billions of dollars, as you know, of undisbursed funds. Why wouldn't they go through this outfit for some of their aid?

Mr. WILLIAMS. There will be some help coming from IDA, which is administered by the World Bank, to these countries; yes, sir.

Mr. PASSMAN. Do you know anything about any commitments they made?

Mr. WILLIAMS. Yes, sir. I think there has been a commitment made under IDA—it is still under exploration—to each of the countries. I believe the sum is \$12 million for the six countries.

Mr. PASSMAN. You mean under consideration?

Mr. WILLIAMS. Yes, sir.

Mr. PASSMAN. Nothing finalized?

Mr. WILLIAMS. That is my understanding.

Mr. PASSMAN. Your part has been finalized?

Mr. WILLIAMS. No, the part we have—

Mr. PASSMAN. The part that you have already allocated out of other funds?

Mr. WILLIAMS. Yes, in the emergency relief.

Mr. PASSMAN. I am talking about that.

Mr. WILLIAMS. IDA does not engage in the emergency relief, nor does the Development Banks generally. They do help in the recovery. The funds that we have made available to date, in terms of food and

emergency movement of food, has been a worldwide effort but has not included IDA or the World Bank. That is not part of this normal operations.

UNDP PROGRAMS

Mr. PASSMAN. Mr. Williams, I believe we think of Japan and Kuwait as two of the wealthiest nations per capita on the face of the earth?

Mr. WILLIAMS. Yes, sir.

Mr. PASSMAN. I think Kuwait at this time is looking for places to invest billions of dollars of oil revenue?

Mr. WILLIAMS. They have the money. I don't know how hard they are looking. They do have the money.

Mr. PASSMAN. They have billions of dollars. I think Japan is also very wealthy; are they not?

Mr. WILLIAMS. They are. They are the third economic country in the world today.

Mr. PASSMAN. Look at how clever some of these people are when you get into multilateral organizations, of which this committee is denied the right to examine.

I believe that Kuwait had seven of its projects funded out of the UNDP account, did it not? I say that because you are one of the ones who makes this recommendation. This shows how loose these operations are. And the committee does not have the right to examine on these items.

Have I stated that correctly, that Kuwait had seven projects funded out of the UNDP? Am I correct?

Mr. WILLIAMS. It seems to be in the record, Mr. Chairman.

Mr. PASSMAN. Whose record? Not mine. This is a United Nations program.

Mr. WILLIAMS. That is not one I am familiar with.

Mr. PASSMAN. Take the other wealthy country of Japan. I believe Japan received \$700,000 from this UNDP account for one of their projects; didn't they?

Mr. WILLIAMS. I am not familiar with that, sir.

Mr. PASSMAN. I want you to be familiar with it; \$737,000 for Japan. This is also, is it not, in the UNDP program?

Mr. WILLIAMS. Yes, sir.

Mr. PASSMAN. I thought I would cite a couple of instances just to show what is happening in the multilateral organizations, and we don't have the right of direct examination of these programs. We just happened to run into those two. I guess there are many more.

IDA ASSISTANCE TO PAKISTAN AND NICARAGUA

Mr. WILLIAMS. Mr. Chairman, on your point on IDA, I would like to say I am speaking of the African countries. While there has not been a formal commitment on IDA funds to Pakistan to help them on reconstruction, we understand that \$30 million may be provided for that purpose. Also to Nicaragua to help in the reconstruction of Managua, \$20 million for the record.

FUNDS PRESENTLY COMMITTED

Mr. PASSMAN. Mr. Williams, could you tell the committee how much of the \$150 million requested is presently allocated to specific programs?

Mr. WILLIAMS. Only the \$23 million to Pakistan where you had \$5 million allocated under the emergency drawn from the supporting assistance account and \$18 million allocated to a loan under the Development Loan Act. The \$2.5 million of contingency fund and the \$1.1 million of development grant was allocated for the Sahel. The rest, here we are seeking—

Mr. PASSMAN. Give us the grand total.

Mr. WILLIAMS. We are seeking reimbursement here to the two accounts.

Mr. PASSMAN. What is the grand total?

Mr. WILLIAMS. \$26.6 million.

Mr. ROYBAL. Does that include the \$15 million for housing in Managua?

Mr. WILLIAMS. No, it does not.

Mr. ROYBAL. That is \$15 million in addition to the \$26.6 million?

Mr. WILLIAMS. It is not firmly committed unless the funds are available.

Mr. ROYBAL. It was my understanding that you said the \$15 million was committed and it was going to be a loan.

Mr. WILLIAMS. It is not committed in that it is a proposal before you, sir. When the funds are available, the loan will be made.

Mr. ROYBAL. Of all the moneys of \$150 million, how much is committed?

Mr. WILLIAMS. We have committed \$23 million in Pakistan and \$3.6 million for the Sahel in dealing with the emergencies where we have drawn from other accounts and we are seeking reimbursement to those accounts under the \$150 million.

Mr. ROYBAL. I ask that because the chairman made a good case against approving the \$150 million request.

Mr. PASSMAN. My question was very direct: How much of the \$150 million had you firmly obligated thus far?

Mr. WILLIAMS. \$23 million for Pakistan, where we are seeking reimbursement to accounts where we have advanced funds under the emergency, \$3.6 million for the Sahel, a total of \$26.6 million.

Mr. PASSMAN. What is the total amount of the request before you at this time?

Mr. WILLIAMS. The request from the countries concerned?

Mr. PASSMAN. Yes. You said that you had a \$15 million request for Nicaragua that would fall into this category.

Mr. WILLIAMS. For this fiscal year, 15. Then what you are referring to is the statement we would plan to help them with their reconstruction over the next 3 years, but I would propose to include next year's request to help with Nicaraguan reconstruction in our regular budget submission for 1975.

Mr. PASSMAN. You are requesting emergency funds for \$150 million?

Mr. WILLIAMS. That is correct.

Mr. PASSMAN. You have firmly committed \$26.6 million?

Mr. WILLIAMS. That is correct.

FUNDING PRIORITIES

Mr. PASSMAN. You have requests on your desk that are applicable against this \$150 million total. What is the total of those requests?

Mr. WILLIAMS. Fifteen for Nicaragua. The entire amount is under requests for firm proposals if the funds are available.

Mr. PASSMAN. If not available?

Mr. WILLIAMS. Then we would not be able to help these countries in their very great need.

Mr. PASSMAN. We have not moved away from Dr. Hannah's statement that there is an asking price and a taking price. I guess that is still in effect?

Mr. WILLIAMS. These are very firmly calculated needs, Mr. Chairman. I would ask the committee to look at them—

Mr. PASSMAN. That was still a good statement, don't you agree? There is an asking price and a taking price?

Mr. WILLIAMS. I think when you get humanitarian programs in emergencies of this kind, the normal rules of asking and taking should not apply. That is my personal view.

Mr. PASSMAN. That is a vague answer. The committee will zero it down. Are you getting away from Dr. Hannah's statement, simply because he is no longer with you, he made that statement nine times in 1 day before the committee this year.

Mr. WILLIAMS. We are not dealing with emergency requests for disasters of this type, I think it is fair to say.

Mr. PASSMAN. You know very well you could spend this entire \$150 million, so we might as well make the record correct. Under the law if the needs and the priorities are higher than some of the other requests, you could fund the entire \$150 million out of other items in the budget request if they are approved; is that correct?

Mr. WILLIAMS. That is correct. The request was a very lean one and the cuts that have been made and the requirements on Public Law 480 have given this as quite one of the tightest years that I have ever seen. We would be trying to take away from high priorities, say in Indonesia, where we have development loan program of \$90 million, where we would hope to help them with \$114 million in Public Law 480 and we don't have the grain. We are only to help them with \$10 million in Public Law 480. They have to allocate their scarce foreign exchange for essential food. These are devilish choices for these kinds of cuts.

RICE NEEDS IN INDONESIA

Mr. PASSMAN. A lot of States produce rice. Indonesia wants rice from the United States. There are no present plans to sell Indonesia any rice; is that correct?

Mr. WILLIAMS. We do not have the availability.

Mr. PASSMAN. But we do have the availability. We have plenty of rice and we are going to have plenty of rice later in the year. There is 1,200,000 tons of rice presently available for sale, the biggest yield of any year in the history of America. We do have the rice.

You and I know that we are going to give Indonesia hundreds of millions of dollars in different types of aid out of the fiscal year 1974 request if you receive the money.

Mr. WILLIAMS. We propose to help Indonesia if we get the money.

Mr. PASSMAN. I am talking about hundreds of millions of dollars. You mentioned one item, \$90 million.

Mr. WILLIAMS. That is for development loans.

Mr. PASSMAN. Isn't it also true Indonesia is going to buy their rice from Japan and Thailand?

Mr. WILLIAMS. They are going to have to import food with scarce foreign exchange from wherever they can get it.

Mr. PASSMAN. I like you too much to argue with you. You are reverting back to the evasive stance. Indonesia is going to have to have additional rice.

Mr. WILLIAMS. Yes, sir.

Mr. PASSMAN. Aren't they going to use their foreign exchange and buy their rice from Japan and Thailand?

Mr. WILLIAMS. I don't know.

Mr. PASSMAN. They have to have the rice?

Mr. WILLIAMS. If they can find it. It is a scarce commodity.

Mr. PASSMAN. You know there is rice for sale in Thailand?

Mr. WILLIAMS. I don't know that.

Mr. PASSMAN. You were getting ready to buy 12,500 tons until I raised an objection. Somebody tried to sell it, at the expense of the wheat farmers, my rice farmers, and the corn farmers. We are going to give these people hundreds of millions of dollars and they are going to take their foreign exchange and buy these commodities from countries like Thailand, Japan, and others. This is what is happening.

Mr. WILLIAMS. They like to buy these commodities from the United States.

Mr. PASSMAN. You said that you don't have it available, and you do have it available. What they are trying to do in all probability is make that prediction come true.

STUDY OF LONG-TERM PROBLEMS IN SAHEL

On page 4 of your statement you say, "A small portion of the \$40 million would address the unprecedented long-term problem of the Sahelian region."

Is that true?

Mr. WILLIAMS. Yes, sir.

Mr. PASSMAN. Isn't that the purpose of the International Development Association?

Mr. WILLIAMS. To address the long-term problem?

Mr. PASSMAN. Yes.

Mr. WILLIAMS. Yes, sir.

Mr. PASSMAN. You are fair, Mr. Williams. I like the way you testify. What we are doing now, is going in under this so-called emergency relief item and provide long-term aid. It is my understanding that that is what IDA is for.

Mr. WILLIAMS. There is \$1.5 million proposed to try and do some studies to get them out of the mess they are in so we don't have a permanent relief bill.

Mr. PASSMAN. Did I read this correctly, a good part of this is for the long-term problems of the Sahelian region?

Mr. WILLIAMS. It is for the immediate study of their longer-term problems and the management of grazing and water resources so that they can get out of the mess they are in.

Mr. PASSMAN. What part of it?

Mr. WILLIAMS. \$1.5 million.

Mr. PASSMAN. Could this have been financed out of IDA? Isn't that what they are in business for?

Mr. WILLIAMS. They don't engage in this kind of technical assistance. I think they should. I think you have a very valid point.

Mr. PASSMAN. Since these are emergency budget amendments, why are you requesting funds for long-term problems instead of restricting it only to problems of an emergency nature?

Mr. WILLIAMS. We consider, Mr. Chairman, that unless we immediately address the longer term, these people are going to have a food deficiency year after year. They are in their fifth year of drought. They have had a crash program costing the international community over \$150 million this last year, and this coming year they have the same crop failure and they need even more food imported than last year.

Mr. PASSMAN. You are correct about that. But answer the question.

Mr. WILLIAMS. The question is, do we try to help them out of the hole or continue to provide grant food? Emergency relief? I propose, if you approve, Mr. Chairman, to spend \$1.5 million trying to develop a strategy to end their emergency situation.

Mr. PASSMAN. Mr. Williams, this is a technical aid program, isn't it?

Mr. WILLIAMS. It is a technical aid program.

Mr. PASSMAN. Don't you already have a request for technical aid before the committee?

Mr. WILLIAMS. Not for this purpose.

Mr. PASSMAN. Why couldn't it be used for this purpose?

Mr. WILLIAMS. It was not foreseen at the time we put our budget together.

Mr. PASSMAN. Nevertheless, if you get a technical aid appropriation isn't this the kind of activity technical aid is used for?

Mr. WILLIAMS. That is right. If it is not—

Mr. PASSMAN. Don't block it out. You gave me a good answer.

Mr. WILLIAMS. I won't block it out, but the proposals made in the Senate would cut out all funds for any new starts in TA.

NICARAGUA'S URGENT LOW-COST HOUSING NEEDS

Mr. PASSMAN. Why do you consider the Nicaragua request such an urgent matter to be included in the budget amendment?

Mr. WILLIAMS. The December 23 earthquake left over 200,000 people homeless. Approximately 50,000 housing units, mostly those of people of modest income, were either damaged or destroyed. Of these, about 40,000 are beyond repair. At the present time, many of these people are housed in makeshift quarters or crowded in with relatives. The *Las Americas* shelter program which AID financed under a \$3 million emergency grant provided minimal temporary shelters for approximately 8,000 families. These shelters, however, are not adequate for permanent housing. There is an urgent need to upgrade these struc-

tures and thereby begin to meet the very large need for low-cost housing created by the earthquake.

We referred to this requirement in our presentation to Congress, but were not in a position to ask for funds at that time. We did note in our presentation, however, that as soon as satisfactory proposals were completed by the Government of Nicaragua, we would consider further assistance. As reconstruction planning has progressed, the Government has identified housing as its highest priority immediate requirement. In December we anticipate that we shall have a well-developed proposal in hand ready for financing and are therefore requesting additional funds at this time.

Mr. PASSMAN. The problem facing these countries and for which you are now requesting funds to help correct have been known for many months. Why are you so late in transmitting this budget amendment if the funds are so urgently needed?

Mr. WILLIAMS. Although the problems confronting these countries have been generally known for varying lengths of time we have not had, until fairly recently, specific disaster relief and reconstruction evaluation and plans upon which to gage requirements. Before the existence of such plans we were not able to judge the types and amounts of assistance required. As these needs have become clarified we are now in a position to present, for all three disasters, a request based upon careful evaluations of the requirements, plans and self-help programs of the particular countries affected and coordinated with other donors.

Mr. PASSMAN. What if Congress did not provide the funds you are now requesting? Are there any other funds that could be used for this purpose?

Mr. WILLIAMS. Yes, but as I have stated previously the budget that was put forward was well below any prior year request. This stringent budget coupled with the great reduction in Public Law 480 availabilities has made this one of the agency's tightest years. For us to take the \$150 million from other funds would mean taking funds from a number of high priority programs such as Indonesia where we have already been forced to reduce the levels of development loan and Public Law 480 assistance.

THE SITUATION IN THE SAHEL

Mr. PASSMAN. Could you give the committee a brief description of the situation as it pertains to the Sahel?

Mr. WILLIAMS. For the past several years, and as many as 7 consecutive years in some countries, the nations of the Sahel have suffered from less than adequate rainfall, and, consequently, poor harvests—AID estimates a 1.2 million MT shortfall in 1972—loss of livestock due to drought—FAO estimates approximately 30 percent of region livestock died in 1973—consistent depletion of seed and food grain reserves, and populations that are consistently at risk to the pernicious effects of drought.

In the past year, the United States and the rest of the international donor community have donated over \$150 million worth of emergency food and nonfood items, with the specific intent of helping keep people alive, and to permit them to better endure the effects of the drought.

With the full cooperation between the affected countries and the international donor community, mass starvation in the Sahel was averted this year.

But just as this summer's rains were insufficient, 1973's harvests will be less than needed. The U.S. Government, in conjunction with other donors, participated in a Food and Agriculture Organization sponsored food needs assessment for the year ahead, a report to cover the period October 1, 1973, through September 30, 1974. Based on the FAO team's findings, and the United States participated in the team, the imported food needs in the region to sustain life in the year ahead are estimated at approximately 550,000 to 700,000 metric tons. The figures will be consistently refined, to the extent possible, so that donor nations can more accurately know the precise needs.

The situation in the Sahel in the year ahead is almost identical to the past year. Once again, there has been less than adequate rainfall, and as a result, poor crops and all the other side effects of drought. The international donor community, including the United States, is taking steps now to meet future emergency needs, and to plan on a longer term basis how to reduce the effects of drought in the future.

SITUATION IN NICARAGUA

Mr. PASSMAN. Could you give the committee a brief description of the situation as it pertains to Nicaragua?

Mr. WILLIAMS. In the months that followed the earthquake in Nicaragua the United States and the international community provided timely and massive emergency relief and rehabilitation assistance totaling nearly \$90 million. The emergency relief assistance phase has now ended.

The performance of the Government and people of Nicaragua to date has been good. They have shown their determination to maximize self-help by increasing taxes and government revenues. The economy has proven resilient, and GNP is expected to increase by about 2.8 percent in 1973 largely due to high prices in the export sector. Progress has been made in the rehabilitation of public services, although much more needs to be done. Despite the progress in this interim period, the vital center of Managua—and, indeed, of Nicaragua—remains destroyed and unusable, and most of the facilities it contained have yet to be replaced. The tremendous task of major reconstruction lies ahead.

The government is now in the stage of adoption of master plan guidelines for replacement of facilities destroyed in the earthquake. Generally, the guidelines call for rebuilding Managua in the same general location as the present capital city but dispersed over a wider geographic area. Major features of the planning are up-graded and earthquake-resistant construction standards, greenbelts in the more geologically dangerous locations, dispersed governmental medical and service facilities, and more rapid development of suburban cities close to Managua.

The value of destroyed housing, schools, hospitals, and other public infrastructure has been estimated to be in the general range of \$500 million. The rebuilding cost will likely prove even higher because of the upgraded construction standards and dispersion of facilities over a wider area.

Nicaragua needs international assistance to carry out a task of this magnitude. The World Bank and the Inter-American Development Bank are planning additional capital assistance for Nicaragua. With respect to U.S. reconstruction assistance, we are proposing an AID level of approximately \$50 million over the next 3 years—mainly to contribute to replacement of low-cost housing, schools, hospitals, and other public infrastructure.

PAKISTAN: FLOOD AND REHABILITATION

Mr. PASSMAN. Could you give the committee a brief description of the situation as it pertains to Pakistan.

Mr. WILLIAMS. The floods that swept Pakistan in the summer of 1973 were unprecedented in its history. Nearly 5 million people were adversely affected. There were 474 dead, an estimated 900,000 homes lost or damaged, and about 4 million acres of cropland damaged. Pakistan estimates 650,000 tons of wheat stocks were destroyed, as was over 600,000 bales of cotton from the standing crop, and 300,000 tons of rice. The tragedy came just as Pakistan had completed a record wheat harvest and was beginning to register significant economic progress in the aftermath of the war with India and the loss of East Pakistan. The flooding of 9,717 villages and the damage to public and private facilities—railways, canals, roads, schools, housing, the irrigation system, and in many areas the land itself—will severely strain the social and economic fabric of the country.

The Government of Pakistan's highest recovery/reconstruction priorities are:

- Repair and rehabilitation of the irrigation and groundwater systems, and the road and the railroad net in the flooded area;

- Seed, fertilizer, and other agricultural-related inputs to achieve maximum production from the rabi crop—mainly wheat—planted this fall and from the kharif crop to be planted next spring;

- Reconstruction of schools, hospitals, and other government facilities damaged by the flood;

- General balance-of-payments assistance to help offset the loss of foreign exchange earnings.

The Government of Pakistan has initiated the following self-help measures:

- Mobilization of construction equipment belonging to the army and other governmental agencies in repairing the irrigation canal system.

- Diversion of 120,000 tons of food wheat for planting of the winter crop and expansion of this crop from 15 million to 16.7 million acres.

- Allocation of \$60 million equivalent for interest-free loans to small farmers and an interest-free extension on the payment of outstanding debts.

- Examination of stocks of equipment and spare parts in the temporary restoration of roads, railways, power, and telecommunications.

- Allocation of \$20 million equivalent for low-cost housing and loans to flood-affected homeowners.

- Vaccination of 11 million people against communicable diseases.

- Temporary delay of \$43 million in other budgeted development programs to finance most immediate recovery efforts.

- Enactment of a special flood tax expected to generate \$77 million equivalent additional revenue.

The response to the disaster by the United States was rapid and effective and urgent human needs were met in time. The United States provided equipment and personnel to assist in rescue operations, medicines and medical surveillance personnel, fuel airlift equipment and personnel, telecommunications personnel to assess damage, and fast growing vegetable seeds. We also supplied pesticides, equipment, and personnel to protect over 400,000 acres of flood-damaged rice from insect infestation. This emergency assistance has cost approximately \$5 million in contingency and supporting assistance funds. The United States has also provided approximately \$42 million in Public Law 480 commodities, and an emergency loan of \$18 million for agricultural inputs to help Pakistan maximize production on the remaining undamaged acreage as well as replant some of the devastated areas to wheat. Total U.S. Government assistance is now approximately \$65 million.

Other donor countries have contributed over \$34 million, and a contribution of \$30 million is expected from IDA. The contributions already received include \$16 million from the Arab States; \$3.1 million from Canada; \$1.7 million from Sweden; \$2.4 million from the United Kingdom; \$1.1 million from the People's Republic of China, and \$4.2 million from other donors. The United Nations system has contributed \$3.3 million, and the International Red Cross \$2.3 million. Other donors are expected to make further contributions when the IBRD U.N. team has completed its report.

OTHER DONORS

Mr. PASSMAN. What other countries are providing assistance to these three areas for the same purpose and in what amounts?

Mr. WILLIAMS. The following tables list the donors and the amounts of their assistance:

SAHEL DROUGHT ASSISTANCE—INTERNATIONAL CONTRIBUTIONS

The world donor community has contributed a total of over \$155 million in goods or services to the stricken nations of the Sahel. The USG has been the largest single donor of both food and nonfood aid, with U.S. assistance approximating one-third of the total. All major contributions are broken out as follows:

	<i>Thousands</i>
I. Major food contributions:	
United States (256,000 tons cereals)-----	¹ \$40,818
European Economic Community (111,000 tons cereals)-----	² 11,100
France (78,000 tons cereals)-----	² 7,800
Canada (26,000 tons cereals)-----	² 2,600
Germany (36,000 tons cereals)-----	² 3,600
China (95,000 tons cereals)-----	^{2,3} 9,500
Russia (22,00 tons cereals)-----	² 2,200
Other donors and concessional imports-----	10,000
Estimated value of contributions of foods by various bilateral and international donors; dried milk, OSM etc-----	3,000
<hr/>	
Total food contributions and imports-----	90,618
Total quantity food contributions and imports (million tons)-----	(24,000)
<hr/>	
II. Major other expenditures for disaster relief purposes:	
United States-----	⁴ 6,947
European Economic Community-----	22,000
Nigeria-----	3,750
Zaire-----	110
United Nations (Sahel Zone Trust Fund)-----	8,290
Kuwait-----	300
Libya-----	760
<hr/>	
Total, cash contributions-----	42,157
III. Various contributions in kind (estimated)-----	
Belgium (airlift and financing of ground support)	22,500
Canada (airlift and well drilling programs)	
France (airlift and support of country budgets)	
Federal Republic of Germany (airlift and ground support)	
Libya (airlift)	
Spain (airlift and ground transport)	
United Kingdom (airlift)	
U.S.S.R. (airlift)	
Other (South Korea, Taiwan, U.S.S.R. and several other coun- tries have made grants up to \$50,000 each to Upper Volta)	
<hr/>	
Total-----	155,275

¹ Value of food plus ocean freight plus inland transport.

² Estimated market value.

³ Includes 45,000 metric tons contributed through Chinese Red Cross.

⁴ Excludes \$300,000 U.S. contributions to Sahel Trust Fund.

NICARAGUA EARTHQUAKE ASSISTANCE—INTERNATIONAL CONTRIBUTIONS

In addition to the United States, 68 countries and 9 international organizations participated in Nicaraguan relief activities. Donor nations made their contributions bilaterally or through relief agencies or both. The total reported value of this assistance was in excess of \$14.3 million:

International organizations:	Amount	Donor countries—Continued	Amount
Organizations of American States	\$408,000	Iceland	\$10,410
Inter-American Foundation	500,000	Iran	11,861
United Nations	1,670,000	Ireland	20,866
League of Red Cross Societies	185,673	Italy	167,508
AMURT (Amanda Margra Universal Relief Team)	45,000	Jamaica	14,000
Caritas, Internationalis	286,324	Japan	606,000
Lutheran World Federation	23,722	Khmer Republic	54
World Council of Churches	261,000	Korea Republic	1,186
International Confederation of Free Trade Unions	1,136	Lebanon	168
Total assistance by international organizations	3,380,855	Lesotho	119
Donor countries:		Liechtenstein	3,165
Argentina	359,622	Luxembourg	5,047
Australia	39,800	Mexico	352,084
Austria	42,208	Monaco	3,618
Bahrain	567	Netherlands	51,000
Barbados	1,500	Netherlands Antilles	65,000
Belgium	93,107	New Zealand	82,198
Bolivia	9,675	Norway	160,045
Brazil	483,754	Oman	5,000
Canada	1,698,807	Panama	276,000
Chile	11,163	Paraguay	43,300
China	533,124	Peru	140,722
China (Taiwan)	256,000	Libya	100,000
Colombia	108,552	Philippines	1,727
Costa Rica	15,000	Rumania	37,460
Denmark	33,926	South Africa	454
Dominican Republic	12,000	Spain	1,236,359
Ecuador	22,870	Sri Lanka (Ceylon)	600
El Salvador	119,060	Surinam	7,500
Finland	14,279	Sweden	26,090
France	277,019	Switzerland	97,125
Germany	610,000	Trinidad/Tobago	7,800
Greece	3,736	Thailand	536
Guatemala	101,000	Turkey	12,114
Guyana	1,000	United Kingdom	1,083,911
Haiti	7,136	Uruguay	13,000
Honduras	600,000	U.S.S.R.	13,000
		Venezuela	775,000
		Vietnam Republic	1,186
		Yugoslavia	9,772
		Miscellaneous contributions	894
		Total: Donor nations	10,929,223
		Total: International community	14,310,078

Other country donor disaster relief assistance to Pakistan

	<i>Millions</i>
Arab States (including United Arab Emirates, Saudi Arabia, Qatar)-----	\$16.0
Canada -----	3.1
Sweden -----	1.7
United Kingdom (including credit drawdown)-----	2.4
China, Peoples Republic of-----	1.1
Other donors ¹ -----	4.2
League of International Red Cross member countries ² -----	2.3
Indicated LDA credit-----	30.0
United Nations-----	3.3
Total -----	64.1

¹ Includes: Afghanistan, Argentina, Australia, Belgium, Denmark, Egypt, France, Federal Republic of Germany, Greece, Indonesia, Holy See, Iran, Italy, Japan, Kenya, Democratic Republic of Korea, Liechtenstein, Malaysia, Maldives, Mauritius, Netherlands, New Zealand, Poland, Romania, Singapore, Spain, Switzerland, Thailand, Turkey, U.S.S.R., and Yugoslavia.

² Figure may include some duplication of assistance reported by countries.

SAHELIAN DROUGHT RELIEF

Mr. PASSMAN. What will be the total funds the United States will provide for Sahelian Africa drought relief through fiscal year 1974?

Mr. WILLIAMS. The United States has provided approximately \$50 million emergency drought relief to the Sahel to date. I anticipate we will provide another \$40 to \$50 million in emergency drought relief assistance through the end of fiscal year 1974. The majority of this, as in our previous emergency drought relief assistance, will be for Public Law 480 grains and transportation to Africa. In addition to the emergency drought relief assistance, our recovery and rehabilitation and longer term assistance programs will require approximately \$40 million. Therefore, the total requirement through fiscal year 1974 for emergency drought relief assistance, plus recovery and rehabilitation and longer term drought-relief-related programs would range from \$120 to \$135 million.

RELIEF AID TO NICARAGUA

Mr. PASSMAN. What will be the total funds the United States will provide for Nicaragua earthquake relief through fiscal year 1974?

Mr. WILLIAMS. The United States made plans to provide a total of \$42.6 million for Nicaragua earthquake relief through the end of fiscal year 1974. This contribution is composed of the following items:

(a) For emergency relief—\$12.6 million as follows: \$3.9 million for Public Law 480 food; \$8 million for contingency funds for shipment or release of supplies, emergency housing construction, and other emergency requirements; \$700,000 from the DOD and Civil Defense Preparedness Agency.

(b) A reconstruction program loan of \$15 million was provided in fiscal year 1973 for the construction of hospitals, building of drainage channels, restructuring of electricity services, reconstructing of roads and bridges, schools, health centers, public buildings, and reconstruction planning and support costs. [Table attached.]

(c) In addition the United States has requested \$15 million fiscal year 1975 supplemental appropriations for low-cost housing reconstruction in Managua.

Relief and reconstruction assistance to Nicaragua, Dec. 23, 1973–Oct. 31, 1973

Emergency Relief Cash and Commodity Grants :	<i>Millions</i>
U.S. Government.....	\$12.6
Public Law 480 food.....	3.9
Contingency funds.....	8.0
DOD and Civil Defense Preparedness Agency.....	0.7
U.S. voluntary agencies and private sector.....	8.4
International Community (other donor countries and foreign private organizations).....	14.3
Total emergency relief grant assistance.....	<u>35.3</u>

Reconstruction Loans:

U.S. Government (AID) (hospitals, drainage channels, electricity, roads and bridges, schools, health centers, public buildings, research, planning and support).....	15.0
IDB—(Telecommunications, temporary university facilities, industrial rehabilitation credit, construction industry development and rural credit).....	16.7
IBRD—(housing sites and services, high school reconstruction, water and power supplies, and small industry financing).....	20.0
Total reconstruction loans.....	<u>51.7</u>

RELIEF AID TO PAKISTAN

Mr. PASSMAN. What will be the total funds the United States will provide for Pakistan flood relief through fiscal year 1974?

Mr. WILLIAMS. The total eventually provided will of course depend on congressional action with regard to the request. In the case of Pakistan, we are requesting \$95 million, consisting of \$58 million for loans and \$37 million in grants. In addition, \$42 million in Public Law 480 will be provided to Pakistan.

TOTAL AID PROVIDED

Mr. PASSMAN. What is the total U.S. aid that has been provided to Pakistan, Nicaragua, and the Sahel through fiscal 1973?

Mr. WILLIAMS. Total U.S. aid to Pakistan through fiscal 1973 was \$5,034.5 million. This figure includes aid to the former East Pakistan, now Bangladesh, prior to fiscal year 1972 which we are not yet able to separate out. Total U.S. aid to Nicaragua through fiscal 1973 was

\$227.7 million. Total U.S. aid to the Sahel, which is comprised of six countries, is shown in the following table:

TOTAL U.S. AID TO THE SAHEL THROUGH FISCAL YEAR 1973

(In millions of dollars)

	Fiscal years 1969-72	Fiscal year 1973	Total, fiscal years 1961-73
Chad.....	10.2	0.9	11.1
Mali.....	32.1	3.5	35.6
Niger.....	20.6	3.8	24.4
Senegal.....	45.6	2.4	48.0
Upper Volta.....	22.0	2.3	24.3
Mauritania (fiscal years 1954-72).....	6.3	1.3	7.6

The above assistance includes AID, Public Law 480, Peace Corps, and a small amount of military assistance. Most of this assistance was provided on a bilateral basis through fiscal year 1968. In addition to assistance shown in the table, the six Sahel countries have participated in central west Africa regional programs since fiscal year 1969. Therefore, they have also received a portion of the \$73.1 million of U.S. assistance provided through the regional programs. This assistance does not include the emergency drought relief effort which began in fiscal year 1973.

ADDITIONAL FUNDS REQUESTED

MR. PASSMAN. Is this request in addition to the funds requested in the regular fiscal 1974 budget for these three areas?

MR. WILLIAMS. In the case of the Sahel and Managua these funds are clearly additional to our regular request. They are for emergency drought relief and reconstruction activities which had not been anticipated at the time of our budget presentation. The funds requested for Pakistan are directly related to an unanticipated emergency—the disastrous flood. In Pakistan—however, one of the floods most serious effects was the destruction of a large portion of Pakistan's principal foreign exchange earning crops. Therefore, the loan component of our supplement is to finance fertilizer and other essential imports. We also had included loans for fertilizer and general commodity imports in our regular request. If we obtain supplemental funds we would not plan to go ahead with these loans.

ALLOCATION OF REQUESTED FUNDS

MR. PASSMAN. Could you tell the committee how much of the \$150 million request is presently firmly allocated to specific programs and how much is not firmly allocated to specific items?

MR. WILLIAMS. An AID task force has recently visited the Sahel region in September-October. As a result of discussions with the Governments of the Sahel states, projects totaling about \$18 million have been identified for the recovery program. Planning of the recovery effort is continuing, and within the next 2 months, AID anticipates that additional recovery and rehabilitation projects will be identified requiring another \$22 million.

Mr. PASSMAN. What was requested in the fiscal 1974 budget for Pakistan, Sahelian Africa, and Nicaragua?

Mr. WILLIAMS. For Pakistan we requested \$63.5 million, \$60 million for development loans and \$3.5 million for development grants which includes \$1.7 million for population program grants. For Nicaragua we requested \$18.5 million, \$16 million for development loans and \$2.5 million for development grants which includes \$500,000 for population grants. The Africa program requested for fiscal 1974 proposes \$37.6 million for the central and west Africa regional program. Of this amount about \$30 million of regional activities would benefit one or more of the six countries in the Sahelian drought area.

Mr. PASSMAN. How many additional U.S. employees will be sent to the Sahel countries in connection with the drought assistance request of \$500,000 for operating expenses?

Mr. WILLIAMS. We intend to assign six full-time field personnel. There will be one AID officer assigned to each of the six Sahel countries: Chad, Mali, Mauritania, Niger, Senegal, and Upper Volta. In addition short-term specialist personnel will probably be required.

Mr. PASSMAN. On page 6 of your statement, you indicate that \$23 million of the \$95 million for Pakistan's reconstruction will be used to reimburse other accounts for efforts already undertaken. Would you tell the committee what other accounts were used and in what amounts?

Mr. WILLIAMS. Yes, \$5 million were taken from the "Supporting assistance" account and \$18 million for the "Development loan" account.

WHY ARE ADDITIONAL FUNDS BEING REQUESTED NOW FOR NICARAGUA?

Mr. PASSMAN. On page 10 of your statement, you indicate the fiscal year 1974 budget request did not make allowances for disasters of this scale. Since the earthquake struck Nicaragua on December 23, 1972, why are you asking for an additional \$15 million for earthquake reconstruction now? Also, were funds included in the regular budget request for earthquake relief and if so, how much?

Mr. WILLIAMS. Mr. Chairman, our presentation to Congress for fiscal year 1974 requested funds only for regular development assistance programs. The bulk of the \$18.5 million requested for Nicaragua was for a \$15 million agricultural sector loan. Our budget request did not include funds for earthquake reconstruction. It did, however, note that such funds would be requested later for earthquake recovery assistance. The request also stated, however, that this assistance would be "contingent upon Nicaraguan progress with overall planning and organization for the implementation of such projects." It went on to say, that AID would consider recovery assistance only after satisfactory proposals, including appropriate administrative and management arrangements had been completed.

At this time, we are nearing completion of a detail low-cost housing loan proposal. It will be ready for review in Washington in December, and it is on this basis we are requesting funds at this time.

Mr. PASSMAN. You go on in your statement and discuss how certain authorization amounts would have an effect of reducing your funding availabilities and would jeopardize some programs. I hope you are not saying that this budget amendment was submitted solely for the purpose of hedging against possible fund reductions in the future, are you?

Mr. WILLIAMS. No. As Dr. Hannah said if unforeseen needs arose—large scale disasters requiring sustained relief and rehabilitation assistance in fiscal 1974—we would have to request additional funding from Congress. Precisely this situation has arisen because of the disasters in Pakistan, Nicaragua, and the Sahel. This amount is requested not as a hedge against a probable appropriation reduction but for current pressing needs that could not have been anticipated nor met within the current budget without seriously impairing other priority development programs.

Mr. PASSMAN. Mr. Long?

EVOLUTION OF EMERGENCY SITUATION IN SAHEL

Mr. LONG. You made two statements that seemed to me a little contradictory. One, you were saying that this was a problem that has gone on for about 5 years?

Mr. WILLIAMS. Yes, sir.

Mr. LONG. The next statement is your response to the question of the Chairman as to why you have not requested this appropriation before. You said because it was not foreseen prior to this recent disaster.

How can you reconcile those two? If the drought was going on for 5 years were not needs for disaster relief foreseen?

Mr. WILLIAMS. Each year, Mr. Congressman, it was assumed that the drought would end. Each year it became progressively worse for these countries as their reserves, material and human, were drawn down. It was only last year that they reached such a point those reserves ran out. They called for help. Not having a call for help before this past year, this current year, which was the past year, 1973, we were not engaged in the problem. Perhaps we should have been. Perhaps we should have foreseen that this was a drought situation that would not be cured.

Man is eternally optimistic, and the leaders of this region hoped they would get out of this situation without having to call for large help from the international community.

Mr. LONG. Looking back, do you feel that you were entitled to that optimistic outlook?

Mr. WILLIAMS. I don't know the region as well as the leaders of those countries. Looking back, I think they should have probably called for help and taken emergency action sooner. That is looking back.

Mr. LONG. I don't think we are talking about emergency action; we are talking about using various means and devices for solving the

problem, preventing it from recurring. That is what the chairman was driving at.

Mr. WILLIAMS. I agree with you. It should have been foreseen and was not. The means previously taken in this region were inadequate.

Mr. LONG. Thank you, Mr. Chairman.

UNDP PROGRAM IN SAHEL

Mr. PASSMAN. Mr. Director, we do have problems. There are so many different facets of this foreign aid program that it is difficult to stay on top of it. We are talking about more than \$20 billion in different places. There are seven different areas where you have technical aid programs.

One of the main programs is the UNDP. Is this one of their programs?

Mr. WILLIAMS. Yes, sir.

Mr. PASSMAN. Why won't they be in this area helping?

Mr. WILLIAMS. They are, sir.

Mr. PASSMAN. You didn't give us anything firm.

Mr. WILLIAMS. I would like to put in the record the UNDP program in the Sahel countries.

[The information follows:]

UN PROGRAMS IN THE SAHEL

The UNDP Governing Council in June, 1973, launched a program of emergency and long-term assistance for the Sahelian region, approving \$8.3 million for a well-digging effort and for reconstruction in the afflicted countries—Chad, Mali, Mauritania, Niger, Senegal, and Upper Volta. Of this \$8.3 million, \$2.8 million is to go toward a \$3.7 million well-digging program to be mounted jointly with UNICEF. Another \$500,000 has been given to FAO's Sahelian relief fund. The remaining \$5 million will provide additional reconstruction assistance for the period 1973-76. Projects utilizing this latter amount are being formulated in sorghum and millet seed multiplication, regional agricultural advisory services, fodder research and development and related fields, and implementation is scheduled to begin by the end of this year. All of these UNDP funds are in addition to the regular assistance totaling \$53.2 million which the six countries are to receive from the UNDP during the 1972-76 UNDP programing cycle. In this connection, the Governing Council also recommended that a flexible approach be taken in planning and executing the regular UNDP technical assistance programs in the affected countries in order to adapt existing UNDP projects to the needs of the reconstruction effort. A review is now taking place within the UNDP to make these regular programs as responsive as possible to the special needs arising from the drought. An overall reconstruction program for the Sahelian region is in the process of being shaped, and the UNDP program will be an integral part of the total effort.

OCEAN FREIGHT

Mr. PASSMAN. I want to say that I have been working with you for many years and I have never received anything but complete cooperation. I have asked you to do several things I thought were in the interests of this program and our country and the taxpayers. You have always responded without exception. I don't want you to think any of my questions are intended to question your integrity or take away from the fact that you have given my office complete cooperation. You have a difficult program.

I have enjoyed working with you and I have enjoyed working with John Hannah. I am reasonably sure we are going to enjoy working with Mr. Parker.

I am going to insert at this point in the record the resume on freight movements and how money can be saved by pursuing a sound course in contracting freight. You may want to refer to it later.

[The information follows:]

The shipbroker performs an indispensable function between owners of vessels and shippers, and it is difficult to eliminate or replace him in his role as honest broker between shipowners and shippers of full cargoes and large parcels. Owners are universally disinclined to offer tonnage directly to shippers and employ the cargo broker for that purpose. Similarly large shippers and traders employ the broker as charterer's agent when seeking ships for such commodities as agricultural products, oil and petroleum products, steel, fertilizer, and so forth. This has been a consistent custom and practice of international trade since the establishment of the Hanseatic League and in this country even before national independence.

The cargo broker brings an extraordinarily broad and diversified expertise to his client. He is constantly aware of the ship market by virtue of his continuing presence in that market and he is prepared with up-to-date information when his shipper client requires shipping services whether only intermittently or on a regular basis.

A considerable amount of experience is required before the cargo agent/broker is competent to serve the trade. His background must include, in addition to knowledge of the ship market and how to trade in it, a variety of subjects required to protect the interests of his principals including special knowledge of the peculiar requirements of the cargo involved, physical and commercial; banking and finance; government regulations as they affect international trade and commerce; a familiarity of the relative maritime and commercial law; knowledge regarding the marine and shoreside labor unions and potential problems; geographical nuances; trade patterns; maritime conventions; and an instinct to anticipate problems and complications before they occur if possible as well as the experience and ability to cope with them when necessary.

The cargo agent can undertake to furnish at least these essential services. He will prepare or assist in the preparation of freight charter parties and contracts of affreightment to suit the cargo. He will enter the market and identify interested suitable tonnage. This will be accomplished by the broadest possible solicitation for the requirement as to assure adequate response employing whatever media and connections necessary. He will fix the vessel after trading terms and conditions taking into consideration such factors as the reliability and past performance of the owners; the physical characteristics of the ship; the elements of congestion as possible loading ports, grain elevators and terminals; seasonal weather conditions to be encountered on the voyage; an analysis of the freight as against current and anticipated market conditions and other factors; and an evaluation of those factors which can cause demurrage or detention expenses at loading and discharge. Subsequently he will assist with claims, audit statement of facts and laytime statements as well as auditing all freight and ancillary charges.

In addition to the standard cargo agent services, the agent for the Government of South Vietnam also provides forwarding services and oversees and supervises the port agent's responsibilities as regards the coordination and facilitation of transfer from point of origin until loading including appropriate formalities, inspections, samplings, and so forth.

As can be expected, cargo agents sometimes specialize depending upon the needs of his clientele. It is interesting to note that several cargo brokers have developed the special expertise necessary to handle correctly cargoes deriving from U.S. Government programs where special statutory regulations obtain, for example U.S. cargo preference laws, the regulations apply to Public Law 480, export-import and AID-financed commodities, and so forth.

Compensation to the cargo comes from brokerage paid by ship owners. Usually total brokerage to be charged by the owners' broker and the cargo agent, that is, charterer's broker, does not exceed 2½ percent of the gross freight. Presumably when no cargo agent is employed, the commission would be earned by the owners' broker. In the case of commission payable by liner operators with tariffs filed at the Federal Maritime Commission, it has been held that in the absence of a commissionable broker, it is illegal to rebate the normal brokerage commission to the shipper. Incidentally this decision applies to U.S. Government agencies who have endeavored to claim a discount equal to unpaid brokerage.

It is obvious that if a shipper does not employ the services of a broker he must then provide these services himself as it is not possible to dispense with them. The costs of providing the services must then be borne by the shipper. This would seem to be an unnecessary expense bearing in mind that there is no way for a shipper, especially when such a shipper is either a United States or foreign government agency to claim on the owner for commission or rebate. It is collaterally significant that when foreign owners pay brokerage to American broker/agents, this represents dollar earnings and benefits our balance of payments.

PROPOSED HOUSING LOAN TO NICARAGUA

Mr. PASSMAN. Mr. Roybal?

Mr. ROYBAL. Thank you, Mr. Chairman.

I would like to make inquiries with regard to your program in Nicaragua. It is my understanding that you are proposing an aid level program of approximately \$50 million over the next 3 years. Most of this money is going to be used for replacement of low-cost housing or public service facilities and other things.

You stated a little while ago the \$15 million for housing was going to build 9,000 low-cost homes. This was going to be a loan, you said. At what percent interest is this loan going to be made? To whom is it going and what interest will they be charging at the time the consumer eventually gets the money?

Mr. WILLIAMS. I will ask Mr. Kleine.

Mr. KLEINE. This loan, Mr. Roybal, if undertaken, would be made through the National Housing Bank of Nicaragua. The housing needs that the loan would address are those of the low income and low middle income people who were affected by the earthquake. The cost of these homes would run from a little over \$1,000 to a little over \$3,500. The income that is calculated would be needed by the people who would buy these homes would run from about \$57 a month to about \$140, \$150 a month.

Mr. ROYBAL. That is the income or the payment?

Mr. KLEINE. This is income. With incomes of the level that I mentioned, it is anticipated that these people could carry the costs of these homes. This project would address about one-third or one-fourth of the total requirement for low income or low middle income housing in Nicaragua.

Mr. ROYBAL. You still have not answered the main part of the question. We are lending \$15 million to the National Housing Bank. At what percent interest?

Mr. KLEINE. The concessional rate of 2 percent during the grace period of 10 years and 3 percent until total maturity of 40 years, including 10-year grace period.

Mr. ROYBAL. I would be a loan for 40 years which will actually amount to a little over 2 percent, maybe 2½ percent for the period?

Mr. KLEINE. That is correct.

Mr. ROYBAL. They in turn will lend that money to the consumer at what rate of interest?

Mr. KLEINE. That has not yet been worked out. It is to be worked out on the basis that it would not be a subsidy.

Mr. ROYBAL. Is this going to be the same at other loans that we made to L.A. banks where we charged 2 to 3 percent and they are charging 12-percent interest rate?

Mr. KLEINE. It will probably be higher than the concessional rate of our loan to the National Housing Bank.

Mr. ROYBAL. It would be higher by maybe five or six times?

Mr. KLEINE. No; I don't believe that it will be that much larger. There will of course have to be a residual which will help the costs of administering the loan by the National Housing Bank.

Mr. ROYBAL. Hasn't it been the agency's experience that whenever a loan like this is made to a banking institution in Latin America, or anyone for housing, they in turn charge at least five times more interest?

Mr. KLEINE. They do charge close to the going rate in the country.

Mr. ROYBAL. Isn't it so, the going rate in Latin America is 10 to 12 percent?

Mr. KLEINE. Yes, sir.

Mr. ROYBAL. One must assume they are going to be charging from 10 to 12 percent for money they are paying 2½ percent for? Where is the humanitarian part of this program then?

Mr. KLEINE. The provision of capital that otherwise would not exist for these people, in order to enable them to buy homes which they couldn't have. Right now they are in temporary facilities or they are living with friends, relatives all around the Managua area, and they wouldn't otherwise have the opportunity. There is not the capital around so that they could borrow at terms they can afford for the maturity period. There is probably some around for very short periods and at very high interest rates.

Mr. ROYBAL. I appreciate the fact these people need housing, but this is money that is being loaned to them at 2 to 3 percent and money that we in turn have to pay the prevailing rate which is very well at the moment in the neighborhood of 8 percent.

Mr. KLEINE. About 8 percent.

Mr. ROYBAL. What kind of business is that? It does not seem to me to be very smart to be doing something like this, particularly when the ones making the money and the ones going to be benefited are the stockholders or the individuals at the National Housing Bank that are going to be earning at least 8 percent on their money.

Mr. KLEINE. These funds will be made available to the people at interest rates that they can afford, which would enable the bank to carry out this program, which is a very large program, probably the largest single program—

Mr. ROYBAL. You said two things interesting. You said a while ago they would not be subsidized. You also agreed the prevailing rate was in the neighborhood of 10 to 12 percent. If they are not going to be subsidized, if this is not going to be subsidized housing, then it is quite evident they are going to pay an interest rate of between 10 and 12 percent. Is that correct?

Mr. KLEINE. I believe so. Yes, sir, but the question of terms to the house buyers is still not yet settled.

Mr. ROYBAL. I don't think that we should be involved in this kind of a setup at all. On the other hand, I can understand that housing is needed in this area. Isn't there some other kind of a program that can be designed for an area of great need such as Nicaragua, or where they have had a catastrophe, besides other loans that we give to Latin America? Couldn't there be an exception made to Nicaragua?

Mr. KLEINE. The exception would be to make it available on a grant basis. We think that the economy is such that would enable it to ultimately, with recovery and reconstruction, enable the bank, an institution of the Government of Nicaragua, to repay this loan over time. There was an emergency grant of \$3 million that was made available immediately after the earthquake to provide temporary facilities. These are the facilities that will be upgraded to enable these people to purchase them. They are now renting them.

Mr. ROYBAL. It seems the loan business of the United States operates with an interest rate level of about 11½ percent nationwide and they made a considerable amount of money, particularly in the last year, even though 5 years ago they were losing. If the American businessman can make a profit on that kind of an interest return, it seems to me we should not be subsidizing Latin American businessmen to the tune of 8 percent. I would like to be involved in a bank like that that can operate with moneys coming to them where there is a differential of 8 percent between cost and final delivery.

Mr. Kleine. At this stage, Mr. Roybal, we have not yet gotten to the actual financing that will be involved in the lending to the buyer.

Mr. WILLIAMS. The concessionary rate as to the Government. Of course, it is a measure of the concession, the measure of aid to help the Government aid requirements that are very, very large, coming all at once.

Mr. ROYBAL. The ones paying for this will be the person that earns \$59 a month, they are the people who will be paying 10 to 12 percent. They are going to be buying a house that is costing \$1,000 and there is not much that you can buy even in Latin America for \$1,000.

Mr. WILLIAMS. It is minimal housing.

Mr. ROYBAL. The one paying is the consumer himself and not the National Housing Bank. It seems to me if we are going to be humanitarian, as you stated before, we should direct our effort to the people that actually need it, not the financial interests of Latin America.

Mr. WILLIAMS. I certainly agree with that, Mr. Congressman. In this case it is attempting to provide very modest housing for people who have lost all housing and have no place to live.

Mr. ROYBAL. Mr. Chairman, I think we can go over this subject from now until kingdom come. The truth of the matter is, we have been doing this since the Alliance for Progress started. Since we have been in the aid business we have been doing this. There is a great deal of objection to it, particularly at a time like the one we are going through at the moment. Taxpayers are going to complain about these things.

When a situation like that is presented to any taxpayer anyplace, they wonder what happened to our so-called Yankee know-how.

Mr. KLEINE. This will provide opportunities for these people which otherwise do not exist or would exist at exorbitant interest rates. The exact rate that the purchaser will have to pay is not yet established. That is a process we will be going through in the next stage, presuming we get to the—

Mr. ROYBAL. I am not a betting man, but I will bet you even money, any amount you want, that the rate will be between 10 and 12 percent, regardless of what kind of program we get involved in.

Mr. KLEINE. If I may, I will explain to you and the committee what rate we will propose and why we propose that.

Mr. ROYBAL. That does not mean we are going to accept it over there. Once they get the money in their hands they will charge whatever they please. Unless there is some restriction as to what they can charge, you are not going to get anywhere.

Mr. KLEINE. They will not be able to charge more than we agree should be charged.

Mr. ROYBAL. We went through this with these other Latin American countries. Peru is one instance. We know what the interest rates were in these Latin American countries after they got their money at 21½ percent. It won't be any different with this program.

Mr. WILLIAMS. We propose not to provide it until we come back to you and explain the rate that we would agree to.

Mr. ROYBAL. I am not ready to vote on this until I know what is going to happen to this money.

HOUSING INVESTMENT GUARANTEE PROGRAM

Mr. PASSMAN. Will the gentleman yield?

I believe the interest rate is 14 percent. That will be the prevailing rate. I happen to know the background. What you do is feed a lot of this into the building and loan associations; do you not?

Mr. KLEINE. Well—

Mr. PASSMAN. Is that true?

Mr. KLEINE. The building and loan associations normally handle the middle income.

Mr. PASSMAN. Let me get my answer, if I may.

Some of this goes through building and loan associations in the country involved, does it not?

Mr. KLEINE. Some of it does—the part financed through housing investment guarantees.

Mr. PASSMAN. The building and loan associations interest rate is about 14 percent in these countries, is it not?

Mr. KLEINE. That is correct.

Mr. PASSMAN. The Inter-American Development Bank also makes loans for housing project in towns and cities doesn't it?

Mr. KLEINE. That is correct.

Mr. PASSMAN. At this time they have \$2,200,000,000 in funds undisbursed. What part is obligated we don't know because they play this game of obligating and deobligating, but you do have \$2,200,000,000 as of June 30 undisbursed; is that correct?

Mr. KLEINE. That is correct.

Mr. WILLIAMS. May I say something on this point?

Mr. PASSMAN. Have I stated that correctly?

Mr. KLEINE. Yes, sir.

Mr. WILLIAMS. I want to satisfy, if I can, Congressman Roybal's point.

I think that there may be confusion with the housing investment guarantee program where funds are raised on the capital market and are available to the bank that administers them. In this case we are proposing as part of this assistance to reconstruction that the difference would not go to the bank but to the Government. I would like to

say, Mr. Congressman, we will submit for the record a proposal we have and for your attention as to how we intend to handle the problem if that arises. I want you to be satisfied on this point.

CLASSIFICATION OF HOUSING BY COST

Mr. ROYBAL. I would like a breakdown of how much of that \$15 million is going to be spent on \$1,000 houses and how much on \$3,500 houses which are to be bought by the lower middle-income group rather than the low-income group. These are the moneys that will be transferred over to savings and loans and the savings and loans will make it available to this lower-income group.

Put that in the record.

Mr. WILLIAMS. We will provide that. I appreciate the point and I want you and the committee to be satisfied on this before you vote.

Mr. ROYBAL. If we are not, I don't intend to vote for this.

Mr. WILLIAMS. I understand that.

I at least want you to know specifically what we are aiming to do here. Our objective is not as it has been on the investment guarantee. Our objective is to truly help these people obtain the housing they need.

CONTINUED FOOD ASSISTANCE IN DEVELOPMENT EFFORTS

Mr. SHRIVER. You say the severe cutbacks this year in Public Law 480 food availabilities "have raised real questions in the minds of the recipients about our intent to assist them in their development efforts."

For years and years we have put millions and millions of dollars in the form of aid, and now when we are having financial troubles and inflation, these countries that we have been giving these Public Law 480 funds or commodities to have raised question about our intent to assist them. I don't understand that.

Mr. WILLIAMS. Questions about whether we will be able to assist them with food. Mr. Congressman, that we had submitted in the budget—

Mr. SHRIVER. I don't see how we can continue to do it with the shortages that we have.

Mr. WILLIAMS. I am not saying that we can. We are obviously not able to, but it does raise questions as to what the future will bear in terms of food assistance under Public Law 480. It raises very real questions in terms of these countries getting the production up so that they meet their own food needs instead of being dependent on imports to the extent they have been in the past. Just an idea of the kinds of cuts that have been made, and have had to be made, and I don't question those cuts under food, we have or what had been intended and thought possible by volume over last year is cut 50 percent. By value, because prices have gone up, the cut has been 33 percent. Where we had a program this year for Public Law 480 for Indonesia of \$114 million, we have only been able to do \$10 million.

Mr. SHRIVER. They should not be critical of us. I think it is your agency's responsibility to explain our domestic situation to them. That is part of your job.

Mr. WILLIAMS. I agree with you, and we are doing that.

UNITED STATES, OTHER DONOR, INTERNATIONAL ORGANIZATION, AND
 RECIPIENT DISASTER CONTRIBUTIONS

Mr. SHRIVER. Would you put in the record figures for each of the three areas? You indicated you were going to do that anyway. I want what the United States has, or will, contribute, including this request; what each of the other donor countries have contributed bilaterally; contributions of international organizations, and the U.S. share of that aid; and the efforts of the recipient countries.

[The information follows:]

[See also p. 167.]

CONTRIBUTIONS TO THE SAHEL RECOVERY PROGRAM

To date the United States has contributed approximately \$50 million of emergency drought relief on a bilateral basis. We expect to provide another \$40 to \$50 million in emergency drought relief assistance through the end of fiscal year 1974. The majority of this, as in our previous emergency drought relief assistance, will be for Public Law 480 grains and transportation to Africa. In addition to the emergency drought relief assistance, our recovery and rehabilitation and longer term assistance programs will require approximately \$40 million. Therefore, the total requirement through fiscal year 1974 for bilateral emergency drought relief assistance, plus recovery and rehabilitation and longer term drought relief related programs would range from \$120 to \$135 million.

We have a considerable amount of information on other donor nation contributions on a bilateral basis. At this time, we estimate the following donor contributions: France, \$7.8 million for grain; Canada, \$2.6 million for grain; Germany, \$3.6 million for grain; China (Peking), \$9.5 million for grain; Russia, \$2.2 million for grain; additional minor country donations for grain (Iraq, Sudan, Netherlands, Italy, Spain, Libya, etc.) amount to about \$10 million.

There have also been considerable bilateral donations for airlift, trucks, emergency medical supplies and other material, but very few of these donations have been identified by cost. We estimate that the total amount of other donor bilateral emergency contributions to the Sahel, including airlift by the following countries: Belgium, Canada, France, Germany, Libya, Spain, the United Kingdom, the U.S.S.R., Ghana, and Switzerland, and miscellaneous contributions from Kuwait, Libya, Nigeria and other countries, amounts to approximately \$28 million.

The largest international organization program has been by the European Community. To date, the European Community has contributed over \$33 million of food grain and emergency aid. The United Nations system has organized an FAO sponsored Sahelian Zone Trust Fund, to which the United States has contributed \$300,000. Current total of the trust fund is more than \$8 million. This has been the only drought emergency U.N. program in the area.

The recipient countries have very few resources to commit to lessening the effects of the drought. To the extent they can, they have been eager to make available what few trained personnel they have, plus a great deal of other manpower, and whatever equipment and resources (noncash) exist within country. There is no accurate estimate of the dollar value of their assistance to date.

ACTUAL AND PROPOSED RECONSTRUCTION ASSISTANCE TO NICARAGUA

The estimated relief and reconstruction assistance made available to the Government of Nicaragua between December 23, 1972, and October 31, 1973, is as follows:

Table A—Estimated relief and reconstruction assistance, Dec. 23, 1972–Oct. 31, 1973

	Millions
U.S. Government:	
Emergency relief.....	\$8.7
Public Law 480 food.....	3.9
Rehabilitation.....	15.0
Total.....	27.6
U.S. voluntary agencies.....	8.4

Table A—Estimated relief and reconstruction assistance—Continued

Other donors:	
Bilateral grants ¹	\$10.9
International organizations ¹	3.4
IDB loan.....	16.7
IBRD loan.....	20.0
Canadian loan.....	1.9
Total	52.9
Grand total	87.9

¹ See table B for detail.

Technical assistance for reconstruction will be provided principally by AID, the United Nations and the Organization of American States. The most important concern at present is to assist the Government of Nicaragua meet its extraordinary management needs to carry out and implement the reconstruction program. To this end, AID will be providing approximately \$1 million in grant funded technical assistance over the next 2 years. The UNDP has designated approximately \$1.5 million in technical assistance for rehabilitation and reconstruction, including approximately \$400,000 for urban planning. The OAS will provide about \$500,000, of which \$350,000 will be for urban planning and the balance for regional development of the Greater Managua area.

The Nicaraguan Government has made considerable progress in gearing up its own resources for the task of reconstruction. Despite the terrific losses suffered by the economy, Nicaragua was able to substantially increase its tax revenues. For the first 6 months of 1973 revenues were \$113.2 million as compared to \$64.1 million for the same period in 1972. This was due principally to the imposition of new export taxes and a tax on government employees' salaries. Expenditures have risen somewhat more slowly than revenues and are now 20 percent ahead of last year's amounts. The Government has established a special \$13 million fund for priority capital projects to speed up the commitment of its own funds to reconstruction and rehabilitation.

Future assistance to Nicaragua for reconstruction is difficult to estimate, since the master plan which will cost out the reconstruction program is still being developed. Given the Central American Institute for Business Administration's preliminary estimate of losses in housing, public services, and infrastructure amounting to \$500 million, it is evident that Nicaragua will need substantial assistance if it is to reconstruct the city on a timely basis. In addition to the proposed \$15 million program for housing in fiscal year 1974, AID projects that up to an additional \$35 million will be needed in fiscal year 1975-1976 for reconstruction projects. Further capital assistance is also being programed by the World Bank and the Inter-American Development Bank for reconstruction. At present these institutions have jointly indicated that they would be considering up to \$60 million in reconstruction financing for the next several years. This figure may vary as more detailed information on reconstruction needs becomes available.

Table B—International Relief Assistance

ASSISTANCE BY THE INTERNATIONAL COMMUNITY

In addition to the United States, 68 countries and 9 international organizations participated in Nicaraguan relief activities. Donor nations made their contributions bilaterally or through relief agencies or both. The total reported value of this assistance was in excess of \$14.3 million.

International organizations:

Organization of American States.....	\$408,000
Inter-American Foundation.....	500,000
United Nations.....	1,670,000
League of Red Cross Societies.....	185,673
AMURT (Amanda Marga Universal Relief Team).....	45,000
Caritas, Internationalis.....	286,324
Lutheran World Federation.....	23,722
World Council of Churches.....	261,000
International Confederation of Free Trade Unions.....	1,136
Total assistance by international organizations	3,380,855

Donor countries:

Argentina	\$359, 622
Australia	39, 800
Austria	42, 208
Bahrain	567
Barbados	1, 500
Belgium	93, 107
Bolivia	9, 675
Brazil	483, 754
Canada	1, 698, 807
Chile	11, 163
China	553, 124
China (Taiwan)	256, 000
Colombia	108, 552
Costa Rica	15, 000
Denmark	33, 926
Dominican Republic	12, 000
Ecuador	22, 870
El Salvador	119, 060
Finland	14, 279
France	277, 019
Germany	610, 000
Greece	3, 736
Guatemala	101, 000
Guyana	1, 000
Haiti	7, 136
Honduras	600, 000
Iceland	10, 410
Iran	11, 861
Ireland	20, 866
Italy	167, 508
Jamaica	14, 000
Japan	606, 000
Khmer Republic	54
Korea Republic	1, 186
Lebanon	168
Lesotho	119
Liechtenstein	3, 165
Luxemburg	5, 047
Mexico	352, 084
Monaco	3, 618
Netherlands	51, 000
Netherlands Antilles Public	65, 000
New Zealand	82, 198
Norway	160, 045
Oman	5, 000
Panama	276, 000
Paraguay	43, 300
Peru	140, 722
Libya	100, 000
Philippines	1, 727
Rumania	37, 460
South Africa	454
Spain	1, 236, 359
Sri Lanka (Ceylon)	600
Surinam	7, 500
Sweden	26, 090
Switzerland	97, 125
Trinidad/Tobago	7, 800
Thailand	536
Turkey	12, 114
United Kingdom	1, 083, 911
Uruguay	13, 000
U.S.S.R.	43, 439
Venezuela	775, 000

Donor countries—Continued

Vietnam Republic.....	1, 186
Yugoslavia.....	\$9, 772
Micellaneous contributions.....	894
Total assistance, donor nations.....	10, 929, 223
Total assistance by International Community.....	14, 310, 078

UNITED STATES, OTHER DONOR, INTERNATIONAL ORGANIZATION, AND RECIPIENT
DISASTER CONTRIBUTIONS TO PAKISTAN

1. U.S. CONTRIBUTION

The response to the disaster in Pakistan by the United States was rapid and effective and urgent human needs were met in time. The United States provided equipment and personnel to assist in rescue operations, medicines, and medical surveillance personnel, fuel airlift equipment and personnel, telecommunications personnel to assess damage, and fast-growing vegetable seeds. We also supplied pesticides, equipment, and personnel to protect over 400,000 acres of flood-damaged rice from insect infestation. This emergency assistance cost approximately \$5 million in "Contingency" and "Supporting Assistance" funds. The United States has also provided approximately \$42 million in Public Law 480 commodities, and an emergency loan of \$18 million for agricultural inputs to help Pakistan maximize production on the remaining undamaged acreage as well as replant some of the devastated areas to wheat. Total U.S. Government assistance is now approximately \$65 million of which \$23 million represents a borrowing from other accounts to be reimbursed from the present request.

Additional assistance to be provided by the United States, for which funding is requested, consists of the following:

	<i>Thousands</i>
Construction of grain storage facilities.....	\$4, 000
Rehabilitation of tubewells.....	2, 000
Rehabilitation of primary, middle, and secondary schools.....	7, 000
Repair of medical facilities.....	1, 000
Rebuilding community water facilities.....	3, 000
Restoration of irrigation works.....	10, 000
Restoring roads, railways, and power.....	5, 000
Subtotal.....	32, 000

DEVELOPMENT LOANS (IN THOUSANDS OF DOLLARS)

Commodity importation to increase agriculture production, combat malaria, and replace machinery and equipment inventories.....	40, 000
Subtotal.....	72, 000
Repayment of other accounts.....	23, 000
Grand total.....	95, 000

2. OTHER BILATERAL DONOR CONTRIBUTIONS

Other donor countries have already contributed over \$28 million, as follows:

	<i>Millions</i>
Arab States.....	\$16.0
Canada.....	3.1
Sweden.....	1.7
United Kingdom.....	2.4
Peoples Republic of China.....	1.1
Other Countries ¹	4.2
Total.....	\$28.5

¹ Includes: Afghanistan, Argentina, Australia, Belgium, Denmark, Egypt, France, Federal Republic of Germany, Democratic Republic of Germany, Greece, Indonesia, Holy See, Iran, Italy, Japan, Kenya, Democratic Republic of Korea, Liechtenstein, Malaysia, Maldives, Mauritius, Netherlands, New Zealand, Poland, Romania, Singapore, Spain, Switzerland, Thailand, Turkey, U.S.S.R., Yugoslavia.

Additional donor contributions in support of the rehabilitation effort are expected when the I.B.R.D./U.N. Team has completed its report.

3. CONTRIBUTIONS OF INTERNATIONAL ORGANIZATIONS

	Amount (thousands)	Recent year U.S. contribution or assessment (per cent)
League of International Red Cross.....	2,300	
United Nations System:		
Secretary General's Fund.....	1,270	32
UNDP.....	1,000	34
UNICEF.....	335	33
World Food Program.....	1,686	44
Total.....	3,291	

World Health Organization has also contributed but the value of its contribution has not been reported.

4. PAKISTAN SELF-HELP MEASURES TAKEN

Mobilization of construction equipment belonging to the Army and other governmental agencies in repairing the irrigation canal system.

Diversion of 120,000 tons of food wheat for planting of the winter crop; and expansion of this crop from 15 to 16.7 million acres.

Allocation of \$60 million equivalent for interest-free loans to small farmers; and an interest-free extension on the payment of outstanding debts.

Examination of stocks of equipment and spare parts in the temporary restoration of roads, railways, power, and telecommunications.

Allocation of \$20 million equivalent for low-cost housing and loans to flood-affected homeowners.

Vaccination of 11 million people against communicable diseases.

Temporary delay of \$43 million in other budgeted development programs to finance most immediate recovery efforts.

Enactment of a special flood tax expected to generate \$77 million equivalent additional revenue.

AVAILABILITY OF BARBED WIRE

Mr. SHRIVER. If we take this to the floor we need this kind of information.

How much is in this request for the African area?

Mr. WILLIAMS. \$40 million out of the \$150 million.

Mr. SHRIVER. How much of that is for barbed wire? You told us about the importance of preventing overgrazing and this sort of thing.

Mr. WILLIAMS. It is a very good point. Of course, the control in the laws would be meaningless unless they do take measures for the longer term rehabilitation. I am not aware that we have proposed to ship any barbed wire. There is some, I am told.

Mr. SHRIVER. Where could you get it?

Mr. HOGAN. Given the barbed-wire market there is today, it would be very difficult to get it in the United States. I know that it is difficult.

Mr. SHRIVER. The Speaker has been having trouble locating it for his constituents.

PROCUREMENT IN THE UNITED STATES

How much of this request will be spent in the United States? AID made certain statements in the past about percentages of the funds of foreign aid spent for purchases in this country. Put that in the record.

Mr. WILLIAMS. All right. There would be some local costs.

[The information follows:]

PROCUREMENT

In Pakistan we estimate that of the \$58 million proposed for loan financing \$35 million will be spent in the United States. Within the \$37 million grant request substantial local costs will be required for reconstruction of infrastructure, and it is expected that \$11 million will be spent in the United States.

The \$15 million supplemental appropriation request for Nicaragua earthquake reconstruction will be eligible for procurement throughout the Western Hemisphere (code 941). It is impossible to precisely predict the amount which will be spent in the United States. However, because of the nature of the activity which is local construction of housing, we will expect most of this amount will not be spent in the United States.

AID presently estimates that roughly 25 percent of the funds will be spent in the United States. Approximately 60 percent will be used for local costs and some 15 percent will involve third country expenditures, primarily, however, within West Africa.

Mr. WILLIAMS. The majority of the funds would be spent in the United States, except for housing which costs are normally local.

PERSONNEL COSTS FOR AID SAHEL STAFF

Mr. SHRIVER. Give more details concerning the \$500,000 requested for AID personnel support costs in Africa.

Mr. WILLIAMS. We will be pleased to do that.

[The information follows:]

PERSONNEL COSTS FOR AID SAHEL STAFF

AID is planning to assign six full-time field personnel, one in each of the six Sahel countries. In addition, we anticipate requirements for short-term specialists. Depending upon the nature of the program in each country, the

personal grade of field personnel will vary from FSR-3 to FSR-5 who will be stationed at posts where senior AID staff is already assigned. In addition to salary, other personnel costs include an education allowance, insurance, retirement, post assignment travel and transportation, and housing. The average cost for each technician is estimated to be about \$65,000. The remaining funds, \$110,000, are budgeted for about 22 man-months of short-term consultant services.

Mr. SHRIVER. That is all.

Thank you.

Mr. PASSMAN. Dr. Long?

INTEREST RATES ON HOUSING LOANS

Mr. LONG. Thank you.

I think Mr. Roybal has posed a series of penetrating and serious questions. I don't think that you answered them. I think that you evaded them.

Mr. WILLIAMS. It was not my intention, sir.

Mr. LONG. I have seen the same thing that he did, and in Venezuela the year before last I went to a housing project. This was a project of the Inter-American Development Bank. The Inter-American Development Bank loaned Venezuela the money at low interest rates. The rents these people were paying because of the high interest rate implicit in the rents was so high, that quite a few of the apartments were vacant. And this happened in a country where hillsides are dotted with people living in squalor, as any tourist that goes to these countries can see. Most of these people living in these apartments were not really poor people. Nobody seemed to have an interest in providing housing for the poorest people. I would guess by the standards of those countries, the occupants of these apartments were fairly substantial people. They were people holding government jobs and so on and were not the really poor people whom we think we are helping.

I would like to know why it is you don't pass on these very low interest rates to the people that you are trying to help so that the very poor people can be helped; that is, take the 2½ percent interest rate average for the year, add 1½ percent or 2 percent to that and make it 4 or 4½ percent and base your rents on that so that the very poor people can be helped. Why don't you insist on that?

Mr. WILLIAMS. In the case of Managua, what we have said is that this has not been worked out yet.

Mr. LONG. Are you going to insist on that? Can you give this committee absolute assurance that that is what you will do so that I can support it? I will not support it like Congressman Roybal, unless you tell us absolutely that what you are going to do is pass on the low concessionary rates to these poor people.

Mr. WILLIAMS. This is what we are going to do, attempt to do.

Mr. LONG. Wait a minute. Attempt?

Mr. WILLIAMS. Obviously it takes the agreement of the government.

Mr. LONG. You have the money.

Mr. WILLIAMS. I have said to you that we would submit exactly how we would proceed for your inspection before you vote on this. If the details are not fully worked out it is not because I am seeking to be evasive. I will make this available to you so that you can see how we will proceed.

Mr. LONG. You cannot tell us right now that this is exactly what you propose to do? What is so difficult about this proposition? We are giving very low interest rates, far lower than anybody in the United States can borrow with the finest credit there is. People cannot borrow at 8 percent. If they got it, they brag to their friends. My daughter just bought a home at 8½ percent interest. You are giving these people this money and they are going to turn around and—

[Discussion off the record.]

Mr. LONG. Mr. Chairman, that is true. The interest rate is going to be anywhere from 12 to 20 percent in Latin America. We are not questioning that you can get it. What we are questioning is why the Federal taxpayer in the United States should be making this sacrifice so that 2½ percent interest loans should go to these countries when you let them turn around and charge those very high current interest rates there. Why don't you give poor people the very low rates that the country is paying the United States on your loans, an interest rate which represents the cost of doing business? Why can't you do that or charge an interest rate to the country of at least the cost to the United States of borrowing money.

Mr. KLEINE. There are two problems being addressed at the same time. One is the housing requirement for the people that we are talking about. On the other hand, we are talking about a developing country that does not have the means available to it to provide the capital needs and must borrow abroad. The problem for that country is to seek the capital abroad at the most concessional rate available. We lend to the government. The project receives the money through the government and the price at which the money is made available to the project depends on the project. Sometimes there is a residual, a difference, a gap, what we call a two-step loan. The difference is made available to the government for development projects as agreed to by both governments.

Mr. LONG. You are not answering my question.

Mr. KLEINE. Coming to the specifics, our objective in this project will be to try to get to the purchaser the most beneficial rate given the circumstances. We will be analyzing this to come to our conclusions. We will make them known to you and explain exactly why we are, where we are, and—

Mr. LONG. You are going to analyze it? You cannot insist on it when the money is made available? Can't you say that these are the terms on which the \$15 million will be given?

Mr. WILLIAMS. I take your point and we will follow this up. I will get it to you and Congressman Roybal.

Mr. PASSMAN. Would the gentleman yield?

Our aid is either grant aid or it is a concession-type aid. You do have a different financial structure in these Latin American countries than in the United States. There are literally thousands of small savings and loan associations here. I am not arguing that the rate they charge is correct, but there has always been a different rate of interest. I don't know if we want to go into a country where you have 10,000 homes financed at 14 percent and finance some at only 6 percent.

You have a lot of thinking to do before you commit yourself. It may be better not to provide any money for the housing if you are going to upset the regular operation. I don't know what the answer is.

Mr. CHAPPELL. On that point, does that bring up the point that it is ridiculous to loan at 4 percent? Say we will lend to you what we have to pay for our money.

Mr. PASSMAN. I am for that, and always have been.

Mr. CHAPPELL. If we have to pay 6 percent in the issuance of our bonds, why should we go out and borrow at 6 or 7 percent and limit it to 2 or 3? I agree with the gentleman, it does not make sense.

Mr. PASSMAN. You do have a problem now because you are going into the market where the prevailing interest rate for many years has been from 4 to 6 percent higher than the prevailing interest rates in the United States. You cannot change that. You cannot have housing in one part of town financed at 14 percent and housing in some other part of town for 8 percent.

Mr. ROYBAL has a good point. I support him. But it is a question of whether you can work out an arrangement so that there is a 2-standard system of financing.

Mr. ROYBAL. Mr. Chairman, the difference between other Latin American countries and Nicaragua is quite plain. They just had a national disaster. It is because of this national disaster that AID should enter into a program where you can dictate the terms. Unless you do that, this humanitarian approach that you are talking about is nothing but words.

Mr. PASSMAN. I agree with that.

Mr. WILLIAMS. I appreciate your point, and we will get the answer. I am sorry that we don't have it today.

Mr. PASSMAN. Gentlemen, any other questions?

Mr. MILLER. If the national housing bank that you speak of accepted the money at the going rate, would they still be able to loan out at the prevailing rate for new homes?

Mr. KLEINE. Probably not. Again, this would have to be examined in the process of the loan review. There is some expense that the Housing Bank has to shoulder in order to plan and administer the loan, make the collections, and there are not only loans involved but community services, facilities that must be made available for these houses, which are not income producing. Therefore, those who are paying money on the mortgages, they will have to provide some return to the bank for the outlays for the facilities as well as the houses.

Mr. MILLER. Let's assume a prevailing rate in this country, of 8 percent. They would in turn charge 14 percent making a 6-percent differential to cover many of the expenses. They would have to pay more for that money as the chairman stated, in their own country. If you loan it to them at a lower rate, why could they still not loan this money out again to the buyer of the property for the prevailing rate of, say, 13 or 14 percent? It makes sense to me that they still would be able to at least pay expenses.

Mr. KLEINE. I agree with your point. Exactly how this will work out, it is too early for me to say. We have not yet arrived in the course of these discussions, not yet negotiations—we don't have the funds. It

is difficult to proceed with details until we have assurance that the funds may become available.

[The information follows:]

INFORMATION ON THE PROPOSED LOW-COST HOUSING PROJECT FOR MANAGUA

The proposed AID loan is intended to finance approximately 10,000 low-cost housing units in five residential areas in the southeast area of Managua. Houses will be provided at a total cost ranging from approximately \$1,000 per unit to \$3,500 per unit for families with incomes from approximately \$30 to \$140 per month. We expect that 3,500 houses—a third of the project—will be at the minimum \$1,000 level. Another 2,500 houses are planned to be built at between \$1,800 and \$1,900. Some 2,000 homes are projected for the \$2,500 price level and a final 2,000 homes should sell at approximately \$3,500. The project will be concentrated on upgrading and making into permanent residences the temporary shelters constructed in the wake of the disastrous earthquake in December 1972.

AID anticipates that the Nicaraguan National Housing Bank will be the borrower and executing agency. The loan will be guaranteed by the Government of Nicaragua and will carry repayment terms of 40 years, 10 years grace with 2-percent interest during the grace period and 3 percent thereafter. A firm formula for home financing is still being developed as part of the ongoing project analysis. However, it is clear that terms will be considerably better for the home buyers than the market terms now prevailing in Managua. AID expects that the interest rate will range from 5 percent for the lowest cost homes to 8 percent for the highest cost homes. It is expected that the subloans will be repaid over a 20-to-25 year period. These terms, even at the highest interest rate level being considered, represent substantial savings to the home buyers as the current market terms in Managua provide for a maximum 15 year mortgage loan at 13 percent per annum, plus a 4-percent commission. These market terms are beyond the means of the low-income families who are the intended beneficiaries of the project. Moreover, even at such high terms, mortgage money is generally not available for such families.

The difference between the terms of the AID loan and those of subloans for home buyers will be allocated in the following manner. AID's preliminary analysis indicates that the National Housing Bank will require at least 2 percent to cover the necessary administrative and operating costs of the project. In pursuing project analysis and negotiations, AID will attempt to keep these costs within the 2-percent range. It must be noted, however, that considerable efforts will be required of the executing agency in administering this project which will have more people than live in any city in Nicaragua outside of Managua. Concerning a related matter, it should also be noted that analysis of the potential default rate on subloans has not been completed. Consideration is also being given to the use of 1 percent during the grace period of the AID loan, to create a social and community development fund for financing community services for the residents. The balance of the difference will be used for two purposes (the amounts and specifics are yet to be determined): First to replenish and expand a revolving fund to be established under the loan which will finance self-helping improvements for project home buyers and second, to provide a permanent source of financing of additional investments in housing in the same price range as provided for under the proposed loan. The demand for low-cost housing bears out the importance of generating additional financing in this manner. A recent study in Managua indicated that even with the proposed AID-financed housing projects, supply is expected to be just one-third of presently estimated demand for low-income housing.

In summary, the concessional AID loan to be guaranteed by the Government of Nicaragua will make possible construction and sale of up to 10,000 homes for low-income families on terms they can afford to carry. They are thus being given an opportunity to buy and own homes that they would not otherwise have. Furthermore, the loan as presently designed will generate additional capital with which the National Housing Bank will be able to finance needed low-cost housing units for more low-income families on a continuing basis.

[Discussion off the record.]

Mr. SHRIVER. Does this housing down there have to be government to government? You are talking about our Government to their Government, are you not?

Mr. KLEINE. Yes, sir.

Mr. SHRIVER. Will their Government make money on that?

Mr. KLEINE. The National Housing Bank will be the agent for the Government to carry out this loan. Whatever risks there are in the loan will have to be borne by the National Housing Bank, with whatever reserves it may have and with the guarantees of the Government of Nicaragua. It will have to have set-asides for bad collections. It will have to have set-asides for—

Mr. SHRIVER. Why don't we work with some humanitarian organization down there?

Mr. KLEINE. There is no organization large enough to undertake a project of this sort. We are talking about 10,000 homes, 60,000 people. It would be larger than any other city outside of Managua. There is no organization that can approach the problem of dealing with this need. The National Housing Bank of Nicaragua happens to be in place, happens to have the experience with the housing guarantee programs and it is the only institution with which that country can possibly approach this problem.

Mr. CHAPPELL. Mr. Chairman.

MEMORANDUM ON PAKISTAN DISASTER

Mr. Williams, I note on page 6, flood disaster aid to Pakistan, you mentioned a detailed memorandum that Pakistan provided IBRD, United Nations organization, detailing losses and damages. Can we get a copy of that for the record? Do you have it with you?

Mr. WILLIAMS. We have summarized the data in the statement as to the losses on the crops, but we will be pleased to put it in the record.

Mr. CHAPPELL. Is it big and thick?

Mr. WILLIAMS. We will be pleased to put it in the record.

Mr. CHAPPELL. I would like to have a copy in the record, or a copy to me.

[The information was supplied to the committee.]

REHABILITATION COST ESTIMATES

Mr. CHAPPELL. The next question is already testified to. The Agency will put in the record the total losses and damages sustained by these various countries, and a definition of the total amount of money necessary to rehabilitate. Is that correct? Do you have an inventory on exactly what it is going to take totally to do the things that you want to do in these countries? I am talking about the overall total.

Mr. WILLIAMS. There are estimates, as clear as they exist. We will make them available.

Mr. CHAPPELL. Do you have those figures now?

Mr. WILLIAMS. For example, the estimate for the reconstruction of Managua is at \$500 million. The total city, whole city was destroyed.

Mr. CHAPPELL. What you are doing, furnish for the record, using that as an example of the total contribution which is going to be made by everybody.

Mr. WILLIAMS. Insofar as we know this, yes. When you deal with the future you have to be somewhat imprecise.

Mr. CHAPPELL. You have the facts, don't you?

Mr. WILLIAMS. Some are facts and some will be in the future.

Mr. CHAPPELL. You know what the facts are?

Mr. WILLIAMS. Yes, indeed.

Mr. CHAPPELL. Put that in the record.

Mr. WILLIAMS. The estimate of costs is an estimate. The \$500 million might turn out to be \$600 million before they rebuild the city. [The information follows:]

ESTIMATED COSTS OF SAHEL RECOVERY PROGRAM

It is difficult to quantify the total dollar value of the losses and damages sustained by the peoples of the six Sahel countries. The 1972-73 drought, estimated to be the worst in a century, was the fifth to sixth year of below normal rainfall for most countries in the region. The rain during the past harvest has again been below normal, based on a 30-year average. The impact on the two major areas of agricultural production and livestock is therefore cumulative. The most recent assessment is that there will be a grains shortfall of 550,000 to 700,000 metric tons and that 30 percent of the total livestock population has been destroyed. The nutritional impact of the loss of fish protein cannot be quantified although it is agreed that the drying up of rivers and lakes will have a serious impact. It is estimated that some 2 million people—out of 25 million—have been left completely destitute. Although widespread starvation was averted, many people, particularly those in remote nomadic communities, died of hunger and disease.

At the Ouagadougou conference in September, the representatives of the affected countries agreed to top priority projects requiring about \$900 million. This amount is estimated to cover the projected emergency food and related needs required to sustain life; the national recovery programs aimed at stopping the environmental degradation; and the regional or subregional development projects designed to reverse the imbalance now existing between the capacity of the land to sustain production and the demands being placed upon the environment.

DAMAGES CAUSED BY THE EARTHQUAKE IN NICARAGUA

The estimate of approximately \$500 million used by AID for the reconstruction of public services, housing, and infrastructure is based on a study completed in January 1973 by Central American Institute for Business Administration (INCAE). The Institute estimates the losses as follows:

[In millions of dollars]

	Buildings	Equipment and furniture	Inventories	Total
Government.....	22.5	9.0	1.0	32.5
Housing.....	312.3	50.0	2.1	364.4
Infrastructure.....	101.4	30.8	5.8	138.0
Total.....	436.2	89.8	8.9	534.9

REHABILITATION AND DAMAGE ESTIMATES IN PAKISTAN AS A RESULT OF FLOOD
DISASTER AND STEPS TAKEN BY PAKISTAN AND OTHER DONORS

The estimate of costs is an estimate. The \$500 million might turn out to be \$600 million before they rebuilt the city. The best available estimate of physical damage and various kinds of loss caused by the floods in Pakistan in the summer of 1973 is \$750 million dollars. The largest part of this loss occurred to:

	<i>Millions</i>
3 main agricultural crops:	
Cotton (600,000 bales)	\$140
Rice (300,000 tons)	110
Wheat in storage (650,000 tons)	150
	<hr/>
	400
Other Agricultural Crops (sugarcane, fodder, corn, etc.)	75
Farm implements	1
	<hr/>
Agricultural losses	476

The Government will incur approximately \$127 million of extra expenditures for rehabilitation and reconstruction, increased wheat and oil subsidies to feed flood victims. Within the \$127 million, estimates of the cost of reconstructing irrigation works, railways, roads, telecommunications, schools, and community buildings range from \$45 to \$60 million. These estimates are still being refined.

In addition, the Government of Pakistan estimates that some \$147 million equivalent of revenue were lost (e.g., export duties on cotton and rice, provincial government revenues, railway and telecommunications revenues).

The Government of Pakistan has initiated the following self-help measures:

Mobilization of construction equipment belonging to the army and other governmental agencies in repairing the irrigation canal system.

Division of 120,000 tons of food wheat for planting of the winter crops and expansion of this crop from 15 million to 16.7 million acres.

Allocation of \$60 million equivalent for interest-free loans to small farmers; and an interest-free extension on the payment of outstanding debts.

Examination of stocks of equipment and spare parts in the temporary restoration of roads, railways, power, and telecommunications.

Allocation of \$20 million equivalent for low-cost housing and loans to flood-affected homeowners.

Vaccination of 11 million people against communicable diseases.

Temporary delay of \$43 million in other budgeted development programs to finance most immediate recovery efforts.

Enactment of a special flood tax expected to generate \$77 million equivalent additional revenue.

The response to the disaster by the United States was rapid and effective and urgent human needs were met in time. The United States provided equipment and personnel to assist in rescue operations, medicines and medical surveillance personnel, fuel airlift equipment and personnel, telecommunications personnel to assess damage, and fast-growing vegetable seeds. We also supplied pesticides, equipment, and personnel to protect over 400,000 acres of flood-damaged rice from insect infestation. This emergency assistance has cost approximately \$5 million in contingency and supporting assistance funds. The United States has also provided approximately \$42 million in Public Law 480 commodities, and an emer-

gency loan of \$18 million for agricultural inputs to help Pakistan maximize production on the remaining undamaged acreage as well as replant some of the devastated areas to wheat. Total U.S. Government assistance is now approximately \$65 million.

Other donor countries have contributed over \$34 million, and a contribution of \$30 million is expected from IDA. The contributions already received include \$16 million from the Arab States; \$3.1 million from Canada; \$1.7 million from Sweden; \$2.4 million from the United Kingdom; \$1.1 million from the People's Republic of China; and \$4.2 million from other donors. The United Nations system has contributed \$3.3 million and the International Red Cross \$2.3 million. Other donors are expected to make further contributions when the IBRD U.N. team has completed its report.

EVALUATION OF COST ESTIMATES

Mr. CHAPPELL. Who made that estimate? Did the country itself make it?

Mr. WILLIAMS. Yes, sir. One of their administrative groups working on that made the estimate in terms of the details of the damage and what it would cost to replace it.

Mr. CHAPPELL. What procedure did you use to assess their accuracy?

Mr. WILLIAMS. Looked over the estimates. It seemed to be reasonable as far as we could tell.

Mr. CHAPPELL. Any on-the-ground inspection?

Mr. WILLIAMS. Yes, indeed. I went down there twice and looked at the ground.

Mr. PASSMAN. Would you yield?

When you talk about \$500 million damage, it does not mean we have any responsibility to pay the whole thing. It could be that a large percentage of the damage would be to property of people who had plenty of assets and could absorb that?

Mr. WILLIAMS. We are not proposing—

Mr. PASSMAN. I didn't say that.

Mr. WILLIAMS. That is true.

Mr. PASSMAN. Much of the property destroyed was property of very wealthy individuals who could reconstruct the prior holdings out of savings?

Mr. WILLIAMS. That is true.

Mr. PASSMAN. Thank you.

Mr. WILLIAMS. Most of the costs will be borne by the country itself.

MULTILATERAL AND OTHER DONOR CONTRIBUTIONS

Mr. CHAPPELL. Mr. Chairman, what I am interested in is the total figure breakdown along the lines that you are talking about. I would like the gentleman who made the inquiry before, to make available specific details of the contributions the U.N. is going to make. We know what we are contributing to the U.N. for that very purpose, too. Then I think we need to know what the other international organizations are going to do, what our contributions are already, and what other donor countries are going to do unilaterally. That information is available, isn't it?

Mr. WILLIAMS. Some of it is and some will be estimates. We will provide it to the best of our ability.

Mr. CHAPPELL. Thank you.

[The information was previously provided.]

Mr. PASSMAN. Thank you.
Mr. BEVILL. Mr. Chairman, if it is in order, I move we adjourn for lunch.

Mr. PASSMAN. We will reconvene at 2 p.m.
The Committee is adjourned.

EMERGENCY SECURITY ASSISTANCE FOR ISRAEL AND CAMBODIA

WITNESSES

HON. KENNETH RUSH, DEPUTY SECRETARY OF STATE
HON. WILLIAM P. CLEMENTS, JR., DEPUTY SECRETARY OF DEFENSE
ADM. THOMAS H. MOORER, U.S. NAVY, CHAIRMAN OF THE JOINT
CHIEFS OF STAFF
HON. ROBERT C. HILL, ASSISTANT SECRETARY OF DEFENSE (IN-
TERNATIONAL SECURITY AFFAIRS)
HON. MARSHAL WRIGHT, ASSISTANT SECRETARY OF STATE FOR
CONGRESSIONAL RELATIONS
HON. JOHN O. MARSH, JR., ASSISTANT SECRETARY OF DEFENSE
(LEGISLATIVE AFFAIRS)
VICE ADM. RAY PEET, U.S. NAVY, DIRECTOR, DEFENSE SECURITY
ASSISTANCE AGENCY, AND DEPUTY ASSISTANT SECRETARY OF
DEFENSE (INTERNATIONAL SECURITY AFFAIRS) FOR SECURITY
ASSISTANCE
BENJAMIN FORMAN, ASSISTANT GENERAL COUNSEL FOR INTER-
NATIONAL AFFAIRS, DEPARTMENT OF DEFENSE
RICHARD R. VIOLETTE, DEPUTY DIRECTOR, DIRECTORATE FOR
SALES NEGOTIATIONS, DEFENSE SECURITY ASSISTANCE AGENCY
MAJ. GEN. GORDON SUMNER, JR., U.S. ARMY, DIRECTOR, NEAR
EASTERN AND SOUTH ASIAN REGION, OFFICE OF THE ASSISTANT
SECRETARY OF DEFENSE (ISA)
DONALD S. FLOYD, SPECIAL ASSISTANT FOR CONGRESSIONAL RELA-
TIONS, OFFICE OF THE ASSISTANT SECRETARY OF DEFENSE
(ISA)
COL. ZANE E. FINKELSTEIN, U.S. ARMY, DEPUTY LEGAL ADVISER
AND LEGISLATIVE ASSISTANT TO THE CHAIRMAN, JOINT CHIEFS
OF STAFF
ALAN FORD, DIRECTOR, OFFICE OF PLANNING AND ANALYSIS FOR
INTERNATIONAL SECURITY ASSISTANCE, BUREAU OF POLITICO-
MILITARY AFFAIRS, DEPARTMENT OF STATE
H. H. STACKHOUSE, DIRECTOR, ISRAEL AND ARAB-ISRAEL AF-
FAIRS, BUREAU OF NEAR EASTERN AND SOUTH ASIAN AFFAIRS,
DEPARTMENT OF STATE
LLOYD M. RIVES, DIRECTOR, LAOS/CAMBODIAN AFFAIRS, BUREAU
OF EAST ASIAN AND PACIFIC AFFAIRS, DEPARTMENT OF STATE
MICHAEL A. SAMUELS, EXECUTIVE ASSISTANT TO THE DEPUTY
SECRETARY OF STATE
JONATHAN F. LADD, SPECIAL ASSISTANT FOR CONGRESSIONAL AF-
FAIRS, BUREAU OF POLITICO-MILITARY AFFAIRS, DEPARTMENT
OF STATE

EXECUTIVE SESSION NECESSARY

Mr. PASSMAN. Gentlemen, we shall consider this afternoon the budget request for emergency assistance to Israel as well as Cambodia. It is my understanding that much of the information we shall discuss is classified. Perhaps it would be more advantageous if we met in executive session. Is that your understanding, Mr. Rush?

Mr. RUSH. Yes, sir.

Mr. PASSMAN. I think we would be able to have a more meaningful examination of the request if we met in an executive session.

Mr. LONG. May we have a discussion on that, Mr. Chairman?

Mr. PASSMAN. Surely.

Mr. LONG. I used to believe that we received secret and classified information when I first was in Congress. It did not take me long to learn that some of the choice tidbits I had gotten had already been in Time Magazine for a week. I hate to hold something like this, have it in a so-called executive session, go out of here feeling I cannot talk about anything, and yet realize that all this information is really in the public domain.

Mr. PASSMAN. I share the gentleman's concern that many times in the past we have had executive sessions and the information received is printed in the papers the next day. It follows that each Member is responsible to his own conscience. But I have been told the testimony today involves a lot of very sensitive and classified information. Knowing that the committee is cleared for security, I think we could have a more meaningful examination if we had an executive session. I believe, Mr. Rush, you agreed that was the situation?

Mr. RUSH. Yes.

Mr. PASSMAN. It was strictly on that basis that I have asked the committee whether they would consider having the hearings in executive session rather than open to the public.

Mr. ROUSH. I object to going—

Mr. PASSMAN. If you object, we will have a vote on the matter.

Mr. ROUSH. I do but I want to express myself.

Mr. PASSMAN. Please proceed.

Mr. ROUSH. There is a great deal of interest in this matter. It is an interest which has been expressed in the news media, an interest expressed by people in this room, and people all over the country. Mr. Chairman, it seems to me we could quite readily divide this hearing; and those portions which are already public knowledge and of great public interest could be held in open session, and for those matters which are classified we can hold those for executive session.

I indicated the same thought Mr. Long has expressed once before. I said next time around I would reconsider. For that reason, Mr. Chairman, I shall strenuously vote against holding this session in executive session.

Mr. CONTE. May we ask the witnesses whether they feel they can make a presentation here today without divulging any secret information, or information which would injure our national security?

Mr. RUSH. We will be very pleased to accommodate ourselves to the wishes of the committee. Of course, in open session I will not reveal any secret information. We can submit it in some other form. We would be pleased to go any way you wish.

Mr. LONG. Along the lines of the question from the gentleman from Massachusetts, would you agree that it would be possible to hold some portions of this, as Mr. Roush has suggested, in open hearing and then those parts which you feel are classified or secret we could then present in a session held after clearing the room?

Mr. RUSH. That could be done.

Mr. PASSMAN. The witnesses felt that since we were dealing with sensitive and classified material we would have a more meaningful hearing if we could conduct the hearings in executive session. I believe, Mr. Rush, you answered in the affirmative?

Mr. RUSH. Yes.

Mr. PASSMAN. I am not trying to force the issue but I certainly believe that perhaps we could have more meaningful hearings if we held these sessions in executive session.

Mr. YATES. Mr. Chairman, if I may make a statement. I would like to state for the record, as my colleagues have done, it has been the practice of the full Appropriations Committee to pass upon the question as to whether or not its hearings and its consideration should be heard in executive or open sessions.

On each of those motions in the full committee I voted for open hearings and against closing them to the public. I voted for closed hearings yesterday when the Department of Defense Appropriations Bill was considered. The reason I voted for closed hearings was because I thought sensitive matters might be considered. I have the same feeling today, that sensitive matters will be considered. If a vote is taken I will vote to close the hearings.

Mr. ROUSH. I voted that yesterday because we were sitting as a group discussing what amounts to a markup of the bill. The Senate held its hearings and they were open. I don't know why the House should be so exclusive on this matter and close this to the public.

Mr. LONG. I would like to raise a question with the chairman. Could he put the vote first on the question of whether the committee would approve having a divided hearing in which the first part would be open and then the rest classified and then have a vote on that before the main question?

Mr. PASSMAN. Mr. Shriver has a motion. After we have completed the executive session, I am perfectly willing to stay in session all night until every member is completely satisfied. We are considering something of tremendous importance and I think we should proceed as rapidly as possible. You know we will cover a lot of sensitive items.

[NOTE.—The meeting was held in executive session.]

Mr. PASSMAN. We are now in executive session for consideration of the budget amendment for Israel and Cambodia. We have many distinguished witnesses this afternoon, headed by Hon. Kenneth Rush, Deputy Secretary of State; Adm. Thomas H. Moorer, U.S. Navy, Chairman of the Joint Chiefs of Staff; Hon. William P. Clements, Jr., the Deputy Secretary of Defense; Hon. Robert C. Hill, Assistant Secretary of Defense (International Security Affairs); and other supporting witnesses. Their names will appear in the record.

Mr. Rush and Mr. Clements, I assume you have statements for the record.

GENERAL STATEMENT OF KENNETH RUSH, DEPUTY SECRETARY OF STATE

Mr. RUSH. Mr. Chairman, members of the committee, thank you very much for asking me to testify today on the administration's request for emergency assistance for Israel and Cambodia. This legislation is made necessary by the threat to our interests arising out of the continuing conflicts in the Middle East and Southeast Asia.

In the Middle East, I am glad to report that the cease-fire we helped bring about October 22 is now more firmly rooted as a result of Secretary Kissinger's efforts last week. Nevertheless, the hostilities, though relatively short in duration, were both tough and costly. In spite of the cease-fire, Syria and Egypt are refitting their forces with large infusions of Soviet military equipment. Israel suffered major losses in its inventory of equipment as a result of the hard fighting and will need to replace them. Hopefully, our diplomatic efforts will help preclude another round of fighting. The nature of the military context in which these diplomatic efforts go forward is crucial. There must be no doubt in anyone's mind of our resolve to replace Israeli losses and to provide such additional equipment to Israel as is necessary to maintain the military balance in the Middle East.

In Cambodia, in spite of the Paris agreements and unilateral offers of a cease-fire by the Cambodian Government, the insurgents, most of them Communists, continue to seek to topple the Khmer Republic. And, in spite of the Paris agreements, these insurgents are supplied, trained and directed by the North Vietnamese Government.

Gentlemen, there will be no chance for a generation of peace if some nations believe—and act on the belief—that their national interests are better served on the battlefield than at the conference table. We must create a situation in which the military option, both in the Middle East and Southeast Asia, loses its attractiveness. It is for this reason that the administration is requesting an additional \$2.4 billion for security assistance to aid Israel and Cambodia. This legislation, if enacted, would provide firm evidence of American support and of our willingness to contribute to an environment in which negotiations leading to a lasting peace can take place.

Since October 6, Israel has purchased nearly \$1 billion in military equipment from the United States. The items purchased include conventional munitions, air-to-air and air-to-ground missiles, artillery, crew-served and individual weapons, and a standard range of vital aircraft ordinance. In addition, Israel has bought replacements for tanks, aircraft, radios, and vehicles and will need additional equipment in the months ahead.

It is unclear at this time what the total Israeli requirement will be and what impact future purchases will have on Israel's economy. Israel's foreign exchange position at the outbreak of hostilities was strong; and, Israel is able to raise considerable funds from private sources. Thus far, Israel has used both cash and credit to make its military equipment purchases. But the financial demands on Israel have been, and are, heavy. It is for this reason that the President has asked for authority to provide assistance to Israel on a grant basis as well as through the provision of foreign military sales credits. I can assure the committee that the \$2.2 billion request in the form of a mix of foreign military sales credits and grant military assistance rep-

resents our best estimate of the amount needed to replace Israeli losses and maintain the military balance in the Middle East. If the total requirement is less than \$2.2 billion, we will report this fact to the Congress.

In this connection, I wish to point out that since the outbreak of war on October 6, the Soviet Union launched a massive resupply effort—by both sea and air—to replenish the depleted inventories of Egypt, Syria, and Iraq. We do not know what the terms of these arrangements are, but we see no sign that the question of repayment terms is in any way holding up the present flow of Soviet weaponry to the area. We wish to be no different.

Our request for these emergency appropriations for Israel falls within the broad framework of our policy objectives in the Middle East. Our basic goal is a fundamental peace settlement in which all the states in the area will be secure from the recurrent threat of war.

Cambodia

The problem in Cambodia is a similar one. When the administration made its initial request for military assistance to Cambodia, U.S. air support was available to assist Khmer forces. Because of subsequent congressional action, we are no longer able to provide this support. The main problem is a dramatic increase in ammunition requirements, particularly for artillery which must now be used as a partial substitute for U.S. air support. Today Cambodian units are expending ammunition at rates comparable to those experienced in South Vietnam. Requirements for equipment to replace combat losses and to upgrade some Cambodian units have also increased. The Defense Department now estimates that ammunition requirements for fiscal year 1974 have increased by considerably more than \$100 million from the original estimates made in early 1973. In addition, operations and maintenance requirements have increased by approximately \$8 million; equipment requirements have increased by over \$50 million; and the estimated cost of supply operations to deliver this additional ammunition and equipment has increased by over \$30 million. The items of equipment we are proposing are unsophisticated and relatively inexpensive. For the Army, machineguns, rifles and artillery pieces. For the Air Force, light aircraft and helicopters. And for the Navy, river patrol boats.

North Vietnamese and insurgent forces in Cambodia are well supplied, and we are expecting a new dry season offensive as early as December. We are now using virtually all MAP funds available to us under the continuing resolution authority to meet Cambodia's urgent requirements. We need the \$200 million requested in this legislation to fund the Cambodian program and to maintain modest military assistance programs to other governments such as Turkey, the Philippines, Korea, and Thailand. Without it, we will be faced with making a choice between the two requirements. A Communist military victory and the installation of a government in Phnom Penh which is controlled by Hanoi would gravely threaten the fragile structure of peace established in the Paris agreements. Decimating our other military assistance programs to meet Cambodian requirements could weaken the defensive posture of our allies and endanger our own security.

One final word on Cambodia. Skeptics have scoffed at the ability of the Cambodians to defend themselves, about corruption, about lack of political leadership, and almost anything else connected with the pres-

ent government in Phnom Penh since the inception of our program there. Some of these complaints are justified, but almost all of them are highly exaggerated. A small, peace-loving, and essentially underdeveloped nation was attacked by a larger state molded by rigid ideology and tempered by 20 years of war. Cambodia has in spite of all obstacles managed to survive. It is still more than holding its own. It may continue to do so if we are prepared to help.

It is not pleasant for any of us to have once again to consider providing \$2.4 billion to assist foreign friends. But the lesson of history is a harsh one—until all nations are prepared to respect the principles embodied in the United Nations Charter, we must make sure that others who share our hopes for a more peaceful world have the means to defend their homes and families from foreign aggression.

STATEMENT OF GENERAL WILLIAM P. CLEMENTS, JR., DEPUTY
SECRETARY OF DEFENSE

Mr. CLEMENTS. Mr. Chairman and members of the committee: I particularly welcome this opportunity to appear before you as a witness and to testify on the emergency security assistance legislation requested by the President for Israel and Cambodia. I also welcome the opportunity to answer your questions and will do so in a forthright and straightforward manner. This being an open session, however, there may be some questions which cannot be answered immediately for security reasons. In these instances, I will provide answers promptly to you with appropriate security classifications, after receiving the transcript of today's hearing.

First, I should like to address the Middle East conflict. Immediately after hostilities broke out on October 6, the United States attempted to bring about a cease-fire and reach an understanding with the Soviet Union for a mutual freeze on major resupply of weapons in that area. Our efforts were unsuccessful.

It then became clear that the United States must maintain the balance of forces in the Middle East in the face of the Soviet resupply of military equipment to the Arab countries. This would require the United States to provide equipment and supplies to Israel to replace combat losses. The decision was made to do this.

Within 9 hours of that decision vital defense equipment and supplies were on their way to Israel aboard Military Airlift Command C-5 and C-141 transport aircraft. Within 72 hours the airlift had attained an average daily lift level of about 1,000 tons of critically needed weapons, ammunition, spare parts, medical equipment and supplies. I want to point out that this was not a one-sided transportation effort. Israel aircraft and Israeli ships played important roles in the transportation of ammunition, vehicles, and other much-needed equipment and supplies.

This United States assistance to Israel prevented a serious shift in the balance of power and played a large role in the achievement of the cease-fire. As you know, serious discussions are now in progress looking toward a lasting settlement.

Before moving on to financial matters, I would like to go on record as giving the highest praise to the United States Armed Forces for the absolutely outstanding manner in which they have discharged their vital support role. The success of the Department of Defense effort

was due directly to the dedicated round-the-clock performance of innumerable soldiers, sailors, and airmen of all ranks, stationed in the United States and overseas, and, of course, I include the large number of civilians who also made important contributions. In this supply operation the crucial element was speed. In this respect, it is indeed fortunate that we also had needed weapons and supplies available in overseas areas which could be provided Israel more quickly than would otherwise have been possible.

I would now like to address our request for supplemental appropriations to furnish the needed emergency assistance to Israel and Cambodia.

First, Israel.

As the members of this appropriations committee are well aware, U.S. contributions to Israel in the past, especially since 1967, have taken the form of foreign military sales credit and supporting assistance. As a result of U.S. help, Israel was able to finance the acquisition of equipment she critically needed to defend herself and thereby maintain a balance of forces in that very sensitive part of the world. But naturally this was not done without cost.

At the time of the outbreak of hostilities, Israel already owed the U.S. Government about \$1.2 billion in repayment of credits extended her for the acquisition of equipment which I have just mentioned. Most of these credit repayments must be made over the next 10 years. In addition, she owed the U.S. Government approximately \$500 million for cash sales executed prior to the start of hostilities.

Since October 6, Israeli requests of defense equipment and supplies have accelerated. Today, we estimate that the defense materiel we have approved for sale to Israel, since that date, and which we have shipped already or which we are in the process of shipping, amounts to nearly \$1 billion.

Because we lack foreign military sales credits authorizations, we have been forced to require Israel to agree to pay cash for these new acquisitions. Fortunately, and thanks to the wisdom of you gentlemen and of members of other committees, we are able under current legislation to postpone payment up to 120 days after delivery of the equipment, I am referring here to sections 21 and 22 of the Foreign Military Sales Act.

The \$1 billion estimate will provide conventional munitions of many types, air-to-air and air-to-ground missiles, artillery, crew-served and individual weapons and a standard range of vital aircraft ordnance. It will also furnish replacements for equipment lost in combat. But it will not cover all Israeli needs. Israel has indicated requirements for military equipment which totals nearly \$3 billion. We are now scrutinizing these requirements and it may well be that the United States should provide equipment for a total value of slightly in excess of \$2 billion.

Because of the extreme urgency, most of the materiel Israel has been getting has had to come from Department of Defense stocks. In some cases it has come from the inventories of active and reserve units. Israel is, of course, being charged inventory standard prices, adjusted as appropriate for age, condition, and model, plus handling and administrative charges in accordance with established practices. The greater portion of the items provided Israel must be replaced, however, and the payments received from Israel will not fully cover the

cost of replacement with new models through procurement in 1974 and 1975. These deficits in new procurement funds will be requested from the Congress in the near future.

Without financial assistance, Israel faces severe problems in paying for the materiel now being provided. The \$1 billion debt accrued so far would have to be paid off in the very short period February-March 1974. If we do not provide Israel financial assistance, there is a possibility of default in these payments. If she defaults, our military departments may not be reimbursed for millions of dollars in costs already incurred. In turn, ongoing contracts with U.S. defense industry may have to be canceled at considerable cost and inconvenience. Finally, Israel may not be able to obtain some of the equipment ordered and urgently needed.

Turning now to Cambodia.

There is much similarity between the situation facing Israel and that facing Cambodia. She too is a small nation trying to survive in a very hostile environment. Considering her very limited assets, and the degree of the threat, Cambodia has done very well. But the result has been costly in manpower and in economic terms. Without U.S. hardware support Cambodia would have fallen already and she may well do so in the near future in the absence of U.S. assistance.

When we ceased the bombing on August 15, the Communists took immediate advantage of the cessation by increasing their activities in all areas. Because of this situation, the Cambodian Armed Forces have had to intensify combat operations which has led to a sharp rise in military assistance requirements. It is true that the current rainy season has reduced somewhat the intense level of fighting—but this is only a temporary lull—and the level of fighting is certain to be resumed with the onset of the dry season in January. Cambodia needs primarily ammunition but equipment and supplies are also required.

We project the funding requirements for Cambodia for fiscal year 1974 to total \$380 million consisting of: \$228 million for ammunition; \$59 million for equipment; \$48 million for operating and maintenance supplies; and \$45 million for handling, packing, and delivery costs.

In the pending foreign assistance legislation our budget request amounts to \$180 million for Cambodia. This amount did not take into account the increased Cambodian ground operations resulting from the termination of U.S. armed assistance. If the full amount requested is received then there will still be a shortfall for Cambodia of \$200 million. This is the additional sum we are requesting.

The Cambodian armed forces are demonstrating the determination and capability to resist the Khmer insurgents and the North Vietnamese efforts to overthrow the government. They are providing the manpower—this is as it should be—and they are perfectly willing to do so. All they ask from us is the hardware. We consider it essential that we provide this hardware and we believe that failure to do so will be widely interpreted by our friends and allies as U.S. unwillingness or inability to make the contribution necessary to insure lasting peace in Southeast Asia.

The emergency appropriations we request for Israel and Cambodia are considered absolutely essential if we are to avert the grave situations which I have mentioned.

I urgently solicit your assistance in providing this needed assistance.

I will be happy to respond to your questions at this time.

EMERGENCY SECURITY ASSISTANCE FOR ISRAEL

RECONFIRMATION OF EMERGENCY REQUEST

Mr. PASSMAN. As stated earlier, we have 13 subcommittees. Under the rules each member of the subcommittee, including the chairman, will consume 5 minutes, after which time each member then may consume all the time he feels necessary to ask all the questions that he may have prepared. I understand that I am the only chairman who follows this procedure.

So we may have the pertinent parts of the record in at this point we shall proceed with the questioning. It is my understanding that the budget amendment for Israel is \$2,200 million, that is, in addition to \$300 million requested for military credit sales in January. Is that correct, Mr. Secretary?

Mr. RUSH. Yes; that is correct.

Mr. PASSMAN. For Cambodia the amended request is \$200 million?

Mr. RUSH. Yes, sir.

Mr. PASSMAN. Mr. Secretary, how much of the \$2.2 billion has already been obligated?

Mr. RUSH. Upward of \$1 billion of sales have been authorized.

Mr. PASSMAN. How much has already been delivered?

Mr. RUSH. I would not know.

Mr. CLEMENTS. Approximately \$800 million.

ASSESSING ISRAELI EQUIPMENT LOSSES

Mr. PASSMAN. What has been the total military destruction in Israel since the outbreak of the war?

Mr. RUSH. We have had a survey made to determine how much has been destroyed, how much salvageable, how much enemy equipment has been captured and is usable, meaning the Arabs in this case, and after we finish this we will have a better idea.

Mr. PASSMAN. Do you have an estimate at this time?

Mr. CLEMENTS. ———.

It should be in hand shortly.

Admiral Moorer, when would you say we will have it?

Admiral MOORER. Maybe by the end of the week.

Mr. CLEMENTS. That assessment is in the making.

Mr. PASSMAN. This is a very responsible committee, gentlemen. It might appear some of us are antiforeign aid. I fall in that category myself. However, we do not want to underfund this program. We also don't want to overfund this program. We want to provide the necessary funds. It would appear you are requesting \$2.2 billion for Israel and that this is a rough guess at this time. The exact amount can be determined only after you receive this report you mentioned.

Mr. RUSH. That is right.

Mr. CLEMENTS. That is right.

Mr. PASSMAN. I appreciate your frankness. Even though we will discuss in terms of \$2.2 billion, the final decision will be based upon the amount of the actual losses.

Mr. RUSH. Yes.

AID PURPOSE IS TO RESTORE BALANCE

Mr. PASSMAN. Is it the policy of our Government to bring Israel to as good a position militarily as before the outbreak of the war or do you expect to make them stronger and furnish more equipment?

Mr. RUSH. We expect to bring them back to a position of as great strength as they had before the war and in many ways they may be stronger. We would hope that as a result of the negotiations going forward this would be pretty much unnecessary, so far as making them stronger. However, we intend to have them as strong as they were before.

Mr. PASSMAN. You will make a subsequent recommendation to the committee. This will involve the amount you feel you should have to protect our interest and Israel's interest. We have to think in terms of two nations, Israel and the United States. I assume the two nations will reach an agreement to place Israel either in an equal position or in a superior position to what they were before the outbreak.

Mr. CLEMENTS. The original intent was to bring them back to a position of approximately where they were before hostilities started. However, I would caution the committee that as this assessment is being made, and as the negotiations move forward, the Soviets have continued to pour additional supplies into Egypt and Syria, as well as Iraq. Therefore, it may well be that as Israel moves back to where they were before, that might not be the same when related to the strength of their adversaries, so that things could shift. That assessment would come back through Admiral Moorer's Joint Chiefs group. That assessment could change in time.

Mr. PASSMAN. By just bringing Israel back to the position they were militarily, dollarwise, or unitwise before the outbreak of war, may not necessarily be the equivalent to what they would have to have in order to protect themselves.

Mr. CLEMENTS. To be in a like relative position.

Mr. PASSMAN. I would not want to recommend that we appropriate more money than you need. I think it is necessary that we provide what you need. We understand the situation.

I have consumed my 5 minutes.

REGULAR APPROPRIATION WILL INCLUDE EMERGENCY AID

Mr. RUSH. If I may add one more word. Obviously we have far more information as to the capability of the Arab countries engaged in hostilities than before the recent hostilities began. As a result there would have to be a reassessment of what is needed to have an equality of relative power relationships. As Secretary Clements says, having them back where they were is not the objective. The objective is to have them in a relatively secure position. That is what we have to look at.

Mr. PASSMAN. If I may make a further statement, there is some opposition to the amount of your request. You had better give us complete factual information. What we will try to do is to make the \$2.2 billion or whatever amount recommended part of our regular bill.

Mr. YATES. Is it in order to ask that each member have 10 minutes rather than 5 minutes in view of the importance of this hearing?

Mr. PASSMAN. Let us try to limit each member to 5 minutes; first, I will yield to Mr. Shriver.

REVISED ASSESSMENT TO BE SUBMITTED

Mr. SHRIVER. When do you expect more detail as to the request before this committee?

Admiral MOORE. I think by the end of the week, sir, we should have the first cut. We will have requests which exceed the amount required simply to replace losses. As you know, the policy of our Government in supplying Israel has been to maintain the balance. This is what Mr. Clements was talking about; we will look at the balance. As far as the first cut of this estimate is concerned, we will have it by the first of the week.

Mr. SHRIVER. Have you testified before a Senate committee?

Mr. RUSH. Yes.

Mr. SHRIVER. What did you testify there as to the requirement?

Mr. RUSH. We submitted this request at a time when we were not possessed with too much information. In essence we testified that after we had better figures we would go back. This was our best estimate at the time we submitted the request.

Mr. CLEMENTS. I would comment that Israel has, in fact, requested approximately \$2.75 billion in aid. We, in turn, estimated the requirement, and it was a very loose estimate, at \$2.2 billion. We agreed with the Senate committee that we would currently and constantly monitor what we are doing here as far as the aid requirement and what we are shipping are concerned and keep that committee currently informed on an audit basis.

Mr. SHRIVER. Was that an appropriations committee or an authorizing committee?

Mr. RUSH. Appropriations, the Inouye committee.

PRIVATE SOURCES OF AID TO ISRAEL

Mr. SHRIVER. How much has Israel raised from private sources since the outbreak of hostilities?

Mr. RUSH. Their aim is to raise about \$1.9 billion.

Mr. SHRIVER. Have they raised that much?

Mr. RUSH. They are in the process of raising that.

Mr. CLEMENTS. We heard estimates that they have in fact raised approximately \$1.5 billion in either contributions or pledges. That is not audited and I don't know how accurate that is, nor do I know how much is in the form of grants or in bond purchases.

Mr. SHRIVER. Is any other country helping Israel?

Mr. RUSH. No, not that I am aware of.

AID FORM CONSIDERED ESSENTIAL

Mr. SHRIVER. You say \$2.2 billion is in the form of a mix: foreign military sales, credits, and military assistance grants. What are the details of that mix? Do you have that here?

Mr. RUSH. We do not have the details of the mix as of the time of the request.

Mr. PASSMAN. Israel's external debt has reached unbearable proportions at this time. Deal realistically with us and give your reasons as to why it should be loans or grants. There is no sense saddling them with a debt they cannot pay and which you will cancel.

Mr. RUSH. They have an extended debt of about \$4 billion as of August 31 of this year.

Mr. PASSMAN. That is for 3 million people.

Mr. RUSH. \$1,200 per capita, the highest in the world.

Mr. CLEMENTS. I have another comment bearing on this subject. These sales are now being made under sections 21 and 22 of the FMS Act, with payment to be made within 120 days after delivery.

We are trying to be as realistic as we possibly can be, and yet be responsive to the question you raised now about their debt structure. We do not realistically feel, considering their already existing debt, plus what they are getting ready to put on themselves as a result of this FMS program under way, that there is any way in the world they can meet an additional \$2.2 billion of obligations on a timely 120 day cash payment basis. There is just no way.

Mr. PASSMAN. Not 20 years.

Mr. CLEMENTS. In all likelihood even 20 years.

Mr. PASSMAN. If you feel absolutely that a loan cannot be met, let us meet it head on and not kid ourselves.

Mr. RUSH. If I may clarify something else. As I mentioned, the Israelis announced they intend to raise \$1.9 billion through the end of 1974. Our latest reports are that \$610 million has been raised of this.

Mr. PASSMAN. Many times we pledge more than we give.

Mr. Rooney?

EQUIPMENT DELIVERIES PRECEDE DECISION ON TERMS

Mr. ROONEY. Mr. Secretary, in the first paragraph which begins on page 3 of your prepared statement you state that since October 6 Israel has purchased over \$1 billion in military equipment from the United States. Is this \$1 billion worth of equipment included in the \$2.2 billion or is this in addition to it?

Mr. RUSH. It is included in the \$2.2 billion.

Mr. ROONEY. So they have already received \$1 billion worth of military equipment of the \$2.2 billion requested?

Mr. RUSH. That is our current estimate.

Mr. ROONEY. The first paragraph which begins on page 4, the last sentence thereof, is as follows: "We do not know what the terms of these arrangements are"—referring to the transactions between the Soviet Union and Egypt, Syria, and Iraq—"but we see no sign that the question of repayment terms is in any way holding up the present flow of Soviet weaponry to the area. We wish to be no different."

Mr. RUSH. Yes.

Mr. ROONEY. What did you and your collaborators mean when you included that statement?

Mr. RUSH. We do not wish in our resupply of Israel to allow the question of payment terms to hold up deliveries of equipment. We have not held up deliveries of equipment pending the determination of payment terms.

Mr. ROONEY. In other words, as the chairman says, this sentence would reflect the fact it is OK with you if it is not paid within 30 or 40 years?

Mr. RUSH. What I really meant there, Mr. Rooney, was that the primary thing is to resupply Israel. The primary thing is not to determine the payment terms. Therefore, we have poured in upwards of \$1 billion worth of equipment so far, and we feel we must supply a sufficiency of military equipment to the Israelis so they may maintain their relative strength, and we can work out the payment terms in a more leisurely way than they can be supplied.

PRESENT STATUS OF HOSTILITIES

Mr. ROONEY. It so happens I agree with that position, although I thought the question should be asked for the purpose of the record.

What is the status today? Yesterday's papers contained a lot of information as to what was going on which did not read very satisfactorily as far as I was concerned. What is the status this morning?

Mr. RUSH. The status is one of improvement. In a ceasefire of this type and in an agreement such as the Six Point Agreement entered into between the parties, with the assistance of Secretary Kissinger and his associates, there is some ambiguity in language. There was ambiguity in language with regard to the United Nations taking over the checkpoints. We had some difficulties in UNEF coming in to take over checkpoints from the Israelis. Those difficulties seem well on the way to resolution.

Mr. ROONEY. How?

Mr. RUSH. By UNEF taking over the checkpoints, having the Israelis nearby at the last checkpoint to see—

Mr. ROONEY. Are you a little apprehensive as to the possibility that with the aid of the Soviet Union the Arabs are getting a little too much the best of things?

Mr. RUSH. Not in terms of the cease-fire. We feel the cease-fire was greatly to the benefit of all parties. We feel the cease-fire will be very helpful in going forward to a negotiation which we trust will lead to a durable peace in the Middle East.

NEGOTIATING FOR SETTLEMENT

Mr. ROONEY. It would seem that Egypt, for instance, would expect she would get back all the terrain which was taken in the recent blitz. You don't expect that?

Mr. RUSH. Mr. Rooney, our position on that is this: We are anxious to help the parties reach an agreement. The agreement must be reached by the parties themselves. It is not up to us to lay down the terms of what the final settlement shall be. We do wish to lend our full offices to the fullest extent possible, to join these other countries to the fullest extent possible, to see that negotiations go forward, and help the parties reach agreement. Otherwise you could not have a durable peace.

Mr. ROONEY. Surely you would not expect that Israel will give up all the territory, for instance, the Golan Heights in Syria, under any circumstances?

Mr. RUSH. I think the Israelis are very good negotiators and I think when they start negotiating they will be sure to realize there are essential conditions of security.

Mr. ROONEY. I didn't like what I read yesterday. That is why I am apprehensive about what is going on.

Mr. RUSH. Yes.

Mr. ROONEY. It seems as though some of the principal people concerned were pretty much down in the mouth over the situation. That is what led me into asking the question at the outset.

Mr. RUSH. Yes.

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

Mr. PASSMAN. Thank you, Mr. Rooney.

Mr. Miller?

HOSTILITIES AGGRAVATE ENERGY PROBLEMS

Mr. MILLER. Mr. Rush, we have discussed the amount of money that would be in this particular legislation. As I look back over the details of what is going on today, my deep concern is our energy problem. We have many people in our own congressional district very concerned with the energy crisis. Because the Arab countries are producing petroleum, are we liable to turn them off more and more? They have already told us they will hold back our oil, approximately 5 percent per month, as long as Israel he'd the occupied lands. That was some time ago. Are we taking any great risks of losing additional petroleum which we need so badly in this country by helping Israel?

Mr. RUSH. The energy problem is a serious problem, as you so aptly pointed out. One of the encouraging things about these deplorable hostilities has been the fact we have been able to keep open the lines of communication with the Arab countries as well as with the Israelis, and also the Soviet Union throughout. We are talking to the Arab countries. Secretary Kissinger has just visited Saudi Arabia. We shall certainly work as hard as possible to alleviate the petroleum blockade and the cutback in petroleum. At the same time I feel we must do everything we can in this country to become independent as far as possible as regards our energy needs. However, that is long range and not short range.

I can assure you that we hope we will have an improved relationship not only with Israel, which is good now, but with the Arab countries.

IMPROVING UNITED STATES-ARAB RELATIONSHIPS

Mr. MILLER. How can we have a better relationship with the Arab countries if we would furnish the \$2.2 billion to Israel for defense purposes?

Mr. RUSH. We have been very honest with the Arab countries and have told them we do not intend to have a change in the balance of power in the Middle East. If we fail to supply to Israel sufficient weapons for her to maintain her military strength, sufficient for maintenance of her independence, then there will be a drastic change of power, the power balance. The Soviet Union is very anxious to increase her strength in the Middle East. This we will not stand for.

Our negotiations and discussions with the Egyptians, our discussions with King Faisal, King Hussein, and other leaders of state are based

on the fact we intend to maintain a strong Israel. I think that is accepted by them. Therefore, while they may not be in favor of our re-supplying Israel in light of their feelings, nonetheless they accept this as a fact and they are discussing things with us. Remember, also, that I suppose the primary interest of the Arab states ——— is to prevent their society from becoming a Communist-dominated society. It is to their best interest as well as ours to maintain good relations and try to overcome this energy problem.

ISRAELI POSSESSION OF ARAB TERRITORY

Mr. MILLER. Does the \$2.2 billion we are talking about here take into consideration that possibly Israel would pull back from some 25,000 square miles which they have picked up since 1967? They have the additional Arab territory right now. Was some agreement made that if they do pull back we in turn would see that they have money and goods or hardware they need?

Mr. RUSH. We have no agreement with Israel concerning that. What we have told Israel is that we intend to see she maintains her military strength. If she pulls back she will need military strength as much as or more than if they stay where she is. We have also told Israel and we have told the Egyptians and everyone else, including the Syrians, that the parties themselves must reach the agreement. We cannot impose an agreement upon them. However, we will lend our good offices and do what we can to help them reach an agreement. The agreement must be one they reach and one satisfactory to them. Otherwise it will not be a durable peace.

Mr. MILLER. Do you feel petroleum will still flow to our country if Israel holds the 25,000 square miles she now has?

Mr. RUSH. ———. Israel has been willing to negotiate for quite a long time. She has been willing to negotiate without trade conditions. ———. I could not say what the results of the negotiations will be. I can only say that if the parties enter into them in good faith I think these very subjective parties are compatible and they can come to an agreement.

SETTLEMENT MUST ACCOMMODATE BOTH SIDES

Admiral MOORER. I think one has only to look at the map, Mr. Miller, to see that. The present position of the forces shows the Israelis on the west side, and the Egyptians 3d Army on the east side of the canal. Furthermore, the deployment of forces between Ismalia and Port Said is a rather confused line; any negotiations, at least in my view, must bring about some kind of adjustment so that they will be a clear delineation, and hopefully, a separation of the forces, freeing an area for occupation by the United Nations Emergency Force in order to bring about a lowering of tempo and prevent contacts such as are occurring on the line at the moment.

Mr. RUSH. Admiral Moorer speaks of the conditions which must exist before you can have meaningful negotiations and not conditions at the end of the negotiations.

Mr. CLEMENTS. I also would like to comment on this. In the direction that Secretary Rush is talking about, in discussing these things with Mrs. Meir when she was here, and also in the past with King

Faisal and others in the Middle East, it is obvious that these people want more than anything else peace and security. None of them, whether on the Israeli side or the Arab side, wants this business of going to war every 5 years at a cost of many billions of dollars, besides the human side of it. There is a sincere desire on the part of everybody to cease this constant war every 4 or 5 years and go back to some kind of a secure and peaceful solution.

With that kind of sincere feeling, I join Secretary Rush in saying there will be an accommodation. What they want is the security of a peaceful settlement which accommodates both these views.

When you have moderate people such as King Faisal, who is a very wise man, involved in this — as is Kuwait—when you have these people with a sincere desire for peace, there can be this accommodation, and as this accommodation moves—and I am coming to the heart of your question—I think they will not only detect but they will be monitoring these movements and they will relax their existing posture of today and give us some relief. I am optimistic about this. I really think they will.

Mr. PASSMAN. Let us hope so.

Mr. Long?

DELIVERY OF REMAINING EMERGENCY AID

Mr. LONG. Mr. Rush, I first want to say that I feel that providing the money Israel needs for survival is the best investment we can make in our foreign policy. We have not always made very good investments. First, this money would safeguard the homeland of a great people; second, our presence in the Middle East through our aid to Israel helps keep 70 percent of the world's oil potential from outright takeover by the Communist bloc.

How soon will this money which has not already been delivered, the \$1.4 billion out of the \$2.2 billion, how soon will that be delivered? Are we holding any back or giving it to them as they need it?

Mr. CLEMENTS. You have read in the paper about some of this and Admiral Moorer will cover some of it. We will shortly be cutting back on the airlift because that was truly an emergency measure and very expensive. We have a sealift going now. There are already ships which are in the Israeli harbors and shortly there will be several more. This sealift takes on all the overtones of the airlift, but in far greater volume and at far less expense—

Mr. LONG. Are we getting it to them as they need it?

Mr. CLEMENTS. Yes; this will continue.

Mr. LONG. What is the timetable by which the whole of this \$2.2 billion will have been delivered—\$800 million so far and the rest to be forthcoming? What is the timetable?

Mr. CLEMENTS. This would be purely an estimate. Some of the long-term deliveries could well be — months from now before we finish the requirement; but on an average, Admiral Moorer, would it be — months?

Admiral MOORER. Yes; except for those items which have a long leadtime for procurement.

PRESENT MIDDLE EAST BALANCE OF POWER

Mr. LONG. That gets me into another question. It is my understanding that before this war started, this surprise attack, the Arabs greatly outnumbered the Israelis in both planes and tanks. I have figures here, that show that the Arabs outnumbered the Israelis 3 to 1 on planes and 2 to 1 on tanks. The losses were very heavy on both sides. I gather the Russians have been moving stuff in there very fast. Can you give us an idea as to the present balance of power? Has it been redressed or has it gotten even worse in favor of the Arabs?

Mr. CLEMENTS. I think your last statement is probably correct. If you had to make an assessment as of today, I think the Russian re-supply has been quicker than ours and they have done this because of the shorter time frame involved. Their lines are shorter, and I would also suggest that they anticipated what would happen and we did not know. They have done this faster and have moved forward faster than we have. They are ahead of us. Proportionately, which is the answer to your question, they are ahead of where they were before hostilities started.

Mr. LONG. Since the Arabs heavily outweighed the Israelis before the war and have gotten prompter help during the war is not our only hope to have the Israelis destroy enough Arab equipment during the war to keep the situation from being in a perilous state now?

Mr. CLEMENTS. I would not consider it in a perilous state now. Admiral Moorer would know better than I.

Admiral MOORER. One of the key factors is trained personnel. In this category the Israelis are far superior to the Syrians or the Egyptians. Therefore, this means that a large part of the equipment, such as tanks and aircraft which have been received in the last week or two, is not combat ready and will not be combat ready until either the Syrians or the Egyptians lay on a very accelerated training program.

THIRD COUNTRY PARTICIPATION IN HOSTILITIES

Mr. LONG. There were some news reports, true or not, that the Egyptians have Korean pilots in there flying for them. Have expert pilots been brought in by the Communists?

Admiral MOORER. The North Korean pilots have been in there several months. ———.

ISRAELI AND ARAB FORCE CAPABILITIES

Mr. LONG. Have not the Israelis lost a large number of trained people in relation to the size of the country?

Mr. RUSH. ——— dead and casualties about ———. That may be a bit high ———.

Mr. LONG. These are trained pilots?

Mr. RUSH. Yes, some of them were trained pilots.

Mr. LONG. Do they have a good supply of trained pilots to man the equipment?

Admiral MOORER. The Israelis do, the Syrians do not.

Mr. LONG. What about the Egyptians?

Admiral MOORER. Nor do the Egyptians. For instance, ——— Israeli aircraft were shot down in air-to-air combat, whereas the other side lost ——— in air-to-air combat ———. The experience level of the pilots insofar as the Israelis are concerned is far higher than that of their opposition. Most of the aircraft which the Israelis lost were lost primarily due to ground weapons.

Mr. RUSH. The Israelis have never wanted nor even thought they quantitatively would match the Arabs. Their qualitative advantage gives them a superiority. This is in men, training, and equipment.

Mr. LONG. I gather some of their missiles are qualitatively superior to what we deliver.

Mr. RUSH. Some of the Russian missiles are very good.

CHAIM WEIZMANN INSTITUTE

Mr. ROONEY. You know, the Israelis have invented many things at the Chaim Weizmann Institute which the Department of Defense depends upon. Isn't that correct, admiral?

Admiral MOORER. I am not aware of any weapons systems they have produced which we use.

Mr. ROONEY. What about things other than weapons systems, such as sensors which detect people crossing the terrain, and that report back to a post miles away?

Admiral MOORER. We have had a full technical exchange for some time regarding techniques and information of that kind.

Mr. ROONEY. I know you have.

Admiral MOORER. But they have limited capability for fully developing a sophisticated weapons system.

ARABS RECEIVING MORE AID THAN ISRAEL

Mr. LONG. This has to do with military aid. According to these figures the Communists gave the Arab States far more equipment than we have given the Israelis. Is that right?

Mr. RUSH. Yes.

Mr. LONG. In addition they have been able, because of their huge oil reserves and balance of payments, to buy a lot of stuff which Israel could not afford.

Mr. RUSH. When you say "give" I thought you meant supplied.

Mr. LONG. All right, supplied.

Mr. RUSH. I don't know that the Russians have given anything.

Mr. LONG. Let us use the word "supply" loosely. So when it comes to both what the Russians have given them, or supplied them, and what their own oil-rich countries have been able to supply, it has been a very great preponderance of weapons over the Israelis.

Mr. RUSH. Quantitatively.

Mr. LONG. In some cases qualitatively. In addition, I am disturbed by the fact that the Russians have been helping only the Arabs. Is that right? They have never helped the Israelis?

Mr. RUSH. That is right.

Mr. LONG. Whereas the United States has helped both the Israelis and the Arabs.

Mr. RUSH. The United States is the only country which maintains a relationship with both sides. This is our greatest strength.

Mr. LONG. I will grant that this has diplomatic advantages, but it is also disturbing because about \$850 million of the Arab arms deliveries since 1968 have come from the United States. We have given the Arabs about one-third as much as we have given the Israelis. The Communists have helped only the Arabs so that the Arabs have been getting it from three sides. They have been getting it from the Communists, from their own oil-rich Arab nations, and from the United States. I would like to insert a table showing U.S. arms aid and sales since 1968 to all Arab nations who participated in the recent Mideast war in some way. From 1968-72, the United States provided these Arab nations with \$833 million in arms while we provided Israel with \$2.45 billion in arms. Thus, the Arabs received one-third as much arms from United States as Israel.

Mr. PASSMAN. Extremely good analysis.

[The table follows:]

Arms supplied by the United States to Arab nations from fiscal year 1968 to fiscal year 1972

<i>Country</i>	<i>Millions</i>
Morocco -----	\$84.0
Algeria -----	.5
Tunisia -----	22.9
Libya -----	62.8
Egypt -----	.6
Sudan -----	0
Syria -----	3.7
Jordan -----	395.7
Kuwait -----	1.1
Saudi Arabia -----	260.2
Iraq -----	1.8
Total -----	833.3

Comparable total of arms supplied to Israel ----- 2,451.0

NOTE.—Totals include military aid (with supporting assistance), foreign military cash sales (deliveries), and commercial arms sales (deliveries).

Sources: "U.S. Overseas Loans and Grants, July 1, 1945-June 30, 1972," Agency for International Development, May 1973. Department of Defense tables (unclassified).

Mr. LONG. I would like this answered at your leisure. What measures are we taking to try in our negotiations to keep all these weapons from continually being supplied to the Arab countries by the Communist countries and by our own allies in Europe?

Mr. PASSMAN. Provide something for the record, Mr. Secretary.

Mr. RUSH. Yes, I will.

[CLERK'S NOTE.—The information was not received by the time the hearings were printed.]

Mr. LONG. Please examine the attached tables from the American Enterprise Institute study entitled, "The Arab-Israeli Military Balance Today." Would you please certify whether these tables on military equipment held by the Arabs and the Israelis before the outbreak of war are reasonably accurate? If they are not reasonably accurate, please provide accurate figures.

Mr. CLEMENTS. The tables from the American Enterprise Institute (AEI) study are ———. Major differences between the AEI figures and prewar DIA holdings are depicted in the following tables:

Country	AEI 1972-73	DIA 1973
Egypt:		
Mig-21 interceptor.....	220	
TU-16 medium bomber.....	18	
JS-3 tank.....	50	
T-62 tank.....	10	
Syria:		
Mig-21 interceptor.....	140	
SU-7 fighter bomber.....	30	
Mig-17 fighter bomber.....	80	
Helicopters.....	14	
JS-3 tank.....	30	
T-54/55 tank.....	900	
T-62 tank.....	0	
Total tanks.....	1,170+	
Jordan:		
M-60 tank.....	14	
Centurion tank.....	140	
Total tanks.....	344	[Security information deleted.]
Iraq:		
M1-8 helicopter.....	12	
Total helicopters.....	46+	
Libya:		
Mirage V ground attack interceptor.....	0	
Mirage III B. & E. interceptor.....	0	
Total aircraft.....	7	
Israel:		
A-4 Skyhawk.....	125	
Vautour light bomber.....	10	
Super Mystere interceptor.....	9	
Total combat aircraft.....	368	
Total helicopters.....	72	
M-60 tanks.....	7	
T1-67 tanks.....	100	
Total tanks.....	1,700	

Mr. LONG. Please provide for the record a list of defense articles and their total value supplied to Arab nations in the Middle East and in Africa by the Soviet Union since the outbreak of the recent Mideast war.

Please break down this information by type of items, by dollar value, and by country receiving the items, with the information including, but not limited to, totals of aircraft, tanks, antitank weapons, antiaircraft missiles of various types, naval vessels, small arms, vehicles, and communications equipment.

Mr. CLEMENTS. Yes, sir.

[The classified material was provided to the committee.]

Mr. LONG. Please provide for the record details on the dollar value and types of arms supplied to all Arab belligerents and their supporters in the Middle East and Africa by all suppliers, through Government and commercial channels, from fiscal year 1968 to the present.

Include at least the following recipient countries: Egypt, Syria, Jordan, Iraq, Kuwait, Saudi Arabia, the Sudan, Libya, Tunisia, Algeria, Morocco, and Lebanon.

Please break this information down by fiscal year (fiscal year 1968 to the present), by country receiving the items, and by suppliers. Provide a separate chart for each year supplier countries along the horizontal and recipient countries along the vertical. Provide a summary table with totals over the 5+ years for all suppliers and for all recipients.

Mr. CLEMENTS. The information desired is supplied in the following tables 1-4.

[The classified material was provided to the committee.]

Mr. PASSMAN. Mr. Conte?

AIRLIFT TO ISRAEL WAS TIMELY

Mr. CONTE. Thank you, Mr. Chairman.

Either one of the witnesses can answer this. Can you tell us a little bit about what the conditions were in Israel on October 13 when you had your airlift? As I understand it, they were completely out of ammunition.

Mr. RUSH. That is not the case. Admiral Moorer is the best source of information for that.

Admiral MOORER. On the 6th, the Israelis were not mobilized, therefore, the Syrians and Egyptians managed to gain some momentum in closing in on Israel. The Egyptians managed to get 100,000 troops and several hundred tanks across the Suez. The Syrians penetrated the Golan Heights line. After mobilization, the Israelis first put all of their effort into the Golan Heights, because that situation was the one that placed their own people and villages in the most jeopardy. They managed ultimately to drive halfway to Damascus. Later on they made the crossing of the Suez. ———.

The airlift we laid on, about 1,000 tons a day, was, in my view, an outstanding operation and did insure that they would never run out of ammunition.

Mr. CONTE. I heard the leadership had a meeting at the White House and were told they had only ——— supply or were ———.

Admiral MOORER. ———.

AIRLIFT DEMONSTRATED U.S. DETERMINATION

Mr. CONTE. Further, I understand that this airlift was so impressive upon the Soviet Union that this was one of the reasons why they agreed to negotiate a settlement and not to send troops to the Middle East.

Admiral MOORER. Secretary Rush can comment on that. I think what the airlift showed the Soviets and all concerned was that the United States was not willing to permit ——— so far as the Israelis were concerned. ———.

ISRAELIS DELAYED REQUEST FOR AIRLIFT

Mr. CLEMENTS. Mr. Chairman, I would comment for the record that this committee needs to understand that one of the reasons that our airlift did not start sooner than it did was because we received no request for an airlift sooner than this. The Israelis, through their own airline and through their contacting the commercial sources in the United States, such as the commercial airlines, commercial cargo carriers, and so forth, made every effort through their own embassy, which Secretary Rush is fully aware of, to solve this problem themselves.

They found that they could not do this. Our commercial side of an airlift capability was not responsive to their needs. ———. At this

point they turned to the State Department and Secretary Kissinger, and he in turn came to DOD and asked us to start our airlift, which we did in a matter of a few hours. ———.

U.S. MODERATION IN AIRLIFT DELIBERATE

Mr. RUSH. I would like to supplement what he said with this: It was our great hope that the Soviet Union would show great moderation on resupply and this war would be brought to a close very quickly. Therefore, we consciously showed great moderation, hoping to set an example for the Soviet Union. They did not show moderation. They stepped in and poured in vast quantities of supplies by air and by sea. We then decided we not only must not allow the power balance to be changed, but we would also show the Soviets we could do the job better than they did. I must say that I have heard many tributes of the Defense Department from outside the Defense Department but this is the finest performance we have seen, directed from Washington. It was a magnificent performance, a magnificent airlift. It was started within a matter of hours and went without a hitch. ———

Mr. SHRIVER. Would you yield?

Mr. ROONEY. I was waiting for that word "Portugal" since we started.

Mr. SHRIVER. Is this going to cause a problem?

Mr. ROONEY. This gives a lot of those people continually taking potshots at her and causing us diplomatic troubles with Portugal, to stop and think.

Mr. RUSH. That is right.

Mr. CLEMENTS. ———.

Mr. SHRIVER. I think I saw an article in the last day or two in the paper that Portugal was making further requests from us for base rights payments.

Mr. RUSH. In the Washington Post this morning.

Mr. SHRIVER. Yes.

Mr. RUSH. Even in an executive session I would not recommend the Washington Post as an accurate source of news.

Mr. ROONEY. Or the New York Times.

Mr. RUSH. Either. We do owe the Portuguese a deep debt of gratitude, and I hope we will be able to pay.

Mr. SHRIVER. What do you anticipate they are going to ask?

Mr. RUSH. We have strictly restricted our arms sales to Portugal. We have shown great moderation with Portugal. They will not be excessive in their demands or their requests. ———.

Mr. CLEMENTS. I want to emphasize that. I would question seriously this article in the paper and how much substance there really is to what they have asked us or not asked us. Those people have performed beautifully and without the ill grace of saying, "Yes, you can do this, but you have to do this and this and this." They laid no conditions on us. Secretary Rush would confirm that.

Mr. RUSH. Yes, sir.

Mr. PASSMAN. Thank you, Mr. Secretary.

Would the gentleman yield briefly?

Mr. CONTE. My 5 minutes are up.

Mr. PASSMAN. You are finished?

Mr. CONTE. Yes.

PORTUGAL DECLINED ADDITIONAL AID

Mr. PASSMAN. It is my understanding, and the record is clear, that Portugal declined to accept any type of aid during the aid program. They said, "We have built up the economy and are accustomed to it and the people are happy." Is that a matter of record?

Mr. RUSH. Yes, sir.

Mr. PASSMAN. ———. Mr. Roybal?

TOTAL AID FIGURE NOT YET DEFINITE

Mr. ROYBAL. Thank you, Mr. Chairman.

It appears to me that the matter of the eventual amount that is going to be needed by Israel is still up in the air. Under testimony you told us that your request is for \$2.2 billion. You stated that a study would be made as to the Israel needs based on losses and that that information would be forthcoming to this committee. Since time is of the essence, I would like to know how long it is going to take to get that information to the committee.

No. 2, supposing that study indicates that the Israelis were right, that they need \$2.7 instead of \$2.2 billion or maybe \$3 billion, would you be prepared to make a recommendation to this committee that \$3 billion, if that happens to be the figure, be considered?

Mr. RUSH. Mr. Roybal, there are various considerations involved. One of them is an evaluation of how much damage, how much loss has there really been as a result of hostilities? What is the replacement cost? How much of the enemy equipment is salvageable and usable by the Israelis? How much is needed in the light of what the Soviets poured into the Arab countries for Israel to maintain military predominance?

These studies must come forward.

Mr. ROYBAL. Maintain a balance or predominance?

Mr. RUSH. To me, in this context, balance is predominance. ———.

Mr. ROYBAL. I am glad to know that because I thought that is what you really meant.

Mr. RUSH. Yes, sir. We have a very tenuous cease-fire. We do not know when this cease-fire might break down, so the figure of \$2.2 billion was a figure we felt represented a realistic approach to not only supplying everything that the Israelis need to maintain the military capability which they had before and which they will continue to have, but to provide also for possible renewal of hostilities during this period, possible breakdown of the cease-fire, which we trust will not happen.

Our feeling is that the \$2.2 billion is completely adequate for all demands that may be needed.

Mr. ROYBAL. Are we to assume in this committee that your top figure would be \$2.2 billion?

Mr. RUSH. Within the light of any foreseeable circumstances before the end of this fiscal year, we think that is adequate.

Mr. CLEMENTS. Mr. Chairman, I would hasten to emphasize that we intend to keep this committee fully informed on a current basis as to what our deliveries are and what our anticipations are. If we don't need that much we are not going to spend it. We are going to approach this very carefully.

USE OF FUNDS ALREADY OBLIGATED

Mr. ROYBAL. Are you going to also inform the committee as to how the \$1 billion already obligated was spent?

Mr. CLEMENTS. Yes, sir. Absolutely.

Mr. ROYBAL. This committee does not at this time have that information.

Mr. CLEMENTS. I know you don't. I want to quickly add that we do not yet have the contract sales documented for the nearly \$1 billion. I said a while ago to the chairman that we actually have in hand the contracts for approximately \$700 million, more or less. The commitments that we have on the approved list are not yet fully documented.

I would suspect that if we audited the account right now, we could supply supporting papers for only about \$675 million worth of what has been sent. We could come forward with that, and that is what I intend to say. We would keep you currently up to date as we do the paperwork.

Mr. ROYBAL. That would mean the authorizing committee, the Committee on Foreign Affairs, would also be informed?

Mr. RUSH. Yes, sir.

Mr. ROYBAL. The amount that you have requested from them to be authorized, \$2.2 billion?

Mr. CLEMENTS. Yes, sir.

Mr. ROYBAL. You are requesting the same amount from the Appropriations Committee?

Mr. CLEMENTS. Yes, sir.

Mr. ROYBAL. I have been around the Appropriations Committee long enough to know there is always a reduction.

Mr. CLEMENTS. I sincerely hope not in this instance.

LEGISLATIVE PROCESS TIME CONSUMING

Mr. ROYBAL. That is why it is so important that you get these studies and this information to this committee to justify the full amount of \$2.2 billion. If it is not done, we are going to have some problems in this committee since, again, if I may repeat, we come out with an amount that is less than the authorizing amount to begin with.

Mr. RUSH. I think, Mr. Roybal, we have a somewhat unique situation here of a specific country with specific needs, with specific losses, and by keeping the committee fully informed and pointing out, I trust, the uncertainties in the situation, we will justify in your mind the \$2.2 billion.

Mr. ROYBAL. My big concern is that time is of the essence. I understand the authorizing committee has finally reached some kind of agreement. The authorizing committee has not even had a hearing on the \$2.2 billion.

Mr. RUSH. Yes, sir.

Mr. ROYBAL. You are coming to the Appropriations Committee first. I am just afraid things won't be done soon enough, studies and everything needed, to have this done and pass the House within the next few days. By that I mean, as soon as we get back from the Thanksgiving vacation.

Mr. RUSH. That is a legitimate concern. As Secretary Clements said, we do have in our authorization now the right to sell to Israel on 120-

days' payment. We have the 120-days' billing under which we are now selling, and we will supply what we can of that.

Mr. ROYBAL. Is that over and above the \$1 billion already obligated?

Mr. RUSH. Also under the 120-day payment provision. Everything is under the 120-day payment provision of the Foreign Military Sales Act.

EXPEDITING AID APPROPRIATION

Mr. PASSMAN. Would the gentleman yield?

Earlier today it was testified that you don't know what you may need. It is a rough estimate. You may need \$1.3 billion, maybe \$1.7 billion, maybe \$2.5 billion.

Mr. RUSH. Yes, sir.

Mr. PASSMAN. There may be plenty of justification for making cuts. Again, there may not be. It all depends on the evaluation that you develop.

AUDIT OF AID REQUIREMENTS TO BE KEPT CURRENT

Mr. CLEMENTS. I want to emphasize once more, these are estimates. They are not definitive numbers. I am not going to come before you telling you that we know exactly what we are doing here down to that last dollar or that last \$1 million—we don't yet know.

Mr. ROYBAL. I understand that. But we have established the ceiling is \$2.2 billion?

Mr. CLEMENTS. That is correct.

Mr. ROYBAL. As long as we have established that.

Mr. CLEMENTS. We will have a complex audit trail that will justify and keep you current on what we are doing.

Mr. PASSMAN. You are testifying for \$2.2 billion. The members of this committee may feel \$2.2 billion is not sufficient. There may be amendments in this committee and the full committee to raise it to \$3 billion. That is why we want you to be completely accurate in pinpointing this so this committee can be responsive.

Mr. ROONEY. We should have that information and the details we are talking about before we mark up this request. I am sure everybody realizes that on your side of the table. Give us that information and we will do everything that we can to cooperate.

Mr. RUSH. Thank you, Mr. Rooney.

Mr. PASSMAN. Mr. Roybal?

Mr. ROYBAL. I am finished.

Mr. LONG. I have one question. Several references were made here to the Thanksgiving recess. Is there anything in that recess that will hold up deliveries of equipment and supplies to Israel?

Mr. RUSH. Nothing.

Mr. LONG. Thank you very much.

PREVENTING POSSIBILITY OF ISRAELI DEFAULT

Mr. PASSMAN. The facts are, a large portion of it is in the past-due category. What would prevent you from extending another 120 days' credit? Could this go on and on?

Mr. RUSH. Right. Israel would be in default at the end of 120 days.

Mr. PASSMAN. Why?

Mr. CONTE. Cambodia?

Mr. CLEMENTS. No; Mr. Chairman, we in DOD do not agree with this, we would not put ourselves in the position of having this country in default, if in our judgment, they cannot pay. We would not adopt the impossible posture of continuing to let them have literally tens of millions of dollars worth of equipment for which we knew in all good faith they couldn't pay for. The Congress can make this judgment but we are not going to do that.

Mr. PASSMAN. Mr. Secretary, you already obligated \$1 billion?

Mr. CLEMENTS. Yes, sir, our current estimate of what has been or is in the process of being delivered is upward of \$1 billion.

Mr. PASSMAN. Time is moving along now. Some of it is 4 and 5 weeks old?

Mr. CLEMENTS. Yes, sir.

Mr. PASSMAN. Until this bill is passed, they don't have funds to pay the billion dollars. That is not going to prevent you from continuing to make deliveries, is it?

Mr. CLEMENTS. For a reasonable period of time.

Mr. PASSMAN. I want to make it clear that you are going to have to permit some of it to be in a past-due status if this bill has not passed and money is not provided?

Mr. CLEMENTS. Fortunately, that period is beyond the first of the year. If we get beyond the first of the year and it becomes a fact that they are in default, then we in DOD are going to be right back in here and saying to you, "This must be your responsibility."

Mr. RUSH. Mr. Chairman, may I make this statement? I don't want this committee to be apprehensive about Israel's external debt of \$4 billion. They did have very substantial reserves prior to the outbreak of hostilities. They were at an alltime high. While this is by no means desirable according to the pre-war estimate, they do have money to pay if they had to for the amount already delivered. This is a pure statement of fact. I am stating what is the case.

Mr. PASSMAN. Mr. Coughlin?

PRESIDENT WILL DETERMINE TYPE OF AID

Mr. COUGHLIN. Thank you, Mr. Chairman.

I agree with the other members of the committee on the need for the aid to Israel. I am somewhat confused by the figures however. As I understand it, you are going to provide us with more justification of the total requirements?

Mr. RUSH. Yes, sir.

Mr. COUGHLIN. Will you provide us with a breakdown of how much will be in direct grants assistance and how much in foreign sales?

Mr. RUSH. No; Mr. Coughlin, the President has, under the bill, until June 30 to decide how much will be in grant aid. Our intention is to have it in all FMS from the beginning. When we see the picture, the President will then determine how much is grant aid and how much is FMS. With the 120-day billing and with the leeway we have, he can then adapt it to either FMS or grant aid or both.

Mr. COUGHLIN. The entire \$2.2 billion might be in grant aid?

Mr. RUSH. It might all be grant aid.

Mr. COUGHLIN. How much—

Mr. RUSH. It could all start as FMS and then we would determine how much would be grant aid.

Mr. PASSMAN. Mr. Coughlin, you would have to have legislation to determine that. If this committee should decide \$2.2 billion is on a loan basis, how are you going to circumvent that?

Mr. RUSH. The bill provides—

Mr. PASSMAN. What bill?

Mr. RUSH. The bill—

Mr. PASSMAN. This committee has the right.

Mr. RUSH. That is exactly right. I am interpreting our draft, not the bill.

Mr. PASSMAN. That is different.

Mr. COUGHLIN. From this Congressman's standpoint it would be helpful to have some idea of how much of this is going to end up being credit sales and how much will be outright grants.

Mr. RUSH. Mr. Coughlin, we cannot at this point determine—

Mr. COUGHLIN. In the foreseeable future?

Mr. RUSH. I think and strongly urge this committee to consider favorably our request, that the President be given the authority to determine up to June 30 how much will be FMS and how much will be grant aid to give the flexibility we are talking about.

Mr. SHRIVER. A blank check?

Mr. RUSH. A blank check in the sense of whether it will be FMS or grant aid. Not really blank, because we would certainly consult with this committee and talk to the committee before any decision would be made by the President.

NEED FOR AID SPECIFICATIONS STRESSED

Mr. PASSMAN. If the distinguished gentleman would yield. Give us some indication in advance of markup of this bill what part you recommend would be in the grant category and what part will be in a loan category?

Mr. ROONEY. That information is elementary as a preliminary to the markup. You have a favorable committee. We want to go along with you, but you have to give us something to hang our hat on.

Mr. CLEMENTS. If you look at it in the spirit that here is a very small country with limited resources, with all their internal domestic problems, as opposed to the military hardware, and you are in the spirit of saying, "We will make it drain, if you make part FMS or give us part to make FMS and recoup whatever we have," you are just that much ahead.

CAMBODIAN AID TO BE IN GRANT FORM

Mr. COUGHLIN. Could I ask the same question on the aid to Cambodia so we get some estimate? Is that all FMS or is it grant aid?

Mr. RUSH. All grant aid.

Mr. COUGHLIN. Will it continue to be?

Mr. RUSH. Yes, sir. They cannot pay. They do not have the money to pay.

USE OF PRIVATE AID FUNDS FOR ISRAEL

Mr. COUGHLIN. The third question, coming back to Israel: As you indicated, the Israeli's aim to raise \$1.9 billion from private sources. Is there any indication how much of that might be applied to these purchases?

Mr. RUSH. Mr. Coughlin, that is to be raised to \$674 million. This is their aim. They raised something over \$600 million of that as of now in cash and pledges. This covers their needs for their damage to their economy, rehabilitation of whatever has been damaged, and all the needs they may have. It is premature for us to be able to say just how that will be used. They have this very heavy debt outstanding, \$4 billion, and they now owe to us under past FMS credits, \$1.2 billion. They are very heavily obligated.

Mr. COUGHLIN. Thank you, Mr. Chairman.

Mr. PASSMAN. Mr. Bevill?

FACTORS AFFECTING ASSESSMENT OF AID

Mr. BEVILL. Thank you, Mr. Chairman.

Secretary Rush, as I understand the situation, the \$2.2 billion that you are requesting actually is the best estimate that the Department can come up with at this time?

Mr. RUSH. Yes, sir.

Mr. BEVILL. Depending on two major unknown factors. That is, how much the Russians are going to continue to supply to possibly upset the maintenance of the balance of power, and also the amount of damages that have been done, which you will know shortly. Those are the two main factors?

Mr. RUSH. Yes, sir.

Mr. BEVILL. It is possible that this figure would increase or decrease but you have got to act on it now?

Mr. RUSH. We do not think it will increase, Mr. Bevill. We think we have enough leeway to provide for the two factors you mentioned plus the factor of, I hope the improbable factor, of a possible renewal of hostilities.

Mr. BEVILL. When you get the report ——— you are going to advise this committee of the amount of those damages?

Mr. RUSH. Yes, sir.

Mr. BEVILL. You are going to keep this committee advised on the situation as time goes along. And I understand you to say if there are any funds left, if you do not use the \$2.2 billion, this fact will be reported to the committee?

Mr. RUSH. Yes, sir.

Mr. BEVILL. What will be done with that money?

Mr. RUSH. That money would be unspent and revert at the end of the year.

Mr. BEVILL. To the Treasury?

Mr. RUSH. Yes, sir.

Mr. BEVILL. Thank you.

Mr. PASSMAN. Mr. Roush?

PRELIMINARY BREAKDOWN OF ISRAELI REQUEST

Mr. ROUSH. Mr. Chairman, first I want to make it clear that I sympathize with Israel but I have to say I felt complete frustration as I sat through this hearing this afternoon. As I understand it, you cannot supply us with a breakdown of the \$1 billion that has already been given to Israel.

Mr. RUSH. I think we can at the end of this week.

Mr. ROUSH. We have hearings now. You cannot do that then.

Mr. CLEMENTS. May I interrupt? We can. It is not a definitive breakdown. If you want to know the numbers of tanks, numbers of airplanes, tons of ammunition, we can give you those things. It is not a monitored, audited, definitively priced-out breakdown. That is what I thought you were asking for.

Mr. ROUSH. I gathered that you were not able to supply this, from questions asked.

I ask, Mr. Chairman, it be supplied for the record.

Mr. PASSMAN. Is this classified?

Mr. CLEMENTS. Secret. Let the gentleman from Indiana look at it.

Mr. ROUSH. You cannot tell us how you arrived at the \$2.2 billion, except you can tell us that it includes the \$1 billion.

Mr. CLEMENTS. To the contrary, we can tell you that.

Mr. ROUSH. Mr. Secretary, you told us a while ago, you couldn't.

Mr. CLEMENTS. No. I said in detail and in definitive form. What we have here is a list from Israel in a total amount of \$2.75 billion worth of equipment that they have said "We would like to have." Some of this equipment they have never had before and represents new sophisticated weapon ——. Therefore, we took that \$2.7 billion, pulled it back down to conform with the weapon systems they have in hand, adjusted the number, and came up with \$2.2 billion. We can give you those figures but they are not monitored and they are not audited.

Mr. ROUSH. Mr. Secretary, I have only been on the Appropriations Committee for 3 years but in every hearing that I have sat through, the people who come up to justify a request are able to give us those definitive figures. They are able to tell us what this money is going to be spent for. We have every sympathy with Israel but we have an obligation, it seems to me, to know how this money is going to be spent. You are not willing to tell us how much of this is grant aid, how much is in the form of credit sales. Not only can you not do that, but you apparently are not willing to, unless the pressures which have been stated here by members of this committee have some effect. I hope they do. It is going to make it very difficult for those—

Mr. PASSMAN. I think that I have to assume the responsibility for the position we find ourselves in. It was my understanding that you do have it by item right down to the number of guns.

Mr. CLEMENTS. We do.

Mr. PASSMAN. You are going to delete certain items and you are not able to say which ones you will delete at this time until the complete evaluation is finished. These are top secret. This is one reason why we wanted to have an executive session.

If it is permissible, I would like to pass this sheet along to the gentleman from Indiana so that he can see that you told us the number of pistols being supplied.

Mr. CLEMENTS. That is right.

PRESSURE TO OBTAIN FULL JUSTIFICATION

Mr. ROUSH. Mr. Chairman, I am only stating my frustration in trying to be a responsible member of the Appropriations Committee. These are frustrations with me because I think that we have to know these things, and I get the impression that the witnesses—and there are 18 of them here, Mr. Chairman, who come to back these people up—I have the impression that we are being asked to do something without the justification.

Mr. PASSMAN. It is my fault. They did submit this information. Everything you asked for is on this sheet.

Mr. ROUSH. Not quite, Mr. Chairman, everything. I also asked about how much is grant aid and—

Mr. PASSMAN. This committee will determine that. They are not in position to determine that. We gave these people only 24 hours' notice to come before this committee.

Mr. ROUSH. Mr. Secretary, I must ask this question: The President's request came on October 23. It was for \$2.2 billion. A great deal has happened since that date. Have the events of the past 3 weeks affected your request here? At the time, October 23, the war was in full swing. There was not really a prospect of settlement, and now we have a settlement. Are you persisting in your request for \$2.2 billion?

Mr. CLEMENTS. Yes. We felt it was the desire of the Congress that we come before you as soon as possible since we were delivering nearly a billion dollars of FMS and have you in on the consideration at the earliest possible moment. So we carefully figured out what we thought it would be to the best of our ability. We came up with the \$2.2 billion, which obviously is not a precise figure down to every nut and bolt or every gun. It is our very best estimate. We could have waited until we saw what happened, until we had a far better approximation, and then come in. We felt that Congress wanted us to come in early so that you would have some concept of the magnitude of what we were talking about. We worked closely and gave you all the information we had. We worked together on this bill.

Mr. ROUSH. The estimate that you submitted was on the basis of a war which was in a continuing stage, was it not, Mr. Secretary?

Mr. RUSH. The estimate we submitted was on the basis of the fact that a cease-fire was imminent. We hoped there would not be any further fighting of any consequence. We did not know fully but had a very good idea of the destruction that took place on the Israeli side. We obviously did not then have full information with regard to what might be salvageable. We felt it was only fair to the Congress and we felt it was in the spirit of what the Congress wanted to come in as soon as we could with the best figure we had to let you know where we stood. This is what we did.

Mr. ROUSH. Thank you, Mr. Secretary.

Mr. Chairman, my time is up.

COMPLETE ASSESSMENT NOT YET POSSIBLE

Mr. CLEMENTS. I want to say something to the Congressman, if I may. I am very sympathetic to your frustration. I would equally appreciate it if you could be sympathetic to our frustrations because people over there in DOD and in the military services have just performed magnificently. Some of those people have been working as long as 2 and 3 days at a time with hardly any sleep. Almost every few minutes we get a message which changes what the requirements are. You must remember those people are fighting a war. We are handling this on an emergency basis. For us to sit down here in a definitive manner and tell you how all that \$2.2 billion is going to be spent is beyond our resources at this time. We cannot now do this.

I would suggest that there is no way this committee could do it. There is no way anybody can now do it. We would like some sympathy for what we are trying to do.

Mr. ROUSH. I am sympathetic but not willing to write a blank check either to the State Department or to the Defense Department or to the executive branch of this Government.

Mr. RUSH. I understand that, Mr. Roush.

I understand this, and we certainly hope to work with you to the fullest extent that we can.

Mr. ROUSH. Thank you.

Mr. Chairman.

PREPARATION FOR HEARING MINIMAL

Admiral MOORER. Mr. Roush, you made the point that heretofore every time you had appropriations hearings the witnesses knew exactly what to say and how to justify it. Some, if not all, of these hearings have been under consideration for a year or more. This particular request was put together in a dynamic situation. The Israelis were submitting a series of requests. We didn't get this all in one package. About the time we started working on one package, they changed their priorities and came in with another package. We have been adding to the requests, and this is why Mr. Clements made the point that the requirements are changing. The deltas are changing in different places, and the Israelis have asked for different kinds of weapons systems. We just have not caught up with it. The date that you mentioned was at the time of the cease-fire, when the expenditures stopped. That is when we thought we could make a good estimate of how much was necessary to replace the equipment.

AID REQUEST PRESENTED ON ILLUSTRATIVE BASIS

Mr. PASSMAN. May I make this observation before I yield to Mr. Yates.

Mr. Roush is one of the very valuable members of this subcommittee. He is determined, able, and a great interrogator. Of course, a lot of this is my fault because we always assume that new members of the committee understand the way AID operates. All foreign aid is on an illustrative basis. From the inception of this program the money has been provided on an illustrative basis.

That is the way it operates. I failed to make that clear to the new members of the committee.

You can justify money for a hospital in Guatemala and build a summer resort in Morocco and be within the law. It is an unusual committee, and my apologies for not bringing this out earlier. That is the way this program operates.

REQUESTED AID TO GO ONLY TO ISRAEL

Mr. LONG. Would the chairman yield on that question of illustrative budgets? Will any of this money we think we are voting for Israel be given to some other country?

Mr. PASSMAN. No. This is separate. We are writing a separate chapter in the bill. We are going to have a separate chapter in the bill, if you support me, specifying what amount will go to Israel.

SUPPLEMENTAL FOR DOD NOT YET REQUESTED

Mr. YATES?

Mr. YATES. Thank you.

Mr. Secretary, how much has our intervention in the Israeli war cost us to date?

Mr. RUSH. Us?

Mr. YATES. The United States.

Mr. RUSH. The billion dollars that I mentioned. It has cost us that in terms of FMS.

Mr. YATES. Is the DOD asking for an additional \$3 billion in its budget?

Mr. RUSH. The cost of the DOD, Secretary Clements can address that.

Mr. CLEMENTS. I am sorry, there were noises.

Mr. YATES. I had asked the question as to how much the Mideast war was costing. I had seen in the newspapers a story to the effect that the Department of Defense was going to ask for an additional \$3 billion as a result of our sending aid to Israel. Is that story correct?

Mr. CLEMENTS. No, sir; that is not correct. Certainly our assistance and the drawdown of some of our stocks will be a contributing factor to any supplemental, if and when we decide to request one. This has not been decided yet. That may not be too good an answer but it is the truth, because we have not made a decision about a supplemental.

Mr. YATES. The reason I ask the question is because of the testimony to the effect that \$1 billion had been given to the Israeli Government for the war. On the basis of what you are saying now, is it possible it may be more?

Mr. CLEMENTS. Mr. Congressman, I don't remember that we said that we had given Israel \$1 billion.

Mr. YATES. You are absolutely right. I don't mean given. I mean furnished assistance the cost of which is \$1 billion. I thought the Secretary testified to that?

Mr. CLEMENTS. Yes, sir. At this point we are committed to approximately \$1 billion under the auspices of foreign military sales. That is the way everything has been handled to date.

FMS REPAYMENT TERMS

Mr. YATES. Right.

Can you tell us what the terms for repayment are for foreign military sales?

Mr. CLEMENTS. The current sales to Israel are for cash with payment to be made within 120 days after delivery of the defense articles.

Mr. YATES. Cash sale?

Mr. CLEMENTS. 120-day billing terms. It is on the basis of cash, or, in case cash is not forthcoming, on a satisfactory credit arrangement.

Mr. YATES. What is the longest term credit that is given to any country?

Mr. CLEMENTS. I think in some instances—let me check if you don't mind—under the FMS Act, the repayment period cannot exceed 10 years. Under the Jackson amendment, which was solely for Israel, we made an exception. It was for 25 years. This was in 1971.

Mr. YATES. May a credit sale under the requested appropriation be for 25 years?

Mr. RUSH. Yes.

Mr. YATES. For the full amount?

Mr. RUSH. Yes, sir.

Mr. YATES. If that is the committee's wish?

Mr. RUSH. Yes, sir.

Mr. YATES. Have you come to any decision at all whether it should be in cash or credit?

Is there an administration position on this?

Mr. RUSH. We have not come to that decision. We realize that much of it will be grant aid.

LOCATION OF ISRAEL'S BORDERS KEY TO DEFENSE

Mr. YATES. OK. I would like to ask Admiral Moorer a question.

Admiral, in your opinion, were the pre-1967 borders of Israel defensible borders for that nation?

Admiral MOORER. First, we should address the Golan Heights. I think it would be very difficult to defend without them. The Israelis would have to keep a large force on continuous alert with the old borders. The situation was such that the Syrians could shell the villages from the Heights. That is the reason the Israelis pushed them back, so this couldn't happen.

Mr. ROONEY. They killed so many fishermen in the lake—

Admiral MOORER. Yes, sir.

Mr. ROONEY [continuing]. They had no alternative but to get rid of that situation.

Admiral MOORER. ——. In the Sinai, here again what the Israelis are concerned about and have been concerned about is warning time. In other words, they seek a buffer zone in the Sinai so they cannot be surprised.

Mr. YATES. Suppose the Syrians had still occupied the Golan Heights and the Egyptians had occupied the entire Sinai Desert at the time this war had broken out? Israel did not engage in a preemptive strike but permitted the Arab nations to have the initiative and to attack first as they did when this war broke out. Would Israel have suffered great damage?

Admiral MOORER. Yes, sir. You are speculating, and I would speculate myself. ———.

Mr. YATES. ———.

Admiral MOORER. ———. Perhaps more than any other country, they draw down from their civilian population to mobilize. Twenty-five percent of the labor force is put into uniform when they mobilize.

U.S. AND U.S.S.R. SUPPLYING MODERN MATERIEL

Mr. YATES. The newspapers have reported that the Soviet Union has furnished the various Arab nations with the latest Soviet military equipment, most modern equipment. Have we done the same for the Israelis?

Admiral MOORER. I think to the same degree; yes, sir. That is a general statement and that does not mean that the Soviets have given them every modern weapon that they have. I think that we have done well by the Israelis in terms of modern weapons.

Mr. YATES. Have they requested weapons we have not given them?

Admiral MOORER. Yes, sir. In one or two cases, we did not satisfy their requests, in light of the opposition. But we have given them weapons ———.

Mr. YATES. Were we surprised by the excellence of the Soviet weapons as shown in this war?

Admiral MOORER. No, sir, I don't think so.

Mr. YATES. Had we known about the SAM missiles?

Admiral MOORER. Yes. We knew about the SAM 6 and how many SAM 6's they had. They had, as you recall, a missile belt west of the canal. They had a significant number of SAM 6's in Syria. Of course, when one develops electronic countermeasures for a system such as that, it is necessary first to see the system in action. ———.

Mr. MILLER. Would the gentleman yield?

At one point I understood two different versions. You had asked whether we were furnishing Israel the most sophisticated or the best weapons. I understood Secretary Clements to say he was going to ask for \$2.750 billion.

Mr. CLEMENTS. Yes, sir.

Mr. MILLER. You said some of the equipment that they have asked for was sophisticated ———. That is what I understood.

Admiral MOORER. That is correct.

Mr. MILLER. I understood Admiral Moorer to say, "Yes, we had furnished the very best."

Admiral MOORER. I said, as a general statement and in the light of the opposition. The Israelis have requested some of the most modern weapons that we have very few of. This is what Mr. Clements referred to ———.

Mr. YATES. He also said in response to my question when I asked him whether the Russians have given the most sophisticated weapons, he said they were saving some of theirs, too, and the weapons that the United States gave were comparable in nature to what the Russians had given. Is that correct?

Admiral MOORER. Yes, sir. In a general statement, my answer was yes.

Mr. PASSMAN. Mr. Yates, please proceed, because you yielded an awful lot of time over many meetings. I know that you have some important questions that you did want to ask.

ISRAELI MATERIEL SUFFICIENT FOR NEEDS

Mr. CLEMENTS. I want to comment here, Mr. Congressman. In my judgment, and I think Admiral Moorer and others in DOD would join me in this, none of the weapons that we have denied the Israelis have in any way hurt them in their capability to respond to their adversary. I don't believe so.

Mr. YATES. I would hope it would be true, but I hope it would help rather than hurt.

Admiral MOORER. That is what I meant by "in light of the opposition."

Mr. CLEMENTS. There has not been any negative factor so far as their capability to respond.

SOVIET REPLACEMENTS TO THE ARABS

Mr. YATES. Since the cease-fire has gone into effect, the newspapers report the Soviet Union has completely restored the military supplies that were lost in the war. Do you know whether that is correct?

Admiral MOORER. ———. We do know that they have supplied them large quantities of weapons. For instance, they have had ——— ships come out of the Black Sea and go to either the Syrian ports or Alexandria in Egypt. ———.

Mr. YATES. I read in the newspapers, as far as Syria is concerned, the Soviet Union had given them 1,000 T-62 tanks since the cease-fire, and that Syria was in a much better weapons position than she was in prior to the war.

Admiral MOORER. Well, in terms of modern tanks, they had the T-54, T-55, and T-62 at the outset. When the T-54's and 55's were lost—incidentally, these are the same kind of tanks the Soviets gave the North Vietnamese—the replacements, we think, were predominantly the T-62's. This is because probably the Soviets have exhausted all their rather old T-54's and T-55's. I don't think they are in production, whereas the T-62 is. On the other hand, in the actual combat between our M-60 and the T-62, with the Israelis, of course, operating the M-60, the M-60 has been a match for the T-62.

Mr. YATES. Suppose the Israelis were in the T-62?

Admiral MOORER. I think it is about the same quality vehicle either way.

ISRAEL'S CAPABILITY TO SURVIVE

Mr. YATES. The question in my mind is whether we have supplied the Israelis with the amount of equipment that would enable them to survive in the Middle East. It is only as a result of what the United States has been furnishing them to offset what the Soviets have been giving the Arab States that the Israelis have been able to survive. Is that correct?

Admiral MOORER. Of course, as Mr. Clements said, we have been the only source of equipment for the Israelis during the current conflict.

I think your question has to be viewed in terms of whether or not at the moment the Israelis could be overrun. I say no.

———. On the other hand——

Mr. YATES. Is that because of their position strategically or because of the weapons?

Admiral MOORER. It is a combination of the fact that we have given them good weapons and the fact, as you say, they are not only fighting men, but highly trained fighting men. That is one of the key differences. The Israelis cannot——

Mr. ROONEY. And women.

Admiral MOORER. Yes, sir.

Mr. ROONEY. We had a debate on allowing two Iranian boys to go to the Naval Academy at no expense to the American taxpayers. One of the reasons advanced to vote against this resolution was that they didn't permit women's lib in Iran.

Admiral MOORER. Were they serious?

Mr. ROONEY. That is the reason I am telling you that.

Admiral MOORER. The problem for the Israelis is that to them, any war is a war of survival, whereas the Arabs can attack and withdraw and come back again. This is really the problem.

§2.2 REQUEST DEEMED SUFFICIENT

Mr. YATES. The Israelis, as you say, requested \$2.75 billion in equipment. You have lowered that to \$2.2. Will the figure that you agreed upon permit the Israelis to maintain their strength?

Admiral MOORER. In my view, yes, sir. The evaluation will be made on the basis of providing to them this capability which——

Mr. YATES. Capability to retain its strength?

Admiral MOORER. Yes, sir.

Mr. YATES. If it were not, it would be like throwing a drowning man 50 feet away a rope 25 feet long?

Admiral MOORER. That is right.

Mr. YATES. Thank you.

ARAB MISSILE CAPABILITY

Mr. CHAPPELL. Is the SAM-7 the man-carried antiaircraft gun?

Admiral MOORER. That is the little heat seeker. We have a similar weapon called Redeye. The SAM-7 was first encountered by us in Vietnam just before the cease-fire agreement. It is a hand-held weapon, relatively short range. The Soviets make these things in copious quantities.

The Syrians were reported to be firing them in clusters at the Israeli aircraft which were coming down to very low altitudes, particularly during the time the Israeli's were trying to prevent the Syrians from penetrating into the Golan Heights because the Israelis, in fact, use aircraft as artillery.

In addition to the SAM-6 the Syrians, as well as the Egyptians, had the ZSU-23, which is a cluster machinegun, and the SAM-7 to which you referred.

Mr. CHAPPELL. Were they effective?

Admiral MOORER. They were effective. I have seen several pictures of the aircraft hit, and——.

In the case of the Phanton, they ——.

Mr. CHAPPELL. What is the best counter vehicle to this?

Admiral MOORER. ——.

OFFENSIVE ABILITY OF ISRAELIS

Mr. CHAPPELL. Did we furnish something that was comparable to this weapon to the Israelis? Do we have anything similar?

Admiral MOORER. We have something.

Mr. CHAPPELL. The Redeye?

Admiral MOORER. Yes, sir.

Mr. CHAPPELL. It does the same thing?

Admiral MOORER. Yes, sir.

Mr. CHAPPELL. Did we furnish some of those?

Admiral MOORER. No, sir, we did not. The Israelis did not need the Redeye because they had air superiority.

Mr. CLEMENTS. In our judgment we think our weapon is better than the SAM-7.

Mr. CHAPPELL. It is a heat seeker, too?

Admiral MOORER. Yes. As I already said to the committee before you came in, the Syrian aircraft as well as the Egyptian aircraft were very ineffective. As a matter of fact, in air-to-air combat, only —— Israeli aircraft were shot down; whereas, the Israelis shot down —— Syrian and Egyptian aircraft.

The Egyptians and Syrians use their tanks primarily. For defense against tanks they use antitank weapons. What I am saying is that the Israelis did not have anything like the requirement for surface-to-air missiles as did the opposition because of the fact that each side uses aircraft differently.

Mr. YATES. Will the gentleman yield?

Mr. CHAPPELL. Yes.

AIRCRAFT SUPPORT STILL NECESSARY

Mr. YATES. In view of what Congressman Chappell has been asking you and in view of the experience of the Israeli aircraft in attacking the Egyptians and the results of the success of the SAM-6 missile, haven't we almost reached the day when close support by aircraft of infantry is a thing of the past?

Admiral MOORER. No, sir, absolutely not.

Mr. YATES. I thought the SAM-6 missiles kept the Israelis away from attacking the Egyptians' armor?

Admiral MOORER. You must look at this in terms again of attrition, and this was the case at the outset. Toward the end, the Israelis succeeded in inactivating most of the SAM launchers, and consequently, their aircraft attrition went down.

That is really the procedure you usually go through in an air battle.

For instance, last winter when we were bombing Hanoi with B-52's, the losses were relatively high at first and then every day they became less and less because of the fact we were at the same time suppressing the defense. So I can't agree with that supposition.

SUPERIORITY OF ISRAELI MILITARY

Mr. CLEMENTS. In the salient that was driven across the canal by the Israelis, they obtained the complete air superiority Admiral Moorer is talking about by suppressing the missiles, and for the rest of the time they enlarged that salient and occupied the position of advantage they did through their air superiority.

They had absolute control of the air over that west bank salient.

Mr. CHAPPELL. You are developing the A-10 for close ground support; that is the purpose of that aircraft?

Mr. CLEMENTS. That is right.

Mr. CHAPPELL. What is its status?

Mr. CLEMENTS. It is moving forward.

Admiral MOORER. With that aircraft we can test and refine and so on. Mr. Clements has set up development milestones and it is moving right along.

Mr. CHAPPELL. You didn't have anything you furnished the Israelis that would test this type of approach, did you?

Mr. CLEMENTS. No, sir, we didn't because the A-10 to which you refer has gone through the prototype stage, and we are now in the limited development stage. We will end up with somewhere between 6 and 10 planes, which we will take through another evaluation before we go into full-scale production.

So we are not really at that point yet.

I would comment, Congressman Yates, that the prominence of the Israelis in this war has certainly proved that our weapon systems generally were of a quality that is superior to the Soviets', and it further proved that the quality of Israeli personnel is far superior to that of their opponents.

So you combine the quality of their personnel with the advantage of quality of weapon systems that we furnished them, and they actually started off on at least a 3-for-1 disadvantage so far as sheer numbers of weapons were concerned, and yet they did a beautiful job.

SUPERIOR AIRCRAFT PRODUCED

Mr. YATES. What does a Phantom cost? When you sell a Phantom to the Israeli, what does it cost?

Mr. RUSH. \$4.3 million.

Mr. YATES. This differs from the F-14 and F-15, doesn't it?

Mr. RUSH. That is right.

Mr. YATES. They are going to be about \$15 million?

Mr. CLEMENTS. Not exactly. The latest buy will have a unit cost of something like \$11 million or \$12 million.

Admiral MOORER. I point out that we bought 4,000 Phantoms and we are authorized about 184 F-14's and 77 F-15's right now.

Mr. CLEMENTS. I would point out that the mission here is completely different, and the capability of the F-14 is far superior to the F-4, and that kind of a factor would be equivalent to a 4 for 1 factor.

In other words, one F-14, so far as effectiveness is concerned, is the equivalent of about four Phantoms. So it is a very cost effective weapon if you just measure it by dollar costs alone.

Mr. YATES. Can't the F-14 be shot down as an F-4 was?

Mr. CLEMENTS. The 14 or 15?

Mr. YATES. Either.

Mr. CLEMENTS. Be what?

Mr. YATES. Shot down by the infantryman with the SA-7?

Mr. CLEMENTS. If it gets close enough and under the right circumstances and the right guy is firing the SA-7 missile, it conceivably can be. But I would point out to you, sir, there are countermeasures that can be taken.

AIRCRAFT REDESIGN NECESSARY

Mr. MILLER. Speaking of the A-10, ———.

Admiral MOORER. That is what I was referring to when I said ———.

Mr. MILLER. Is it being done on any other fighter?

Admiral MOORER. ———.

LIMITATION OF FMS REPAYMENT TERMS

Mr. YATES. Does the existing legislation permit the Congress or the executive branch to set the time for payment under foreign military credit sales?

Mr. RUSH. Yes.

Mr. YATES. Can you make it as long as you want?

Mr. CLEMENTS. Ten years would be the normal maximum term under the Foreign Military Sales Act, but we said that Senator Jackson's amendment on the DOD Appropriation Authorization Act for fiscal year 1971 was open ended on payment terms and we extended a 25-year credit to Israel under that law.

Mr. YATES. Is that still operative or operative only for that particular year?

Mr. RUSH. Let me answer your question.

It is not 10 years. The bill as we have drafted it allows the President to set the terms himself. So he can give whatever terms are needed.

Mr. YATES. May I have an answer to my other question?

Was the Jackson amendment applicable only to the purchases for that year or still operative for future purchases?

Mr. CLEMENTS. The authorization is still on the book but it is not being used at the moment.

Mr. YATES. Can it be used? It is on the book. Is it usable?

Admiral MOORER. There is an authorization, but no appropriations are available.

Mr. YATES. If there is an authorization the Appropriations Committee can use it then.

Mr. RUSH. If we have the appropriations, yes.

Mr. YATES. Thank you, sir.

Mr. PASSMAN. Thank you, Mr. Yates and Mr. Miller.

FUNDS AVAILABLE TO ISRAEL

Mr. PASSMAN. Could you please tell the committee, Mr. Clements, what funds are presently available to supply equipment to Israel and in what amounts?

Mr. CLEMENTS. Under the "quarterly rate" restriction of the continuing resolution, \$100 million could be made available for FMS credits to Israel by postponing credits for other countries. No other

funds are presently available to supply equipment to Israel on or after October 6, 1973. While approximately \$220 million of fiscal year 1973 and prior credits remained undisbursed as of September 30, 1973, all of this was committed to purchases made by Israel prior to June 30, 1973.

Mr. PASSMAN. What funds have been allocated to Israel under the continuing resolution?

Mr. CLEMENTS. No funds have yet been allocated to Israel under continuing resolution authority.

UNDELIVERED BALANCE

Mr. PASSMAN. What is the undelivered balance presently credited to Israel? Please break that down into cash and credit sales totals.

Mr. CLEMENTS. Approximately \$720 million was undelivered to Israel as of October 6, 1973. Of that amount, \$220 million was financed from credit and \$500 million was financed under cash sales procedures.

Mr. PASSMAN. Is it correct to say that the United States is now only providing cash and credit sales to Israel and no grants have yet been made?

Mr. CLEMENTS. Yes. This is a correct statement.

FISCAL YEAR 1974 FUNDS FOR ISRAEL

Mr. PASSMAN. What are the total funds you have obligated in fiscal year 1974 for Israel? Please break that down into cash and credit sales totals.

Mr. CLEMENTS. No funds have been obligated in fiscal year 1974 for Israel. The USG has sold defense articles and services to Israel totaling \$228 million prior to the outbreak of hostilities. Since the outbreak of hostilities on October 6, 1973, upward of \$1 billion of defense articles and services have been approved for sale to Israel. Payment for items sold since October 6, 1973, are in accordance with the terms of the letters of offer and acceptance which provide for payment 120 days after delivery.

AUTHORIZATION USED

Mr. PASSMAN. Is the authority you have used to make these obligations section 21 of the Foreign Military Sales Act where a cash sale can be made to a country and they have up to 120 days to pay for the sales?

Mr. CLEMENTS. That is correct.

NEED FOR PROMPT ACTION

Mr. PASSMAN. Is it the intention of the administration to use the funds requested by this budget amendment to provide Israel with the funds to pay for these cash sales?

Mr. RUSH. Yes.

Mr. PASSMAN. Since you have this 120 day cash authority, the Congress does not have to rush through with this request, is that correct?

Mr. RUSH. We recognize that the Congress must give careful consideration to a matter of this importance. We are hopeful, however,

prompt action will be possible. The Israeli obligation to us is large and poses serious uncertainties in Israeli fiscal planning as well as our own.

ISRAEL'S ECONOMIC CONDITION

Mr. PASSMAN. What is Israel's recent economic condition and what is the balance of her foreign exchange account?

Mr. RUSH. The Yom Kippur war caused a big reduction in Israeli industrial production as much of the manpower (25-30 percent of the labor force) was mobilized for the war effort. This had a negative effect on exports and necessarily led to increased imports for some essential items. Civilian transportation was disrupted as available trucks were used to supply the army at the front. The Government had to import on an urgent basis 2,500 trucks at a cost of \$90 million. The war zone in the Red Sea effectively shut down the port of Eilat to exports and imports.

While it is still early for us to have a completely accurate picture of the condition of the economy, reports already in indicate that the economy has demonstrated its staying power during the crisis and the return to normal is moving better than what we might have expected. One Israeli estimate puts the loss of civilian production due to the war at \$450 million. However, exports during October 1973 were down only 17 percent from the figure for last year (\$86 million during the war month compared with \$103 in October 1972). This is a surprisingly small drop, even when allowing for an expected 10 percent growth from 1972 which was not realized. Nearly the entire decrease could be explained in terms of a \$6 million loss in diamond sales and \$20 million in loss of foreign exchange from tourism.

Mobilization of manpower for the war effort mostly affected production. Agricultural production and exports remained at nearly full capacity during the war and there was no food rationing. About 180,000 workers were mobilized to operate essential industry during the war, which operated at about over 95 percent capacity. The situation has improved as workers are returning to their jobs. Other industry, operating at about 50 percent of capacity during the first week of the war when mobilization reached its peak, is now operating at about 70 percent capacity. The construction industry, which had failed to 25 percent of capacity during the war, is reported to be operating at 40-50 percent capacity now.

The Government has announced price increase on a large number of consumer goods under price control but exempted basic food items, some traditionally subsidized in order to protect the poor. The price of foods such as frozen red meat and rice have risen 50 percent. In addition, the import surcharge has been increased from 20 to 25 percent and the purchase tax to a flat 5 percent on most items. Customs duties on certain luxury items have been raised 20 percent. The Government hopes thereby to raise revenue and curb spending on imports to save foreign exchange. However, these measures will surely add to the already high rate of inflation which was reported to be 22.4 percent for the 12 months preceding the war. Israel's present foreign debt is about \$4 billion, over \$1,200 per capita, one of the highest in the world. Israel's GNP is estimated for 1973 at \$8 billion. Annual debt service has been estimated at \$700 million for 1973 (about 9 percent of GNP).

Ninety percent of the debt is long term and 75 percent represents long-term Government of Israel obligation. Israel bonds constitute 30 percent of the total, at an average interest rate of 4.3 percent and an average maturity of 14.7 years. Whereas 60 percent of the bonds (20 percent of the total debt) is expected to be cashed in Israeli currency. Israel bonds are not a serious drain on Israel's foreign exchange.

The foreign debt is owed primarily to the following:

	<i>Millions</i>
1. U.S. Government (\$845,000,000 in FMS).....	\$1,186.0
2. Israel bonds.....	1,335.0
3. West Germany.....	447.0
4. World Bank.....	93.0
5. IMP.....	32.5
6. Banks, suppliers, and other loans.....	865.5

At the end of October 1973 the Bank of Israel had the following foreign exchange assets:

	<i>Millions</i>
Foreign exchange.....	\$1,735
Gold.....	46
SDR.....	34
IMF gold quota.....	39
Total.....	1,854

Foreign exchange reserves have risen due to the great increase in contributions from abroad and Israel bond sales which have risen faster than spending for imports. Over the long run the Government should be able to cover imports of goods and services from this capital inflow. However, this will depend to a large extent upon the degree to which emergency imports of defense items require servicing of new foreign debts.

Mr. PASSMAN. Is the executive branch requesting authorization for the entire \$2.2 billion?

Mr. RUSH. Yes.

NEED FOR REQUEST

Mr. PASSMAN. What if the Congress does not provide the funds for Israel you are now requesting? Are there any funds which can be used for Israel? Would Israel be in default at the end of a 120-day period because she would not be able to pay for these cash sales?

Mr. CLEMENTS. Under the "quarterly rate" restriction of the continuing resolution, \$100 million could be allocated for credits to Israel by postponing credits for other countries. There are no other funds which can be used for Israel to pay for materiel delivered since October 6, 1973. Without financial assistance, Israel faces severe problems in paying for the materiel provided. The more than \$800 million debt accrued so far will have to be paid off in the very short period of February-March 1974. If we do not provide Israel financial assistance, there is a possibility of default in these payments. If she defaults, our military departments may not be reimbursed for millions of dollars in costs already incurred. In turn, ongoing contracts with U.S. defense industry may have to be canceled at considerable cost and inconvenience. Finally, Israel may not be able to obtain additional equipment urgently needed.

TOTAL CREDIT AND CASH SALES TO ISRAEL

Mr. PASSMAN. Could you please tell the committee the total credit sales that have been provided to Israel and the amount that has not yet been repaid?

Mr. CLEMENTS. A total of \$1,408.4 million of credits have been provided to Israel; a total of \$1,195 million has not yet been repaid. However, Israel is current on all of her payments at this time.

Mr. PASSMAN. When did we start supply credit sales to Israel?

Mr. CLEMENTS. The first credit agreement with Israel was made in fiscal year 1959.

Mr. PASSMAN. Please also tell the committee the total military cash sales that have been made to Israel and the amount that Israel has yet to pay?

Mr. CLEMENTS. A total of about \$770 million of military cash sales were made to Israel prior to October 6, 1973; Israel has yet to pay about \$500 million for these sales, however, they are not in default of any payments at this time.

Mr. PASSMAN. When did we start a cash sales program to Israel?

Mr. CLEMENTS. The first cash sale was made to Israel in 1953.

REPAYMENT RECORD

Mr. PASSMAN. Is it not true that Israel is current in all her repayments, cash and credit, at this time?

Mr. CLEMENTS. It is true, Israel is current in all her repayments, cash and credit, at this time.

OBLIGATIONS AGAINST \$2.2 BILLION

Mr. PASSMAN. In a press release, the President indicated that during the first 12 days of the conflict the United States authorized shipments to Israel of material costing \$825 million. Could you tell the committee under what authority these shipments were authorized and also what part of the \$825 million will count against the \$2.2 billion request before us now?

Mr. CLEMENTS. The authority for making these shipments is the Foreign Military Sales Act, as amended, chapter 2, sections 21 and 22.

All of the estimated \$825 million will count against the \$2.2 billion request.

Mr. PASSMAN. Could you please tell the committee what total obligations have now been made that will eventually count against the \$2.2 billion request?

Mr. CLEMENTS. All of the approximately \$825 million in defense articles and services already sold to Israel since October 6, 1973, will count against the \$2.2 billion request.

Mr. PASSMAN. Of these total obligations, what has actually been delivered and what remains to be delivered?

Mr. CLEMENTS. No Government funds have been obligated in fiscal year 1974 for Israel. So far the U.S. Government has provided military articles and services totaling \$228 million prior to the outbreak of

hostilities. Subsequent to that, upward of \$1 billion in articles and services have been made available. To date this material is for cash with payment 120 days after delivery or performance of the service.

EQUIPMENT TO BE PROVIDED

Mr. PASSMAN. Please tell the committee what equipment will be provided to Israel with the \$2.2 billion? Provide a complete shopping list showing equipment description, cost, number to be provided, total cost of similar items, and so forth.

Mr. CLEMENTS. Total details as to the equipment to be provided to Israel with \$2.2 billion are not known at this time. There are many mixes of equipment and supplies that could be allocated for replacement and long-term defense modernization. This information will be sent to you as soon as it is developed.

Mr. PASSMAN. What equipment has already been sent to Israel?

Mr. CLEMENTS. The items shown on the attached list have either been sent to Israel or are in the process of being shipped to Israel. [The classified list was presented to the committee.]

Mr. PASSMAN. Can some equipment that has been provided prior to the conflict but which has not yet been delivered have their delivery dates accelerated? How much is involved here?

Mr. CLEMENTS. Some equipment purchased prior to the conflict has been provided on an accelerated delivery basis.

Approximately \$38.8 million is involved here and is a part of the \$825 million estimate of the total materiel authorized for delivery to Israel at this time.

Mr. PASSMAN. Does the \$2.2 billion request take the place of the previous fiscal year 1974 request for credit sales to Israel before Congress now or are you still asking for the previous credit sales amount of \$300 million?

Mr. CLEMENTS. No. The \$2.2 billion is needed over and above the \$300 million presently before Congress.

BREAKDOWN OF REQUEST

Mr. PASSMAN. What part of the \$2.2 billion request will be spent on transportation and handling of equipment and what part will be spent for actual equipment?

Mr. CLEMENTS. It has not yet been determined what will make up the \$2.2 billion. However, upward of \$1 billion of material has already been approved. Since a large part of these items already shipped were on an emergency basis they were shipped by air. Thus charges for transportation constitute a somewhat higher cost, that is, of the approximately \$825 million of equipment already delivered or in the process of delivery, \$42 million is for the cost of the airlift. In addition, there is a substantial amount of sealift underway. We do not yet have a firm pricing for the sealift portion.

Under normal conditions pricing procedure will provide for the charging of all direct and indirect costs including those for the use of the DOD logistics system. These include labor, materials and services in preparing material for shipment from storage or distribution points; inland and transportation costs; port loading and unloading costs; and, supply distribution costs incurred at locations outside the

United States in anticipation of support of other authorized customers. In addition DOD nonrecurring costs associated with the research, development, and production of major defense equipment are recovered.

SOURCE OF U.S. EQUIPMENT

Mr. PASSMAN. Where is the United States getting the equipment she is now providing Israel?

Mr. CLEMENTS. Because of the extreme urgency of the situation most of the materiel Israel is getting has had to come from Department of Defense stocks. In some cases it has come from inventories of Active and Reserve units.

NEED FOR ADDITIONAL DOD FUNDS

Mr. PASSMAN. Will the funds requested be used to replace these items in our Armed Forces or will additional funds be requested by the Department of Defense? If so, how much will be requested by DOD?

Mr. CLEMENTS. While \$2.2 billion has been requested for support to Israel, in some cases older equipments which have been furnished from inventory at prices reflecting their market value will be replaced by new models at higher costs and the Department of Defense must have funds to cover this price differential in order to replace such material. Additionally, it has been determined that the readiness of U.S. forces as well as mobilization reserve stocks need improvement. We are currently studying these requirements and would plan to request supplemental fiscal year 1974 funds to meet the most urgent needs in these areas. Final decisions with respect to these budgetary needs have not yet been made.

Mr. PASSMAN. When the equipment is replaced in our Armed Forces, will it be replaced by the same equipment or will updated equipment be used for replacement costing much more than if a strict replacement policy were followed? Also, when the equipment is replaced, what cost will be charged against the program, the amount of what the equipment sent to Israel cost at the time of purchase or the amount the equipment costs now?

Mr. CLEMENTS. As I have indicated, in some cases older equipments which have been furnished from inventory to Israel at prices reflecting their market value will be replaced by new models at higher costs, and the Department of Defense will need some additional money to cover the difference between sales proceeds and replacement costs.

Mr. PASSMAN. It is also indicated in the President's press release that if funds are not absolutely required they would, of course, not be expended. Could you tell the committee how much of the \$2.2 billion request is presently firmly allocated to specific items of equipment and how much is just a shot in the dark?

Mr. CLEMENTS. Thus far, the estimated costs for specific items of equipment and supplies authorized for Israel since October 6 have amounted to about \$825 million.

Israel has indicated requirements for military equipment which totals nearly \$3 billion. We are now scrutinizing these requirements and it may well be that the United States should provide specific items of equipment and supplies for a total value of slightly in excess of \$2 billion.

NEED FOR SPECIAL LANGUAGE

Mr. PASSMAN. In House Document 93-168 (document that transmitted the budget amendment), the following language is requested to be included in the appropriation bill:

"Any part of any funds appropriated by this act used to furnish military assistance shall be accounted for in accordance with section 108 of the Mutual Security Appropriation Act, 1956 (69 Stat. 438), as amended."

Could you tell the committee the need for this language and the meaning of it?

Mr. CLEMENTS. The language to which you refer in the budget estimate relates solely to the use of the requested appropriations to furnish military assistance and not to their use for financing foreign military sales credits. This language supplements the first sentence of section 3 of the proposed Emergency Security Assistance Act of 1973 (H.R. 11088), which states that "military assistance financed out of funds appropriated under section 2 of this act should be furnished in accordance with all the provisions applicable to military assistance under the Foreign Assistance Act of 1961 . . ." The funds appropriated under the Foreign Assistance Act of 1961 for military assistance are required by section 108 of the Mutual Security Appropriations Act, 1956, as amended, to be accounted for in the manner specified by that section. Since the funds requested for military assistance in the budget estimate are not being appropriated under the authority of the Foreign Assistance Act but nevertheless are to be utilized in accordance with the provisions of the Foreign Assistance Act relating to military assistance, it was thought advisable in drafting the budget estimate to avoid any ambiguity as to whether section 108 of the Mutual Security Appropriations Act, 1956, as amended, was applicable to those funds. Clearly, all funds used for military assistance in accordance with the provisions of the Foreign Assistance Act of 1961 should be accounted for on a uniform basis.

It should also be noted that as a consequence of the application of section 108, the Secretary of Defense is thereby required to furnish quarterly reports to the Congress of items to be delivered against appropriations under the budget estimate which are used for military assistance and also quarterly reports on a delivery basis of all military assistance furnished with such appropriations.

Mr. PASSMAN. If the committee should decide to include the military assistance requests under the regular bill and under the existing military assistance account, then is it true this language would not be needed?

Mr. CLEMENTS. That is correct.

Mr. PASSMAN. In House Document 93-170 (document that transmitted the legislative authorization), the following language is suggested to be included in the authorization bill:

Sec. 3. . . . Foreign military sales credits extended to Israel out of such funds shall be provided on such terms and conditions as the President may determine and without regard to the provisions of the Foreign Military Sales Act (82 Stat. 1320; P.L. 90-629), as amended.

Sec. 4. At any time prior to June 30, 1974, the President is hereby authorized, within the limits of funds appropriated under section 2 of this Act for Israel, to release Israel from its contractual liability to pay for defense articles and defense services purchased or financed under the said Foreign Military Sales

Act or under this Act during the period beginning October 6, 1973, and ending June 30, 1974, and such funds shall be used to reimburse current applicable appropriations, funds, and accounts of the Department of Defense for the value of such defense articles and defense services.

Could you give the committee a detailed explanation of the need and purpose of this language?

Mr. CLEMENTS. Yes, sir. First with regard to section 3, various provisions of the Foreign Military Sales Act are inconsistent with the purposes and the language of the emergency security assistance request. For example, the amount requested for possible FMS credits for Israel is far in excess of the worldwide ceiling on FMS credits and guaranties applicable to fiscal year 1973 operations under the Foreign Military Sales Act and which is likely to be applicable under the fiscal year 1974 foreign aid bills now in conference. Similarly, it is anticipated that the terms of FMS credits to Israel under the proposed Emergency Security Assistance Act will need to be considerably softer than those which are likely to result from conference action on the pending foreign aid bills.

Second, there are two basic reasons for requesting the authority under section 4 to release Israel from its debt obligations. First, between the period beginning October 6 and ending on the date of enactment of the proposed Emergency Security Assistance Act, a substantial amount of equipment will have been delivered to Israel pursuant to the foreign military sales contracts which obligate Israel to pay for such equipment. As we interpret the Foreign Assistance Act, the provisions of which are incorporated by reference in section 3 of the proposed legislation with respect to grand aid, we would not have the authority to turn back the clock and change our books to show that these completed transactions were grant aid from the beginning. The purpose of section 4 is to enable us to achieve a comparable result by releasing Israel of its contractual liability. Second, we may not be in a position on the date of enactment to make an accurate assessment of Israel's ability to repay foreign military sales credits. Section 4 would enable us to postpone that decision until the end of the fiscal year. That is to say, we could utilize the appropriations under the proposed legislation for foreign military sales credits on a preliminary basis in order to reimburse the military departments for the equipment furnished, then proceed to observe and analyze the situation in the Middle East, and ultimately, based on that analysis, retroactively determine what part of the credits Israel was able to pay and what part should be treated as equivalent to a grant.

U.S. PERSONNEL SENT TO ISRAEL

Mr. PASSMAN. A newspaper article indicated that American military supply personnel have been sent to Israel, mainly unloading teams and communications specialists. How many American personnel, military and civilian, have been sent to Israel since the conflict began?

Would you also list the number of personnel and the area of their expertise and indicate why is the United States sending any Americans to Israel especially "communications specialists"?

Are some of these people acting in an advisory role?

The article also indicates that some air reservists have been called up to help in the flights providing equipment. Could you tell the committee how many reservists have been called up?

Mr. CLEMENTS. The newspaper article you refer to apparently concerns an Airlift Control Element which was sent to Israel to control, receive, and assist the Military Airlift Command aircraft hauling supplies. An Airlift Control Element is an integral part of any airlift. At its maximum, this element numbered 34 personnel. Among them were 16 communications specialists who operated the around-the-clock ground-to-air communications network necessary to the airlift. There were no Department of Defense or Department of Defense-sponsored personnel in Israel at any time in an advisory role. At any given time, there are a number of aircrew reservists in the Military Airlift Command system who are called up to get flight training and maintain technical proficiency. During the main surge of the airlift there were about 200 more C-141 aircrew reservists on active duty than usual. The number of C-5 aircrew reservists on active duty was about normal. These reservists may or may not have participated in a flight or flights to Israel. Since crews are often mixed, regular and reservists, it would take some time to sort out that information.

In addition to the Airlift Control Element, military and civilian personnel were sent on temporary duty to Israel since the start of the hostilities, as follows:

(1) Two enlisted men to the U.S. Defense Attaché Office to help that unit maintain a 24-hour-a-day operational capability.

(2) About 20 civilian technicians, one a Department of the Army employee and the remainder civilian industry employees, to provide normal contractor support to assist in the receipt of equipment which was new to the Israelis or slightly different models from that contained previously in their inventories.

U.S. COMMITMENT

Mr. PASSMAN. Does the United States have a formal treaty with Israel?

Mr. RUSH. The United States has no commitment, secret or otherwise to send American forces to Israel's defense in any circumstances. There is no mutual defense treaty, agreement, or arrangement of any nature committing the United States to take actions of any kind in response to Israel military or defensive needs.

Mr. PASSMAN. What sort of commitment does the United States have with Israel?

Mr. RUSH. U.S. Presidents over a quarter of a century have affirmed our commitment to the survival of Israel. This was stated most recently by President Nixon in his address to Congress June 1, 1972, when he said, "I reiterated (to the Soviet leaders) the American people's commitment to the survival of the State of Israel and to a settlement just to all the countries in the area."

THIRD COUNTRY AID TO ISRAEL

Mr. PASSMAN. Could you tell the committee if any other country is providing assistance to Israel.

Mr. CLEMENTS. There is no information to indicate that any other countries besides the United States provided assistance directly to Israel. —

OIL SITUATION

Mr. PASSMAN. Because of our current policy of supplying arms to Israel, certain Arab countries have reduced their oil production and some have cut off all oil supplies to the United States. What is the United States going to do if it is faced with large oil shortages in the future?

Has the United States thought of modifying its approach to the Israel situation?

Western Europe and Japan would greatly suffer with the oil production cutbacks. Have these countries taken steps against the United States in order to get us to modify our position?

Mr. CLEMENTS. During the recent Middle East conflict, all the Arab oil producing countries announced an embargo on any direct or indirect oil shipments to the United States until progress is achieved in obtaining Israel's withdrawal from territories occupied in the 1967 war, including East Jerusalem, and there is a restoration of the legitimate rights of the Palestinians. It is estimated that the short-run effect of this action will be to reduce U.S. consumption from 17.5 million barrels per day to about 15 million barrels per day. In view of the impact on U.S. energy requirements, President Nixon presented messages on November 7 and 25, which are followups to earlier messages to Congress setting forth a detailed program to conserve energy and to reach a high level of self-sufficiency at the earliest possible time.

U.S. policy in the Middle East, as the President has said, is neither pro-Arab nor pro-Israel but pro-peace. U.S. policy in the Middle East, therefore, will be determined not by energy shortages but by those steps we believe will achieve a peaceful settlement in the Middle East.

Western Europe and Japan have also been affected as a result of cutbacks in production by Arab oil producers. While these countries have felt under pressure to make statements favorable to the Arabs, they have taken no steps against the United States seeking a modification of U.S. policy in the Middle East.

PRIVATE U.S. INVESTMENT IN MIDDLE EAST

Mr. PASSMAN. According to a recent magazine article, U.S. companies have about \$5 billion in direct investments in the Mideast. There have been some nationalizations of these holdings but I guess there is a good possibility of even more. Could you tell the committee what thinking has taken place with regard to this large investment and our present Mideast policy?

There are also indications that large investment opportunities exist in the Arab countries and U.S. firms have been successful in obtaining certain investment commitments in these countries. Are these investment opportunities that would greatly help our balance of payments and balances of trade going to be cut off now?

What are the answers to these very serious problems?

Mr. CLEMENTS. U.S. investment in the Middle East (outside of Israel) is largely in the petroleum sector. As the committee is aware, the international oil industry over the past several years has been affected by growing pressures among Middle East as well as other oil producing states to have greater control over the production and sale of their oil which is a nonrenewable resource. For the most part, such changes that have occurred in the position of the oil companies have been the result of negotiations between the governments of oil producing countries and concessionary companies. These negotiations have provided for a continuing role of the oil companies in the production, transportation and distribution of oil. In the conduct of U.S. Middle East policy, the United States has sought to protect this investment and where nationalization has occurred to assure that prompt and adequate compensation was paid.

Prior to the hostilities in the Middle East, there were a number of proposals made by various American and other firms regarding possible joint ventures in various Arab oil producing states aimed at meeting the objectives of Arab oil producers to diversify their economies and to make economic use of the large amounts of gas now being flared. These proposals, if implemented, would involve substantial investments by the Arab oil producing countries themselves to support their domestic industrial development. With oil revenues for certain Arab producers, particularly those in the Arabian Peninsula, exceeding the requirements of their economies, there has also been growing interest on their part and on the part of the industrialized countries to find investment outlets for this surplus capital. The extent of what is actually invested by these surplus revenue countries will depend on their assessment of the security of and potential return from these investments. Investments made by these countries in the United States could, depending on their size, assist our balance of payments in the short run although the income received from these investments would in the long run be a debit to our balance of payments. While discussions of potential investment arrangements have been temporarily interrupted as a result of the Middle East hostilities, it is expected that these will resume once tensions in the area subside.

GRANT AID

Mr. PASSMAN. When did the United States last have a grant military aid program with Israel?

Mr. CLEMENTS. The United States has never provided materiel to Israel on a grant aid basis.

AMOUNT OF EQUIPMENT SHIPPED

Mr. PASSMAN. What value is attached to the equipment we are now shipping to Israel?

Mr. CLEMENTS. Thus far, the estimated costs for equipment and supplies authorized for Israel since October 6 have amounted to about \$825 million.

DETERMINATION OF VALUE

Mr. PASSMAN. Who determines that the value should be the acquisition value and not actually the value it would cost to replace such equipment?

Mr. CLEMENTS. Pricing of sales of defense articles and defense services are in accordance with DOD instructions issued pursuant to authority contained in chapter 2 of the Foreign Military Sales Act, as amended, Public Law 90-629 to make sales of defense articles and services to foreign governments and international organizations.

The price of all nonexcess defense articles sold from stock (stocks or materials, supplies, and equipment held to meet the peacetime operational and the mobilization reserve requirements of the Armed Forces of the United States), except for such major items as complete ships, aircraft and missiles, space vehicles, and plant and production equipment, is the inventory standard price, or such a standard price reduced (1) when materiel is in long supply, or (2) when there is a determination by the inventory manager that there is an actual difference in utility or desirability of an item due to age, condition, or model.

With respect to such major items as complete ships, aircraft and missiles, space vehicles, and plant production equipment, prices charged are actual or estimated costs.

Sales of excess defense articles are priced not less than (a) the gross cost incurred by the United States in repairing, rehabilitating, or modifying such articles to the extent requested by the receiving government plus the scrap value, or (b) the market value, if ascertainable, whichever is the greater. If the market value is not ascertainable such value is computed at prescribed "fair value" rates (but the sales price shall not fall below the scrap value).

Packing, crating, handling, and transportation charges, port handling, and system use (administrative) charges are also recouped.

Israel is being charged inventory standard prices, adjusted as appropriate for age, condition, and model plus handling and administrative charges in accordance with established practices.

Mr. PASSMAN. By what authority is this determination made?

Mr. CLEMENTS. Pricing of sales of defense articles and defense services is in accordance with DOD Instruction 2140.1 which is approved and issued by the Secretary of Defense.

Mr. PASSMAN. Why don't we charge the actual cost it will take to replace the equipment?

Mr. CLEMENTS. Israel is being charged inventory standard prices, adjusted as appropriate for age, condition, and model, plus handling and administrative charges in accordance with practices established to comply with the congressional mandate.

The DOD instruction prescribing the pricing policies was promulgated pursuant to the statutory pricing requirements of the Foreign Assistance Act in force at the time the foreign military sales program was part of that act. Subsequently, the Foreign Military Sales Act was enacted as separate legislation, the executive branch assured the Congress that it would continue to abide by the same pricing policies.

Charging replacement costs rather than fair market value for used or aged equipment would not be entirely equitable and would not be in accordance with standard pricing policies which have covered costs of materiel previously sold to Israel and other countries.

Also, some items furnished are older or less sophisticated equipments which if procured at this time would be new and of labor models. In some instances replacement may be made with another type of item.

Mr. PASSMAN. Gentlemen, we have reached the point where every

member can have all of this time he feels he needs on any other questions he may want to ask.

COMPROMISE SEEN ON PRESIDENT'S AID FLEXIBILITY

Mr. ROYBAL. There is one particular point I think has to be clarified. Under the bill that you propose the President sets the terms. He also determines the amount that is to be in grant-in-AID sales. That is in the bill quite specific; is it not?

Mr. CLEMENTS. That it is his option?

Mr. ROYBAL. Yes.

Mr. CLEMENTS. That is correct.

Mr. RUSH. "Military sales extended to Israel shall be provided on such terms and conditions as the President may determine and without regard to the former military sales law."

Mr. ROYBAL. It means the President then doesn't have to really do it for 10 years or 25 but can do it for 40 if he wants it?

Mr. RUSH. He could, yes, or 100.

Mr. ROYBAL. He can also say \$2.2 billion be grants?

Mr. RUSH. Yes.

Mr. CLEMENTS. We have discussed this at great length in DOD as well as State, Secretary Rush and Dr. Kissinger, as well as at the White House through the NSC committee work. We really in a very real sense make this recommendation to this committee that it give to the President this degree of flexibility.

Mr. ROYBAL. But that is a blank check.

Mr. CLEMENTS. Under the circumstances of what we are trying to achieve in this general area that goes far beyond the aspects of Israel, Syria, Egypt, and overlaps into the Saudi Arabia energy supply and everything else. We would really plead with you to give him this flexibility. I think it is needed personally.

Mr. ROYBAL. This committee will not know before they pass the bill what they are voting on. It is just a blank \$2.2 billion to be given to Israel under terms to be determined at some future date by the President.

Mr. RUSH. Of course if as a grant aid it is automatically given.

Mr. ROYBAL. But you don't know?

Mr. RUSH. We don't know.

Mr. CHAPPELL. Mr. Chairman.

Mr. PASSMAN. Mr. Chappell?

U.S. EFFORTS TOWARD ARAB COUNTRIES

Mr. CHAPPELL. Mr. Secretary, what are we doing, if anything, with the Arab countries to undermine the influence of Russia in their efforts to keep them wed totally to the Russians?

Mr. RUSH. We have been maintaining continuous communications with the Arab countries. We have tried to help them, make them feel we are their friends.

We have offered, as you know, to sell F-4's to Saudi Arabia. But we have given aid to Jordan and to Saudi Arabia. None of the equipment, I might say, we have supplied have been used in this hostility.

The battalion or brigade that was put by Jordan into Syria was largely supplied with British equipment. But we have been trying very assiduously to maintain good relations with the Arab countries.

I think the effects of this and the fact they do trust us is evidenced by the recent exchange of notes with Egypt where we agreed to open diplomatic relations within a short period of time.

MR. CHAPPELL. What is determined to be Sadat's attitude toward this country, realistically, at this time?

MR. RUSH. I think his attitude is one of desiring friendship with this country.

MR. CHAPPELL. Are you satisfied that we are doing everything we can to bring the Arab countries closer to us and therefore enhance our possibility of ridding that area of the world of the Communist influence?

MR. RUSH. All I can say there is this: We, of course, are the staunch friend of Israel. In the height of that relationship and the fact that we supply the equipment to Israel that she needs and help her in other ways, we also want to be friendly with the Arabs and want very much to bring about a peace in the Middle East.

We are not doing everything we could with the Arabs, obviously. If we did that, we would no longer be a friend of Israel. We are in the light of the circumstances trying as best we know how to maintain a friendly relationship with the Arab countries and are doing our best to have them communicate with us.

They communicate with us directly, not through Russia. This communication, as I say, has led to the cease-fire. It has led to overcoming difficulties since the cease-fire has arisen. It has led to the announcement of the resumption of diplomatic relations with Egypt within a brief period of time.

The Secretary had a very friendly reception as he went to Saudi Arabia. I feel that the Arabs are increasingly convinced that we have the interest of all the parties at heart and really want to help them and are worthy of trust in helping them bring peace to the Middle East.

UNITED STATES HAS RESERVOIRS OF ARAB GOOD WILL

MR. CLEMENTS. I want to comment further on Secretary Rush's comments, and I agree with everything he said. But you cannot generalize when you talk about Arabs.

When you start talking in terms of Egypt, Syria, Jordan, Saudi Arabia, and Kuwait, each one of these areas as a country, is different, and you can't generalize about Arabs as such.

And the nuance of our relationship, the reservoirs of good will that exist in each of these areas differ greatly.

Historically, as an example, in Saudi Arabia we have a great reservoir of good will there — anxious that our relationship return to what he would —

The reason he is engaged to the extent that he is right now with Egypt in this war with Israel is because he is truly the spiritual leader of the Muslim world as the keeper of the holy places at Mecca and so forth. So he has a particular flavor to his situation that is different from any of the other areas.

And it is extremely important that we come back to him as Secretary Kissinger has been trying to do, and start rebuilding those

bridges and build that relationship back to what it was, because it is directly tied to our energy problem.

Mr. CHAPPELL. Sadat at one time tried very keenly to throw the Russians out of that area, didn't he?

Mr. RUSH. Yes, he did. And Sadat realizes that we are the one country that has the ability to help bring about a cease-fire. We are the one country that has the trust of Israel. We are the one country that can really help bring about territorial rearrangements that will be compatible with the needs of all the people.

That realization I think, plus I believe the increasing trust they have in our good will, shows promise of leading to successful peace in the Middle East.

ESTABLISHING DIPLOMATIC RELATIONS WITH EGYPT

Mr. PASSMAN. Mr. Secretary, have we reestablished diplomatic relations with Egypt?

Mr. RUSH. No. We have announced we intend to reestablish them within a short period of time.

Mr. PASSMAN. I thought the ambassadors had been named.

Mr. RUSH. The newspapers as usual got that incorrect.

Mr. PASSMAN. I wish I hadn't asked the question because I felt encouraged up to this point. What actually has transpired?

Mr. RUSH. We have announced we are going to reestablish diplomatic relations within a brief time. We have named a high-ranking Foreign Service officer, formerly an ambassador to Saudi Arabia, as head of our office in Cairo, and they have named someone in charge of theirs of high rank.

We have anticipated these men will become ambassadors once diplomatic relations are established within a brief time.

Mr. SHRIVER. We didn't have that before?

Mr. RUSH. No. We had an office.

Mr. PASSMAN. When do you think it will be finalized?

Mr. RUSH. I think in a short period of time.

Mr. PASSMAN. During this calendar year?

Mr. RUSH. Yes.

Mr. PASSMAN. I think it would improve our position in that part of the world a great deal.

Mr. RUSH. I would think it would, yes.

Mr. PASSMAN. Mr. Conte.

COST OF U.S. ARMS REPLACEMENT

Mr. CONTE. The U.S. arsenal, of course, is going to be depleted somewhat because of the arms we are sending to Israel. Those weapons, I assume, will be replaced. Have you any idea what it will cost us, considering the rise in cost and the reopening of production lines?

Admiral MOORER. We would want to replace essentially all that we have drawn from our stocks and shipped to Israel, and we would have to bear in mind that the replacement costs will exceed the acquisition costs to a significant degree in view of the inflation we have had.

So assuming the Department of Defense gets the benefit of the money that is appropriated for support of Israel, we could replace ———. That is a gross estimate.

On the other hand, we are faced with the problem of leadtime, and in some cases we are going to have to reopen the production lines, and that costs to some extent. We are right now in the process, sir, of coming up with the answer to your question in quantitative terms.

Mr. CLEMENTS. Mr. Congressman, that number right now looks like it will be _____.

Mr. CONTE. More?

Mr. CLEMENTS. That is the difference, the gap between what was our procurement costs and what the replacement costs will be when we get the material.

NEW SOPHISTICATED WEAPONS SYSTEMS

Mr. CONTE. What are the chances for the Israelis getting the _____?

Admiral MOORER. _____.

Mr. YATES. What kind of aircraft is that?

Admiral MOORER. _____.

Mr. YATES. _____.

Admiral MOORER. _____.

Mr. CONTE. _____.

Admiral MOORER. _____.

Mr. CONTE. _____.

Admiral MOORER. _____.

Mr. CLEMENTS. _____.

Mr. CONTE. For my own edification I think I ought to know.

Admiral MOORER. _____.

ECONOMIC AID FOR ISRAEL POSSIBLE

Mr. CONTE. Besides taxing Israel's military posture, the war certainly has strained her economy to quite an extent. Are we anticipating some further measures for economic aid besides the military aid? And if so, what form would it take?

Mr. RUSH. We have none in mind at the present time. However, the Israelis have approached us and have suggested they may need \$500 million a year of aid.

Mr. CONTE. For how long?

Mr. RUSH. Next year.

Mr. CONTE. You said \$500 million a year?

Mr. RUSH. I think that will be a year, year after year. We have not acceded to this and this will take considerable study.

Mr. CONTE. And you don't know what form it will take?

Mr. RUSH. This will be for next year, not this year.

Mr. CONTE. Would it be an outright budget support?

Mr. RUSH. Yes.

Mr. CONTE. Supporting assistance?

Mr. RUSH. Yes.

AIRLIFT CAUSED DEPRECIATION COSTS

Admiral MOORER. If I may say so, the Department of Defense has also incurred heavy expenses in the airlift that we had not anticipated, and second, in ship performance—the fact that the 6th Fleet

has been at sea continuously. Things of that kind have raised our expenditures and will affect our readiness.

Mr. CLEMENTS. The main cost in regard to the airlift is in the depreciation we do not charge for. The operating costs of the airlift itself are included in the \$2.2 billion request.

I would like for the record—

Mr. CONTE. Does that include fuel alone?

Mr. CLEMENTS. Yes, sir. But I would certainly like for the record to reflect here, as we are discussing the airlift, that the C-5A has just performed magnificently.

And depreciation on the C-5A hurts us, as Admiral Moorer is saying, in a way that we can't really measure. The life cycle of that airplane has undoubtedly depreciated to a considerable degree due to the hours of usage during the airlift.

Mr. CONTE. Thank you, Mr. Chairman.

Mr. ROONEY. Are there further questions?

Mr. ROUSH. I have a couple of questions.

Mr. ROONEY. Please proceed, Mr. Roush.

REVISION OF FISCAL YEAR 1974 REQUESTS NOT CONTEMPLATED

Mr. ROUSH. Mr. Chappell's questions follow the line which I wanted to pursue. When this war broke out I was concerned because I remembered the testimony before the committee as it related to aid to various Arab countries. So I addressed a letter to Secretary Tarr in which I stated:

DEAR Mr. Secretary:

You appeared before the Foreign Operations Subcommittee of the House Appropriations Committee on May 30 of this year to discuss certain policies and budget requests for fiscal year 1974 related to our security assistance programs. Many of the budget requests proffered at that time involved nations which are now at war in the Middle East, which should in my opinion occasion a reevaluation of U.S. aid in the area. I should like to know if in view of the present conflict you have or are amending the request for funds for fiscal year 1974 for the U.S. security assistance programs and the grants.

The response is as follows and the response is dated November 2.

This is in response to your letter of October 17 in which you inquired whether the administration's request for funds for U.S. security assistance programs for fiscal year 1974 involving certain Middle Eastern countries would be amended. You are, of course, fully aware of the recently proposed bill requesting \$2.2 billion be recommended for emergency military assistance, on grant or credit basis or both, for Israel. This is the only change with respect to our budget request contemplated at this time. We shall of course have to keep the subject under review in light of further developments in the Middle East area.

Does that response still stand?

Mr. RUSH. Yes.

Mr. ROUSH. In other words, we are going to continue with our proposed programs insofar as the Arab countries are concerned. Is that right, Mr. Secretary?

Mr. RUSH. Yes. We, of course, are following those very carefully to be sure that they are not used in hostilities such as those that recently occurred. We can't say that nothing was used by the Jordanians, for example, but as I say the force they put into Syria was largely equipped by British weapons.

Mr. ROUSH. Of course it is of concern to me we find ourselves in a situation in which U.S. equipment would be used both sides against each other such as we saw in the war between Pakistan and India.

AUTHORITY FOR EMERGENCY AID TO ISRAEL

One other question relates to the authority under which the billion dollars has been used for supplying Israel.

Mr. Chairman, I think that the record might, and should, reflect what authority the Department is using to supply this billion dollars and the restraints that are contained within that authority, which I would like to see in the record.

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

Mr. RUSH. It is the Foreign Military Sales Act.

Mr. ROUSH. Questions are raised as to how without additional authority you can go ahead and do this without the OK of the Congress.

Mr. PASSMAN. They do have authority. It is not the first time this has happened as you well know.

Mr. RUSH. Yes.

Mr. PASSMAN. If you will insert it in the record at this point we would be grateful.

Mr. ROUSH. I am asking only so people and our colleagues might understand there is authority.

Mr. PASSMAN. The gentleman is correct it should be placed in the record, and we will cite the authority.

[The information follows:]

LEGAL BASIS FOR LOGISTIC SUPPORT TO ISRAEL

Logistic support to Israel since October 6 has been provided on a "cash sales" basis under the authority of sections 21 and 22 of the Foreign Military Sales Act (Public Law 90-629, enacted Oct. 22, 1968).

Section 21 deals with cash sales from stock. It authorizes the sale to foreign countries of defense articles from DOD stock and the sale of DOD services on payment terms of 120 days after delivery of defense articles or the rendering of defense services.

Section 22 deals with procurement for cash sales. It authorizes DOD to enter into contracts with suppliers for the procurement of defense articles and services for sale to foreign countries on "dependable undertaking" terms. A dependable undertaking obligates the foreign country to make funds available to DOD in such amounts and at such time as may be needed by DOD to make the payments required by DOD's contracts with the suppliers, and any damages and costs that may accrue from the cancellation of such contracts, in advance of the time such payments, damages, or cost are due.

Sales made by DOD under sections 21 and 22 are concluded by execution of DD Form 1513, which is captioned "Offer and Acceptance." The back of this form contains the detailed standard terms and conditions of the sale. Special terms and conditions, as may be necessary, are set forth in typewritten "notes" which are attached to the form.

The "Jackson Amendment" (section 501 of Public Law 91-441, as extended) is redundant insofar as cash sales are concerned and adds nothing to the authority of the Foreign Military Sales Act. Insofar as credits and guaranties are concerned, the Jackson amendment is only an authorization, unlimited in amount, for appropriations to be made to finance such credits and guaranties. An appropriation made thereunder during the fiscal year 1971 was fully utilized at that time and no appropriation thereunder has since been requested of, or made by, the Congress. Although the Jackson amendment is not the authority under which we have been providing logistic support to Israel since October 6, it does, how-

ever, constitute an expression of the sense of the Congress that the President should furnish to Israel such items "as may be necessary to counteract any past, present, or future increased military assistance provided to other countries of the Middle East." (An additional statement of the sense of the Congress that arms should be made available to Israel "to the extent that the President determines such assistance to be needed in order to meet threats to the security and independence" of Israel is contained in section 5 of Public Law 91-672).

The proposed "Emergency Security Assistance Act of 1973" which the President transmitted to the Congress on October 19 would provide the President, if enacted, with the following optional authority:

1. (a) Logistic support programed after the appropriation has been made under the proposed act could be provided wholly on a grant aid basis, within the limits of the amount appropriated; or

(b) The entire amount of the appropriation could be used to finance a direct DOD credit to Israel. (The proposed act does not authorize guaranties of private bank loans). This credit could be then used by Israel, subject to our approval, to make payments as they come due on the "cash" purchases made by Israel from DOD or directly from commercial suppliers before October 6, after October 6 and after enactment of the appropriation; or

(c) The President may provide logistic support to Israel on both a grant aid and credit basis in such combination as he determines.

2. To the extent that the appropriation has not been used for grant aid purposes, within the limits of that remaining balance, the President may at any time prior to June 30, 1974 either—

(a) Release Israel of its obligation to make payments on cash sales concluded between October 6, 1973 and June 30, 1974; and/or

(b) If a direct credit has been extended under the proposed act prior to June between October 6, 1973 and June 30, 1974; and/or

(c) If a direct credit has been extended under the Foreign Military Sales Act between October 6, 1973, and June 30, 1974, release Israel of its obligation to repay that credit.

EMERGENCY MILITARY ASSISTANCE FOR CAMBODIA

Mr. PASSMAN. We shall now discuss the budget amendment of \$200 million for Cambodia. I believe that request is also being presented on an emergency basis.

Mr. RUSH. Yes.

Mr. PASSMAN. If I read the record correctly the first equipment that we sent to South Vietnam after the French had left was sent during the Eisenhower administration in the way of economic aid. We also provided some military advisers.

So beginning with Mr. Eisenhower, continuing under President Kennedy, President Johnson, Mr. Nixon, and all of our great admirals and generals of the past and present, they all said that this was a good investment. They felt that it was necessary to preserve the sovereignty of South Vietnam.

As we look at the record we find that the South Vietnam aid now exceeds \$141 billion.

If that is a good investment, then it is necessary to continue some type of economic aid for South Vietnam, otherwise this investment has been lost.

Is that a fair statement?

Mr. RUSH. That is a fair statement.

Mr. PASSMAN. We must also consider Vietnam in connection with Cambodia?

Mr. RUSH. Yes.

Mr. PASSMAN. We know that this great President—and the committee knows I feel that way about the President, I like him and think he is a great President. I think it is perfectly obvious that if

this man hadn't mustered sufficient courage to go with his wisdom and move in and bomb Cambodia and Haiphong we could still have been in that conflict. Isn't that right?

Mr. RUSH. That is right.

Mr. PASSMAN. So it is highly essential we try to keep Cambodia on the side of, shall we say, the free nations in that part of the world. I want it made abundantly clear I am not a foreign aid enthusiast, but I am a realist and want to be a responsible Member of Congress.

The \$141 billion investment in South Vietnam does not take into consideration the billions we provided for Korea, Taiwan, and Laos which is also a tremendous investment.

You have reached the point where you either give them minimum support or they can't survive. Is that a correct statement?

Mr. RUSH. That is true.

EXPLANATION OF CAMBODIAN NEED

Mr. PASSMAN. Mr. Secretary, why do you consider this an emergency?

Mr. RUSH. In Cambodia we have a problem, Mr. Chairman, not dissimilar from Israel in this sense—that the existence of Cambodia is being threatened by hostile forces from outside, in this case Hanoi.

The withdrawal, the cessation of our bombing on August 15 under order of Congress did not result in the collapse of the Lon Nol Government or the Cambodian Government forces.

Instead they put up a very good fight. They did, however, have to use more ammunition than they had been using. They went up as high as operating at about a million dollars a day of ammunition, which is about what our forces would have used under similar circumstances, because they did not have our air support, and they were able to prevent any significant victory on the part of the Communists.

We think the Lon Nol Government has a good chance to survive if we give them the tools to do so; the tools being in large measure ammunition, small arms, that kind of thing.

We think this \$200 million is absolutely essential to help bring about peace or maintain the chance of peace in Southeast Asia.

As you said, Cambodia is an integral part of the Southeast Asia structure, and the collapse of the Lon Nol Government and takeover by Communists in Cambodia would seriously jeopardize peace in Vietnam.

So we consider this to be a very small investment, to use your terms, to give the Cambodians a chance to maintain the peace.

CAMBODIA ESSENTIAL TO SURVIVAL OF VIETNAM

Mr. PASSMAN. If we should lose Cambodia, does it mean these sanctuaries that the Communists used to use to attack our men and return will reopen?

Mr. RUSH. Hanoi does now use sanctuaries in Cambodia.

Mr. PASSMAN. I am talking about the particular area we are trying to protect now.

Admiral MOORER. It is worse than what you say because this would give the North Vietnamese access to the sea through the Kompong

Cham, which used to be called Sihanouk Villy when Sihanouk was in Cambodia.

This would significantly reduce their logistics problems, particularly with respect to that part of South Vietnam just south of Saigon, and make the problem for the South Vietnamese Forces far more difficult than it is under the present situation.

In addition, as you said, they would have access to those sanctuaries. They would have access to the large amount of rice that is grown in Cambodia and it would make a significant addition to their overall strength.

Mr. PASSMAN. Then really if we are going to preserve that investment, which the Democratic and Republican Presidents together said was a good investment, then this request is essential?

Admiral MOORER. In my view, yes, sir.

U.S. MAIN SOURCE OF AID TO CAMBODIA

Mr. PASSMAN. Are they receiving aid from any other source?

Admiral MOORER. Not of any consequence, sir. ———.

BOMBING PREVENTED FALL OF PHNOM PENH

Mr. PASSMAN. Is the capital city still in the hands of our friends?

Admiral MOORER. Yes, sir. That is the key to the success. It is mandatory that they hold Phnom Penh. About July of last summer, sir, the insurgent forces made the decision that they would do what they could to seize Phnom Penh before the wet season set in.

They proposed to do this by actually assaulting the city. I don't think that they wanted to destroy the city, they simply wanted to cause the fall of the Lon Nol government and take over the infrastructure in the city themselves. They wanted to hasten the fall of Lon Nol and the seizure of the capital city, because at that time I think they were concerned there would be some negotiations take place outside of Cambodia which would mean that Sihanouk would gain control.

In any event, it was the bombing, in my view, that stopped what otherwise would have been the capture of Phnom Penh. And therefore when the bombing cessation went into effect on the 15th of August, there was a situation where, although the insurgents had rimmed the city, they were falling back in disarray having suffered about 15,000 killed.

At that point, or right after the wet season set in over there, the river flooded and the mobility then of the insurgent forces was seriously handicapped.

During the wet season, which obtained from last summer—and there still is a certain amount of flooding going on—until December the insurgents confined their action to harrassing attacks.

They have cut Highway 5, which moves from Phnom Penh to Battambang, northwest of Phnom Penh. They have intermittently cut Highway 4, which goes from Phnom Penh to the seaport of Kompong Cham. However, the Mekong River has been completely open and we have been able to use the river to supply the city.

NEW ASSAULT EXPECTED IN PHNOM PENH

Now the dry season will return next month. — the insurgents will once more attempt to strangle Phnom Penh, and they have been busy during this wet season recruiting and trying to replace these losses and get ready for this assault.

At the same time the Cambodian Government forces have been making efforts to improve their combat capability in order to withstand this assault. So this aid we are requesting is necessary to make certain that they have the necessary ammunition and weapons, simple as they may be.

CESSATION OF AIR STRIKES NECESSITATES AMMUNITION

Mr. CLEMENTS. I would like to repeat and emphasize what the Secretary said, in the sense that I think we see this increased expenditure of ammunition because the Cambodians no longer have the benefit of our air strikes, and therefore they are having, in effect, to compensate for the lack of air strikes by a great increase in their expenditure of mortar and artillery fire.

That is where a large part of this expenditure will go.

Mr. PASSMAN. I thought they had sufficient ammunition and weapons during the air strike period. Did they have a shortage of weapons?

Mr. CLEMENTS. No, sir, they had weapons, but their expenditure rate has gone up significantly due to the absence of airstrikes.

They require more ammunition without the strikes than with the airstrikes.

Mr. PASSMAN. If they had what you proposed now and for the foreseeable future, along with the airstrikes, it looks like they could have knocked this out.

Mr. CLEMENTS. No, sir, because what is going on there, we were in fact bombing the insurgents right alongside the battle lines. This was in effect replacing the artillery.

GOVERNMENT CONTROL OF CAMBODIA REAL ESTATE

Mr. CONTE. How much of the real estate in Cambodia is under control of the Lon Nol government?

Admiral MOORER. I would say about 25-30 percent. That is real estate of course that is around all of the population concentrations and that real estate which borders on both sides of the lines of supply, the highways and river.

Mr. CONTE. Thirty percent of the real estate, and how much of the population?

Admiral MOORER. I think that would be somewhere—I don't know the exact figure, but 60 percent or so. I will get the exact figures for you. Because during the last year the insurgents did, I think, acquire control of 10 percent more of the territory than they had the preceding year. I know that figure, but I will give you the exact percentages for the record. I think 60 percent is right.

Mr. CONTE. When you get it for the record, show how it compares with a year ago.

Admiral MOORER. They tell me I am right. The year before it was 2 percent more in favor of the Lon Nol government.

Mr. PASSMAN. The foe or the friend controls 10 percent more of the real estate?

Admiral MOORER. The foe controls 10 percent more. On the other hand the big city of Kompong Cham north of Phnom Penh on the Mekong River, the Communists put out instructions which we got our hands on saying it was mandatory they capture the city, and they failed to do it and the Lon Nol forces managed to defeat them severely in their efforts to do this.

AID TO CAMBODIA CONSIDERED VITAL

Mr. PASSMAN. To say the least, their work is cut out for them. They are going to have to protect the capital city without the benefit of our airstrikes.

Mr. RUSH. Yes, sir. Without this appropriation they have no chance.

Mr. PASSMAN. You make that as a statement of fact?

Mr. RUSH. Yes.

Mr. YATES. Mr. Chairman.

Mr. PASSMAN. Yes.

Mr. YATES. You say they have no chance. Are there any efforts being made to try to find some sort of settlement between the parties?

Mr. RUSH. As you know, the Lon Nol government called a cease-fire shortly after the signature of the agreement in Paris. This was not accepted by the other side, and instead they launched an offensive and have been relying on the military option to take over. It is only when that is defeated they will initiate—

AID IS IN ADDITION TO FISCAL YEAR 1974 BUDGET REQUEST

Mr. PASSMAN. Mr. Secretary, in the document submitted to Congress you indicated that Cambodia was scheduled to receive in fiscal year 1974, \$167,200,000 in military assistance, \$5.8 million for training, and \$7 million in excess defense articles.

Is that correct?

Mr. RUSH. Yes, sir; that is correct.

Mr. PASSMAN. You are now requesting an additional \$200 million in fiscal 1974 for Cambodia. Is that correct?

Mr. RUSH. That is correct.

Mr. PASSMAN. So you feel without this \$200 million Cambodia would not be able to defend itself?

Mr. RUSH. That is correct.

Admiral MOORER. I would like to make the point that the previous request of \$180 million you referred to, of course, was computed on the assumption we would be continuing to bomb. It made a difference when we stopped the bombing. We had to transfer additional ammunition to them.

Mr. ROUSH. Mr. Chairman, I want to make sure I understand.

Is your request in addition to your 1974 budget request or is it in addition to that amount which is available under the continuing resolution?

Mr. RUSH. It is in addition to the \$180 million that is the budget request.

Mr. PASSMAN. In other words, this should be added to the original budget of \$167,200,000 in military assistance, \$5,800,000 for training, and \$7 million for defense articles.

Mr. RUSH. That is right.

Mr. PASSMAN. Do you feel this is a minimum by which you can operate this program?

Mr. RUSH. We have this carefully itemized and think it is the correct figure.

ITEMIZATION OF CAMBODIAN PROGRAM

Mr. ROUSH. Concerning the itemization, Mr. Chairman, in your statement on 5 and 6, the amounts you set out here of \$100 million for ammunition, the \$8 million for operations and maintenance, equipment requirements \$50 million, and the delivery \$30 million; I think that totals \$188 million.

Mr. CLEMENTS. Mr. Congressman, I think you are approximating these numbers from his statement. Here are the details, and I would be happy to supply this for the record, Mr. Chairman.

Mr. PASSMAN. Without objection, they will be inserted in the record. This is a detail backing up of what I read into the record.

Mr. CLEMENTS. Yes.

[The detail follows:]

FISCAL YEAR 1974 CAMBODIA MAP REQUIREMENTS¹

[In millions of dollars]

Category	CPD	Current requirement
Equipment.....	7.9	59.4
O. & M.....	40.3	48.0
Ammunition.....	119.0	227.7
Subtotal.....	167.2	335.1
Supply operations.....	13.5	45.0
Total.....	180.7	380.1

¹ Excludes training (5.8) and excess defense articles (7).

Mr. ROUSH. I totaled the items which came to \$188 million.

Mr. RUSH. In my statement I mention \$100 million and go on with the other amounts which equals \$188, but \$200 million is the total figure.

Mr. ROUSH. Thank you.

EQUIPMENT TO BE SUPPLIED

Mr. PASSMAN. Mr. Secretary, you just stated you are requesting the additional \$200 million in fiscal 1974 for Cambodia. Please provide for the record what equipment will be provided to Cambodia and the need for these funds. Indicate the various items that make up this request. You may wish to combine the original budget request with the \$200 million you are currently requesting.

[The classified list was supplied to the committee.]

Mr. PASSMAN. I don't want to get on your side of the table, but I know about the investment we made in that part of the world. Not

just the \$141 billion, but there were over 100,000 precious lives lost in Korea and in Vietnam. Isn't that true?

Mr. RUSH. That is correct.

Mr. PASSMAN. We have to protect the honor of these people who made the supreme sacrifice to carry out our foreign policies under four Presidents and all of them great Presidents.

AID REQUEST PREVENTS FUND DIVERSION

Mr. ROUSH. Mr. Chairman, I observe on page 6 of the statement that it is alleged we need the \$200 million requested in this legislation to fund the Cambodia program and to maintain modest military assistance programs to other governments such as Turkey, the Philippines, Korea, and Thailand.

What do you mean?

Mr. RUSH. What we meant by that was this: If we do not get this money we would have to divert virtually all of the other money in our military assistance fund to Cambodia because we cannot let Cambodia down. This would mean you would not have money left over for the other countries.

Mr. ROUSH. The \$200 million does not include money for Thailand?

Mr. PASSMAN. Without the \$200 million you would have to take practically all of the money you requested for military assistance worldwide and transfer it to Cambodia.

Mr. RUSH. This is right.

Mr. CLEMENTS. I think the record needs to reflect, Mr. Chairman, that these people have demonstrated a will to survive since the bombing stopped in August that is most admirable and is entitled to the proper response from us.

Mr. PASSMAN. I used to think I would miss something if I didn't interrogate each witness for at least 3 days but that wore off after 19 years as chairman of this committee.

You have made one or two very positive statements about this request. I have never known you to purposely make an inaccurate statement. You said that without the \$167.2 million and the \$200 million you are now requesting the entire investment in Cambodia would be lost. I am going to accept that on face value.

FUNDS ALLOCATED TO DATE

What funds have been allocated to Cambodia under the continuing resolution?

Mr. CLEMENTS. To date we have implemented \$118 million for material and services, \$4.1 million for training and, \$0.3 million in excess defense articles against the fiscal year 1974 Cambodia MAP under continuing resolution authority.

Mr. PASSMAN. Has any equipment been sent to Cambodia beyond what is now available under the continuing resolution authority?

If so, under what authority was this additional equipment provided?

Mr. CLEMENTS. The only equipment being provided Cambodia by the Defense Department is that which is available under the continuing resolution authority or previously funded under prior legislation covering U.S. military assistance.

UNDELIVERED BALANCE

Mr. PASSMAN. What is the undelivered balance or pipeline presently credited to Cambodia?

Mr. CLEMENTS. The best estimate of the present undelivered balance of materiel and services to Cambodia is approximately \$125 million.

Mr. PASSMAN. What are the total funds you have obligated in fiscal 1974 for Cambodia?

Mr. CLEMENTS. To date we have obligated \$122.1 million for implementing orders issued against the fiscal year 1974 Cambodia MAP.

POSSIBILITY OF LOANS

Mr. PASSMAN. Does the Cambodian Government have any ability to pay the United States back if some of this assistance were provided on a credit-sales basis?

Mr. CLEMENTS. No, at least not in the near term. The GKR foreign exchange reserves are very thin. Earnings from exports barely cover their expenses on the invisible account. The bulk of the merchandise imports are funded by U.S. bilateral assistance and by the multilateral exchange support fund (ESF). Over a 5-, 10- or 15-year time horizon, Cambodia possibly could bear some additional debt. However, additional foreign exchange debt would be at the expense of reconstruction and development expenditures. More importantly, the United States has been actively encouraging third countries to provide additional grant assistance. Credit sales by the United States would undermine this effort, and possibly jeopardize the \$17-20 million in third country donor assistance Cambodia is now receiving.

ECONOMIC SITUATION

Mr. PASSMAN. What is Cambodia's present economic condition and what is the balance of her foreign exchange account?

Mr. CLEMENTS. Cambodia's present economic situation is unenviable—domestic production has fallen off very sharply, prices are rising at an annual rate in excess of 270 percent (lower class Consumer Price Index over the first 10 months of the year), and the real income of all elements of the society is eroding sharply.

[List follows:]

	<i>Millions</i>
Exchange reserves (end Oct. 1973) :	
Gold	\$17.4
Dollars	6.1
SDR's	4.9
Reimbursement due	5.6
Liabilities to commercial banks	-2.0
Net usable foreign exchange position	32.0
Balance of payments (1972) :	
Goods and services :	
Imports (f.o.b.)	¹ -94.3
Exports (f.o.b.)	6.9
Service (net)	-31.2
Services (net)	-31.2
Total (net)	-118.6
Capital	6.2
Foreign aid	² -100.1
Total	-12.3
Reserve drawdown	(12.3)

¹ Excludes noncommercial imports.² From all sources.

Mr. PASSMAN. Is the administration requesting authorization for the entire \$200 million?

Mr. CLEMENTS. Yes.

Mr. PASSMAN. What if Congress did not provide these funds for Cambodia you are now requesting? Are there any other funds that can be used for Cambodia?

Mr. CLEMENTS. There are no funds or authority at this time other than military assistance funds that can be used to meet Cambodia's needs. If we do not get the \$200 million we are requesting, the money will have to be taken from other military assistance programs which, as a result, will be for all practical purposes nonexistent. An alternative, of course, would be to use section 506 drawdown authority if the Congress renews and extends that authority for the fiscal year 1974 and does so before we disrupt other country programs.

TOTAL U.S. AID

Mr. PASSMAN. Please tell the committee what has been the total U.S. military assistance provided to Cambodia over the years?

Mr. CLEMENTS. Since 1950, U.S. military assistance deliveries have totalled \$480 million. This includes MAP grants (through September 30, 1973). In addition, excess defense articles provided totalled \$62.8 million at acquisition cost.

It should be noted that there was no grant assistance provided between fiscal year 1965 to 1969, but such assistance was resumed in fiscal year 1970 and has continued since that date.

Mr. PASSMAN. When did we start the military assistance program to Cambodia and has it always been a grant program?

Mr. CLEMENTS. Military assistance to Cambodia was resumed in April 1970 and it has been a grant program since that date.

Mr. PASSMAN. Why do you consider the request for \$200 million an emergency request?

Mr. CLEMENTS. Because of the critical combat situation in Cambodia.

Mr. PASSMAN. Can some of the articles that are presently undelivered have their delivery dates accelerated and therefore cut down on the \$200 million request? If so, how much?

Mr. CLEMENTS. We have already accelerated delivery dates to the maximum extent feasible.

TOTAL REQUEST

Mr. PASSMAN. Is it true that your total request for Cambodia in fiscal year 1974 is now \$380 million for military assistance when you combine the two requests?

Mr. CLEMENTS. Yes.

Mr. PASSMAN. What part of the \$200 million will be used for transportation and handling of materiel and what part will be spent for actual materiel?

Mr. CLEMENTS. Approximately \$30 million will be used for supply operations costs; the balance will be used for actual materiel.

SOURCE OF MATERIEL

Mr. PASSMAN. What will be the source of the materiel we will supply to Cambodia?

Mr. CLEMENTS. Most of the materiel will be taken from the stocks of military departments. A small portion of materiel will be obtained from new procurement.

FIRM ALLOCATIONS

Mr. PASSMAN. Could you tell the committee how much of the \$200 million request is presently firmly allocated to specific items of equipment or services and how much is just included as a buffer with no specific allocation at this time? Have you obligated any of the \$200 million request in anticipation of receiving the funds?

Mr. CLEMENTS. All of the requested \$200 million has been earmarked for specific articles or services but none of the funds have been obligated.

U.S. COMMITMENT

Mr. PASSMAN. Does the United States have a formal treaty with Cambodia?

Mr. CLEMENTS. No.

PEACE NEGOTIATIONS

Mr. PASSMAN. With regard to Cambodia, could you tell the committee the status of any peace negotiations at the present time and who are the parties to these negotiations?

Mr. CLEMENTS. As far as we know, there are no peace negotiations underway now. In July and again in September, the Khmer Republic offered to open negotiations unconditionally with any representative of the Khmer insurgents. The latter refused to consider negotiations and continued to call instead for what amounted to the capitulation of the Government of the Khmer Republic.

THIRD COUNTRY AID

Mr. PASSMAN. Are any other countries supplying military assistance to Cambodia?

Mr. CLEMENTS. In the past, ——— provided military assistance to the Cambodian forces ——— and South Vietnam provided training to various elements of the Cambodian Armed Forces. ——— currently has a training program in artillery and air ——— are currently cooperating in providing instructors in connection with MAP-supported training for Cambodians at ——— bases.

While we do not have the exact sums, the dollar value of the assistance provided is relatively small compared to the U.S. expenditure for military assistance.

Friendly foreign countries furnish between ——— and ——— million per year of economic and humanitarian assistance to Cambodia.

PAY OF SALARIES OF CAMBODIANS

Mr. PASSMAN. Are any U.S. military assistance funds or any U.S. funds provided to Cambodia used to pay salaries or benefits to Cambodian soldiers or any third country soldiers?

Mr. CLEMENTS. The United States does not pay for any salaries of third country soldiers in Cambodia. Furthermore, no U.S. military assistance funds are used to pay salaries or benefits for Cambodian soldiers. The United States does provide economic assistance in the form of commodity imports managed by USAID which generates a certain amount of income in the form of local currency. With the approval of the United States, the Cambodian Government uses a portion of this income to pay salaries and benefits to Cambodian soldiers.

In calendar year 1972, these grants amounted to 7 billion riels in a total military budget of 16 billion riels. For calendar year 1973 grants of about 13 billion riels are projected in a total military budget of approximately 21 billion riels. By agreement with the United States, these funds are used for such purposes as:

- Payroll support;
- Construction of training facilities; and
- Construction of dependent housing.

THIRD COUNTRY PERSONNEL FIGHTING IN CAMBODIA

Mr. PASSMAN. Are any third country personnel now fighting in Cambodia or providing advisory services? If so, what countries and in what numbers?

Mr. CLEMENTS. There are no third country personnel fighting in Cambodia on the side of the Khmer Republic. ———.

NUMBER OF U.S. PERSONNEL

Mr. PASSMAN. How many U.S. personnel are located in Cambodia and please break that down into number of civilians and number of military personnel?

Mr. CLEMENTS. There are 191 U.S. personnel in Cambodia employed by the U.S. Government. These comprise 77 civilian and 114 military.

Mr. PASSMAN. Are any U.S. personnel acting in a military advisory capacity? What are their duties?

Mr. CLEMENTS. U.S. personnel are not acting as military advisers in Cambodia. In this regard, I am aware of the GAO report, dated October 10, 1973, which stated that the military equipment delivery team Cambodia (MEDTC) was engaged in activities beyond its primary function and operated much the same as military assistance advisory group in any other country. The Department of Defense maintains that the MEDTC has performed its duties in conformance with its responsibilities under the Foreign Assistance Act and has not participated in military advising in violation of legislative prohibition against this. It has also maintained a responsive attitude to the recommendations made by bodies such as Congress for increased efficiency and effectiveness with the armed forces of the Khmer Republic.

EFFECT OF BOMBING CUTOFF

Mr. PASSMAN. What was the effect of the August 15 U.S. bombing cutoff?

Mr. CLEMENTS. The effect of the August 15 U.S. bombing cutoff was an increase in the requests by the FANK for ammunition and some additional equipment. Tactically, combat activities around Phnom Penh subsided as the enemy, weakened by the U.S. air offensive prior to the cutoff, temporarily retired to reorganize and rebuild its forces. FANK forces, supported solely by their own air force and artillery, conducted limited operations to consolidate their defensive perimeters. During the period August 21 to September 28 the forces of combat shifted to Kompong Cham, 50 miles northeast of Phnom Penh, where the enemy attempted to seize the provincial capital. In spite of severe losses on both sides, the FANK held on the city, without the support of U.S. combat air support, relying solely on the strength of their own army, navy, and air forces.

USE OF U.S. FUNDS

Mr. PASSMAN. Will any of the U.S. funds requested for Cambodia in fiscal 1974 be used to fund Cambodia's police and intelligence agencies?

Mr. CLEMENTS. A very small amount of local currency generated by U.S. programs may indirectly reach the Khmer Military Police through budget support. The commodity import program and Public Law 480 generate local currency used by the GKR for budget support. Most of this support goes to the Ministry of Defense to pay its armed forces. The Gendarmerie Nationale—military police—is a very small integral element of the Khmer Armed Forces. Local currencies generated by U.S. programs are released in block sums and are not designated or identified for support of individual units or elements in the Defense budget. As the money is fungible, it is not possible to say whether the Gendarmerie Nationale is paid from national budget funds or from the CIP or the Public Law 480 generated currencies. The CIP and Public Law 480 local currencies released in calendar year 1972 financed only about one-third of the total pay and allowances of the Khmer Armed Forces. There are two military police platoons—80 men—assigned to infantry divisions. Along with the divisions, the platoons receive MAP support.

There is no public safety program in Cambodia. However, we understand that the narcotics branch of the Khmer police may receive \$3,000 worth of spare parts in fiscal year 1974.

Mr. PASSMAN. If so, what will this aid consist of and what are the amounts?

Mr. CLEMENTS. In fiscal year 1973 AID expended \$24,000 in Cambodia as part of the international narcotics control program. These funds were for vehicles and other equipment for the Khmer police's narcotics branch. For fiscal year 1974 we understand that \$3,000 may be spent for spare parts.

Mr. PASSMAN. Will any U.S. funds go to support Cambodian prisons in fiscal year 1974 or has the United States supported Cambodian prisons at any time?

Mr. CLEMENTS. No. The United States furnished some material and out of country training to the Khmer military to help them establish and improve prisoner-of-war facilities. This exception originated from our concern for captured and missing Americans in Indochina. MAP-supplied equipment valued at \$119,224 was provided to improve prisoner-of-war facilities. We also made available an undeterminable but small amount of local currency for POW camp improvements.

Mr. PASSMAN. Do the Cambodian police employ torture techniques or repress the Cambodian citizens?

Mr. CLEMENTS. Not to our knowledge.

PAY OF "PHANTOM TROOPS"

Mr. PASSMAN. Has the United States provided any funds to Cambodia which have been used by the Cambodian Government to pay for "phantom troops"? If so, how much? Is the United States still paying for "phantom troops" now?

Mr. CLEMENTS. The United States provides general support to the Cambodian military budgets from local currency generated out of imports provided under our economic and agricultural assistance programs administered by AID. Indirectly, therefore, we lend assistance to Cambodia's military forces, and to the extent that these forces contain nonexistent bodies, or "phantom troops," we have contributed to their funding.

Every effort is being made to eliminate payroll discrepancies and to institute centralized payroll accounting procedures which is bringing this problem under control. We are doing this selectively on units over which we can exert some control.

For example, the number of troops carried on the payroll of the Cambodian Army in November 1972 exceeded 300,000. By September 1973, the Cambodian Army had reduced its payroll figures to 235,000. The U.S. Embassy continues to urge the Khmer Republic to resolve this problem totally.

Mr. PASSMAN. Are there other cases of corruption taking place in the Cambodian Government now?

Mr. CLEMENTS. Allegations of corruption are almost endemic in any area devastated by war and conflict and Cambodia is no exception. Previously we have received reports of illegal buying of military equipment by the Cambodian Army from the South Vietnamese Army. After strong representations to Phnom Penh and Saigon, we believe this practice has stopped. We have received reports of sales of scrap

materials which are not in accordance with normal disposal procedures and we are investigating these allegations. While the opportunities for corruption are infinite, our procedures will continue to emphasize a thorough investigation of the charges, followed by appropriate corrective action, where U.S. funds are involved. We are convinced that President Lon Nol, and other GKR leaders are fully aware of the problem of corruption.

U.S. PERSONNEL

Mr. PASSMAN. As you know, there is a restriction that only allows 200 U.S. personnel to be present in Cambodia at any one time. Would U.S. contract personnel be excluded from this ceiling?

If so, could you tell the committee how many U.S. contract personnel are presently in Cambodia and what is the grand total of all personnel present in Cambodia that are being financed either directly or indirectly by the United States?

Mr. CLEMENTS. United States contractor personnel are not included in the ceiling of 200 U.S. personnel. Currently there are 9 U.S. contractor personnel. In summary the number of personnel present in Cambodia, who are employees of the U.S. Government include 191 U.S. personnel (77 civilians and 114 military personnel); 85 third country nationals (13 in the U.S. Embassy and 72 in contractor-related jobs); and 112 Cambodians employed in the U.S. Embassy.

Mr. PASSMAN. Mr. Shriver.

SIHANOUK'S ROLE IN CAMBODIA

Mr. SHRIVER. Thank you, Mr. Chairman. In regard to Cambodia there have been news reports that the former Cambodian leader Sihanouk had severed ties with at least some of the rebels now fighting government forces.

Is that right?

Mr. RUSH. His role is somewhat ambiguous. There are various factions among the Communists. While your information is not absolutely accurate it looks as though Sihanouk's role may be to a degree as mediator among the factions and not the leader of any particular faction, although he has his own. So there is a real question whether Sihanouk would ever be a leader.

PRESENT STATUS OF CAMBODIAN SITUATION

Mr. SHRIVER. Could you explain the situation over there?

Admiral MOORER. I will be glad to answer any questions.

The situation is that we are coming to the end of the wet season and — the insurgents will once again attempt to bring about the downfall of the Cambodian Government through interdiction of the supply lines and assault on the capital city of Phnom Penh itself.

Mr. SHRIVER. What about the relative strength of the two sides?

Admiral MOORER. We think that in view of the actions that the Cambodians have taken during the wet season, which is still in effect, and assuming that we are able to provide them with the necessary ammunition, they have an excellent chance of surviving, sir. They have one major operation during the wet season at the city of Kompong

Cham, where the enemy laid on major efforts to capture the city and the Cambodians defeated them. That is one of their first independent victories you might say.

This I think has given them some encouragement and improved their morale and leadership.

On the other hand, the other side is going to make a determined effort. It has also tried to replace the 15,000 dead they lost during the bombing. There is going to be a hard fight. But we feel that Cambodian forces with this assistance can survive.

EFFECT OF CAMBODIA AID ON OTHER PROGRAMS

Mr. SHRIVER. You mentioned the relationship between our aid to Cambodia and military assistance to such countries as Turkey, the Philippines, Korea, and Thailand. If you don't get this additional money you will have to make a choice between our efforts in behalf of Cambodia and programs in these other countries.

Mr. RUSH. That is correct.

Mr. SHRIVER. What would be the consequences in other countries if this happens?

Mr. RUSH. Then it would be very serious. Turkey is a very vital ally of ours in NATO. Jordan has been very vital to us in maintaining the peace in the Middle East. The Philippines of course are very essential to us, and so it runs through these countries.

The program we feel now is at a minimum.

Mr. SHRIVER. What relationship is there with the programs for the Philippines and for Cambodia?

Mr. RUSH. We have this sum, as the chairman was saying earlier, for military assistance. Now that is all we have. We expect about \$370 million is available for the rest of the world. If we take this \$200 million, this will just knock out those other programs.

CAMBODIA WILL FALL WITHOUT U.S. AID

Mr. SHRIVER. And you say very bluntly that without U.S. hardware support Cambodia would have fallen already and they may well do so in the near future in the absence of U.S. assistance.

Mr. RUSH. Yes.

Mr. SHRIVER. What facts and figures have you to back that statement up, because we are going to have to depend this on the floor of the House?

Mr. RUSH. Admiral Moorer is better qualified to answer that question. But my statement, yes, is based on the opinion and facts we received from the military and from our diplomatic people.

Admiral MOORER. It is based on the fact that during the wet season, we know that the insurgents have been in the process of building up their forces. They have added additional battalions and additional command and control centers.

Certainly what we are really talking about is a situation wherein the Cambodians would run out of ammunition right in the middle of the battle. That is what we are trying to prevent.

Mr. CLEMENTS. I started to say what we are talking about is the ability to continue to shoot bullets, and the bulk of our aid is going to be ammo. It is just that simple. If we don't give them the ammuni-

tion they can't fire, and if they can't fire they are lost. There is nothing complicated about it. It is right down to the gut issue.

Mr. SHRIVER. And that would have serious results on our relations in that part of the world, diplomatically as well as militarily.

Mr. RUSH. The serious results would be not only diplomatic but serious jeopardy to peace throughout that area. If Cambodia is in the hands of the Communists then, of course, as Admiral Moorer was saying, the routes, the sea lanes, the logistics, everything, will be at the disposal of Hanoi to attack South Vietnam.

Mr. SHRIVER. Is anyone else helping Cambodia?

Mr. RUSH. Not to a significant extent.

Mr. CLEMENTS. If Cambodia falls, the next issue is going to be Thailand. You are going to have the Communists right up against the side of Thailand and, of course, Thailand is already being threatened on the north. The entire area will suffer.

RICE COMMITMENT TO CAMBODIA

Mr. PASSMAN. Gentlemen, you have one other weapon in Cambodia and that is rice.

Mr. RUSH. That is right.

Mr. PASSMAN. Do you have a friendly working relationship with the Department of Agriculture and the Security Council?

Mr. RUSH. Yes.

Mr. PASSMAN. The world production of rice this year is 300 million tons; 4 million tons of that is U.S. rice. Somebody down in the Department of Agriculture made a prediction last April or May that the price of rice in November would be at a certain level. The only way they know to keep it at that level is not to fulfill the commitment that we made to Cambodia and Vietnam until they are forced to. We have committed 400,000 tons of rice to Vietnam and 200,000 tons to Cambodia. That is the only rice we have committed to Southeast Asia, even though they have rice in Louisiana, Texas, Florida, and California. They have issued 125,000 PA's purchase authority only.

I have been telling the Department of Agriculture for 5 or 6 weeks to get moving and issue these PA's and live up to our commitment. I am a little upset about it because my rice farmers have their rice on the docks and they see these people dragging their feet.

I said, "Gentlemen, issue your PA's and let us get this rice moving."

"No," they said, "it is an emergency and we have to buy some from Thailand."

I said, "It will be an expensive mistake if you do."

What are they doing? They are buying or borrowing 70,000 tons of rice from Korea. There are rice buyers in America today trying to buy 250,000 tons of rice and yet the people down in the Agriculture Department are borrowing 70,000 tons of rice from Korea. They are going to receive old rice and you are not going to get it in November or December but it will arrive about the middle of January. All of this is built around the prediction to keep the price of rice down.

In Lake Charles, La., they have so much rice on the docks they can not put any other cargo there. They refuse to issue these PA's. We want

to cooperate. I don't want to run Agriculture's business, but the quicker they issue the PA's and the quicker you buy this rice the better price you will receive. They are just trying to make the prediction they made in April come true. Every day you wait you pay more. If you had not made commitments I wouldn't have anything to say. Rather than issue these PA's and moving in U.S. rice, they are trying to maneuver around and buy a lot of it from Thailand and 70,000 tons from Korea.

I think you should work on this together. This is a two-way street we are on.

Mr. RUSH. We want to do that, Mr. Chairman. I had that looked into recently and they tell me the big problem is the bottoms.

Mr. PASSMAN. I said to the Department of Agriculture, "You mean to tell me the shortage of vessels is the reason you can not move that rice?"

They said, "Yes."

I called up the president of the steamship company and he said, "We have had one partly filled vessel with 50,000 tons capacity and another 125,000 tons we can get within 4 days."

There are plenty of vessels available. They are trying to make their previous prediction hold good. Don't let them tell you again there is a shortage of vessels. If I can not get these vessels committed to start coming into these docks within 10 days, then you come on down to the district and run against me and I will support you.

They are trying to make that prediction come true.

Mr. RUSH. We will work with you on this, Mr. Chairman.

Mr. CLEMENTS. Mr. Chairman, it needs to be said that Secretary Rush and I have been talking about this very issue within the past week. He has written an extensive letter that is starting this rice moving toward Cambodia. We are not going to make it there by the middle of December as we had hoped we would. He has taken very expeditious action in this regard.

Mr. PASSMAN. 60,000 to 70,000 tons of the 600,000 tons total will be purchased for Korea to replace the rice Korea diverted from its own stocks to Indochina. There was not one sack of rice shipped out of Korea. I bet you a suit of clothes against a tie there won't be one ounce of rice loaded in Korea headed for Cambodia or Vietnam by December 1st.

Mr. CLEMENTS. No, sir, he was thinking about buying Louisiana rice.

Mr. PASSMAN. Don't take American dollars and go buy Korean rice and subsequently sell it to them on concessional terms.

DETERMINING THE PRICE OF RICE

Mr. YATES. If there is a surplus of rice, why has it doubled in price in the grocery shelves?

Mr. PASSMAN. Simply because of the demand. I think that I know people pretty well, especially in Southeast Asia. These people, when they are living in a period of uncertainty, save their commodities. We now have a more peaceful world. There is no war other than the situation in the Middle East. People now are going to the marketplace and buying.

Mr. YATES. If they are buying, why do you have a surplus?

Mr. PASSMAN. You have a surplus in Louisiana. What do you mean, why do we have surplus rice?

Mr. YATES. No. If you have a surplus in rice in Louisiana, why are the prices going up? Apparently the demand is great, but you cannot have a surplus if you have a great demand.

Mr. PASSMAN. Look at rice on a world-wide basis. You have a world price of rice.

Mr. YATES. I am looking at it from the grocery store in my district.

Mr. PASSMAN. No, price is determined by what is produced on a world basis. We had a tremendous rice yield, largest yield in the history of Louisiana. The demand in foreign countries is so great, that they are going to liquidate any surpluses we may have in this country over and above our domestic needs. It is the world price of rice that controls what we receive for this rice.

My point is, we know we have committed ourselves to 600,000 tons of rice to Vietnam and Cambodia. Now we have this rice on the docks scattered all over America. They use all kinds of excuses as to why they aren't delivering this rice. The last excuse was, "We don't have the vessels." I talked to Cooper DeWitt and told him that I found those vessels for him down in the Gulf of Mexico. There is no shortage of vessels.

RICE IS AS IMPORTANT AS AMMUNITION

Mr. CLEMENTS. The record needs to show that in Cambodia, rice is as important as ammunition. They cannot fight that war without adequate rice. That is all there is to it. Yet, right next door to Cambodia, when I was there in September, the Government of Thailand was sending their Assistant Foreign Secretary to the Arabian countries, plus Egypt, Saudi Arabia, where the oil is, plus Egypt. He was negotiating rice for oil. If you will, he wanted rice and they were trading equal, so to speak. He was bartering for oil. That is how short the rice thing is.

Mr. PASSMAN. We made the commitment and it is important that we live up to it to provide 600,000 tons of rice for Cambodia and for Vietnam. We have in America unsold 1,200,000 tons of rice. If they issued these purchase orders, it is on a competitive basis and they could go ahead and buy American rice. You only have two countries in Southeast Asia that we have committed ourselves to provide rice to, Vietnam and Cambodia. On the other hand, while we are buying rice from Korea, their rice buyer is now in Washington trying to buy 250,000 tons of rice with half of it to be paid cash. He is here in Washington.

What is this all about? We are denying rice to Indonesia and presently to Korea.

We are going to provide Indonesia with some other type of aid, either on supporting assistance or development loans, and then they will take that money and go buy the rice from Japan and Thailand. That is how simple it is.

EFFECT OF AIR-SUPPORT CUTOFF ON BUDGET

Mr. ROUSH. Mr. Chairman, I had a question.

Mr. Chairman, I am a bit concerned about the amount of this request for Cambodia, for one thing, let alone giving it. As I understand it, the budget when it was presented to us before included monies

for the air support that we were at that time supplying to Cambodia. Is that correct?

Mr. RUSH. Yes.

Mr. ROUSH. How much was that?

Mr. RUSH. That is not in MAP. That is in the Defense budget.

Mr. ROUSH. Are we making that up since we don't have an expenditure of that money?

Mr. RUSH. We cannot transfer from the Defense budget to this budget.

Mr. ROUSH. That is all right. Consider the total picture here. Is the Defense budget going to be reduced by that amount? We are going to have this question propounded. How much more is it going to cost us to support Cambodia through your program, and why, if that air support is no longer available to them in Cambodia?

It would certainly count as much as this, wouldn't it?

Mr. RUSH. I would think it would be more.

Mr. ROUSH. I would, too.

Mr. RUSH. If we were continuing our air support. Of course, the Defense budget is a highly complex budget. We might take this amount of money out of it, but they have many additional costs that go into it. I am not in charge of the Defense budget, but I think the net is what would be covered by the supplemental, if they have one.

Mr. ROUSH. As a result of our excluding air support to Cambodia, is the budget we are concerned with here today in any way reduced?

Mr. RUSH. As a result of our excluding?

Mr. ROUSH. Yes.

Mr. RUSH. The air support does not affect this budget.

Mr. PASSMAN. Did you say earlier, Mr. Secretary, that, if anything, it would necessitate an increase rather than decrease on account of the airstrikes?

Admiral MOORER. What it amounts to is substituting artillery for bombs.

Mr. PASSMAN. Mr. Secretary, we have present the chairman of the Appropriation Committee, Mr. Mahon.

BOMBING CUTOFF NECESSITATED FUND INCREASE

Mr. YATES. I have one question.

Mr. Secretary, on July 23 of this year I interrogated Secretary Schlesinger when he appeared before our committee. I said:

On page 15 you make what seems to me to be a rather alarming statement. You say, "If adequate funds are not available we might see not only the collapse of the Cambodian Government but the rapid erosion of the Vietnam and Laos agreements; in short, a collapse of the whole structure of peace in Indochina that the President has so painstakingly put together through years of negotiation."

At that time he said he needed \$167 million to keep the Lon Nol government going.

Secretary SCHLESINGER. It is adequate for their defense operations.

Mr. YATES. It is adequate?

Secretary SCHLESINGER. Yes, sir.

Mr. YATES. The \$167 million should prevent the collapse of the Cambodian Government and therefore the erosion of the Vietnamese-Laos agreement?

Secretary SCHLESINGER. I think the reverse of that logic is not necessarily persuasive. What we have said, I think, in the past, is that withdrawal of U.S. air

support is not going to help this regime continue to flourish, but it could survive. It cannot survive both with the withdrawal of U.S. air support and elimination of the MAP program.

Why are you asking for more money now?

Mr. RUSH. Because of the withdrawal of the air support.

Mr. YATES. That was a part of it at that time?

Mr. RUSH. That was withdrawn on August 15.

Admiral MOORER. It was before that.

Mr. CLEMENTS. That was the point he was making, as long as you have the air support in there, that \$167 million, in his judgment, was sufficient. You withdraw the air support and that is why we are in here asking for this additional \$200 million.

Mr. YATES. An additional \$200 million or \$167 million plus \$200 million?

Mr. CLEMENTS. That is correct.

Mr. YATES. \$367 million?

AID CANNOT GUARANTEE CAMBODIAN SURVIVAL

Mr. CLEMENTS. That is right.

I want the record to be sure of that. We have left an inference in the record by saying that in our judgment, both Defense and State, Cambodia cannot survive without this \$200 million. That is a positive statement. I want to make the record perfectly clear now that with the \$200 million we have no guarantee that they will survive.

Mr. RUSH. Very true.

Mr. CLEMENTS. We are saying that there is a guarantee and we don't want to leave the record unstated in that regard. There is no guarantee at all.

Admiral MOORER. Without the \$200 million we would be forced to draw down on the other parts of the MAP program and give Cambodia priority.

Mr. PASSMAN. I believe you made that statement earlier. Without the \$200 million you would have to use all of the other regular military assistance funds for only Cambodia.

Mr. RUSH. The bulk of it, yes, sir.

Mr. PASSMAN. I believe you also stated earlier that the \$2.2 billion for Israel would not necessarily cancel out the original request for \$300 million in military sales?

Mr. RUSH. That is right.

Mr. PASSMAN. You want both of them for Israel as you want both of them for Cambodia; is that correct?

Mr. RUSH. That is correct.

Mr. PASSMAN. Any other questions, gentlemen?

Mr. CHAPPELL. I would like to pursue that one moment. That was going to be my question.

How certain could we be that this expenditure would save Cambodia? We have the answer in the record but I want to go further. Do you believe that this is the amount which will best relate to the salvation of this country?

Mr. RUSH. I would say this: We are sure without supplying this \$200 million from some source Cambodia does not have a chance be-

cause they have no bullets to shoot. If we give it to them they have, we hope, at least a 50-50 chance to survive. Fifty-fifty means simply this: No one can be certain about the outcome of a war of this type.

COMPARISON OF CAMBODIAN AND SOUTH VIETNAMESE SOLDIERS

Mr. CHAPPELL. How does the Cambodian soldier compare with the South Vietnamese soldier?

Admiral MOORER. Well, sir, I think it is a matter of timing with the Cambodian soldier. We must recognize he is at about the position the Vietnam soldier was in 1965 in terms of sophistication, training, and so on. The Cambodians are coming along but, as you recall, they have really gone into serious training only since the summer of 1970. In the case of the South Vietnamese, they started about 1963, some 7 years earlier. I would say, on balance, a trained Vietnamese soldier is and should be better than one Cambodian soldier. I would like to add to your first question and point out that actually what we are saying is that if the Cambodians are to fight at the tempo that we expect the insurgents to force upon them, their rate of expenditure and the operation of their forces will require these funds. That is what we are saying.

Mr. CHAPPELL. Is it a matter of purely money? Would more money give them a better chance, or is this the optimum assistance that they can digest and use effectively and efficiently?

Admiral MOORER. That is our opinion, sir. We do not think that more money would help because they do not have the capacity either to acquire or operate the more sophisticated weapons, and they do not have the numbers of people to absorb more funds. We think this is the best combination.

BALANCE OF ARMAMENTS IN CAMBODIA

Mr. CHAPPELL. What would be the balance in types of armament between the insurgents and Cambodians at this point in their history? Are the insurgents farther along than the—

Admiral MOORER. In terms of weaponry, no. The Cambodians have the very unsophisticated aircraft, the T-28, which they are flying today at the rate of about ——— sorties a day. The other side has no aircraft.

Mr. CHAPPELL. The insurgents have no aircraft?

Admiral MOORER. No, sir. The Cambodians have much more sophisticated artillery. The insurgents have just a very limited amount of artillery. They use mortars in most cases. In that sense the weapons are, if you can call them sophisticated, more sophisticated for the Cambodians than they are for the insurgents, who rely almost entirely on such things as just the AK-47 rifles, mortars, various kinds of mines, and things of that kind.

Mr. CHAPPELL. Is the training level about the same on both sides?

Admiral MOORER. Yes, sir. I think if there is any difference, you really get into the question of willpower, determination, discipline, and things of that kind.

Mr. CHAPPELL. Is the motivation of the Cambodians equal to that of the insurgents?

Admiral MOORER. I would think that in some cases you find insurgents more dedicated and more determined, whereas in other cases you find the Cambodian Government forces superior. On balance, when people live in cities the more civilized, the softer they get.

STATUS IN LAOS

Mr. PASSMAN. Where does Laos fit into this situation in Southeast Asia?

Admiral MOORER. As you know, at the moment they are in the process of trying to finalize the negotiations in Laos. In the last couple of months, Laos has been very quiet. What we are watching with particular interest is whether or not the North Vietnamese comply with the terms of the agreements when they are finalized and withdraw their forces.

Mr. PASSMAN. You are not asking for any military assistance for Laos?

Admiral MOORER. No, sir.

INSURGENT STRENGTHS IN CAMBODIA

Mr. CHAPPELL. One more question. What is the comparison between the strengths of the insurgents as opposed to the Cambodians?

Admiral MOORER. The Cambodians have a larger force in terms of numbers. I think it is around a little over ———.

Mr. CHAPPELL. Admiral, why is it that we only give the Cambodian regime a 50-50 chance, even with these funds, if it is better equipped, equal in training, has superior forces, and has essentially the same motivation?

Admiral MOORER. Because ——— and second, it always takes a superior force to handle a guerrilla force—always. Where you are trying to attack airfields, cities, and so on, you can take a small number of men and destroy those, unless you are being opposed by a much greater number.

Mr. RUSH. Isn't there another factor? The Cambodians have no advisers, no military advisers whatever. The insurgents have highly trained advisers from Hanoi. They have logistic support from Hanoi.

Mr. CHAPPELL. Even on the volunteer basis?

Mr. RUSH. We cannot supply advisers at all. This makes a big difference.

U.S. PERSONNEL IN CAMBODIA

Mr. SHRIVER. Would you yield?

What do we have in the way of personnel there inasmuch as we are sending lots of equipment? This request is for a large amount through the embassies? How many of our people are there?

Admiral MOORER. We are limited by law to 200.

Mr. SHRIVER. They are all not military.

Admiral MOORER. No, sir. It is a mixture. We have what we call a Military Equipment Delivery Team, MEDT, which has 76 there now. We tried to cut them down some. And the same thing goes for the Embassy. We do not have even the total 200 that we are allowed.

Mr. RUSH. Total of 76 military as of now. If you include the attachés the Marine Guards, we have a total of 115. We have a total of 77 civilians and military, 115. The total is 192. Military, 115.

Mr. SHRIVER. What do the military people do?

Admiral MOORER. The Secretary of Defense is charged by the law with insuring that equipment supplied by the United States reaches its destination and is properly delivered. So they monitor the incoming equipment and make certain it is not spirited away and sold on the black market. They see that it goes to the right place and that all of the components are there. We don't want to give them a piece of artillery with a breech block missing or something of that kind. What they are doing is monitoring delivery of equipment.

Mr. SHRIVER. I have before me an article from a New York Times, Tuesday, October 30: "Illegal Advising of Cambodians." It is in support of what you are saying.

Admiral MOORER. Yes. We are accustomed to this. We are frequently accused of illegally advising, but they have not been illegally advising; they have not been in the northeast in the field. What Secretary Rush is talking about in terms of will, determination, and discipline is a situation wherein you have the adviser right there at the point of contact, rifleman-to-rifleman.

Mr. CLEMENTS. It has been estimated there is somewhere in the neighborhood of 25,000 to 30,000 North Vietnamese in there in support of what is happening in Cambodia.

Mr. CHAPPELL. What about South Vietnamese on the other side?

Mr. CLEMENTS. No.

Mr. CHAPPELL. No advisers from South Vietnam to Cambodia?

Mr. CLEMENTS. No, sir. This is particularly true for not only the front line advisers Admiral Moorer talks about, but also the logistical support coming down from Hanoi to these troops that are represented by the insurgents and the Communists. They provide that logistical support, which is a much easier task than what we are confronted with.

Mr. CHAPPELL. That is all.

CLARIFICATION OF NEED FOR FUND INCREASE

Mr. YATES. I have one last question because I don't think I got an answer to my previous question. As I understood what Secretary Rush and Clements said, Secretary Schlesinger was testifying only with respect to the amount of money that will be needed if the bombing were continued.

Mr. CLEMENTS. The \$167 million assumed the bombing would continue.

Mr. YATES. When he appeared I talked to Secretary Schlesinger. We say the following:

We know that the Congress has voted with the consent of the President to end active combat by all U.S. forces in Cambodia on August 15. You are saying that we have to make funds available to Cambodia. Is this to be in substitution for such funds?

Secretary SCHLESINGER. No, I think it is a complement to the present bombing, and when the bombing ceases it is a necessary ingredient for the Cambodian Government to be able to continue to resist the insurgents.

Mr. YATES. How much money have you requested for the purpose? Obviously here we are referring to how much money he wants for the bombing after cessation.

Secretary SCHLESINGER. I think \$167 million.

That is what he needs after the bombing. You are saying you want \$200 million in addition to the \$167 million which he says was needed.

Admiral MOORER. What he was talking about is what was in the 1974 budget, which was put together in January. Subsequent to the bombing, for instance, when the Cambodians were defending Phnom Penh and activated their artillery, the rate of expenditure of ammunition went up higher than I am sure Secretary Schlesinger and others anticipated. Based on the experience we have had subsequent to the time the bombing stopped, we have hard facts which give us the expenditure rate. That is what the \$200 million is based on.

Mr. YATES. The \$167 million was just a guess at the time?

Admiral MOORER. That is what was originally in the budget.

Mr. PASSMAN. In the January budget.

Mr. CLEMENTS. I would like to remind you, and it is just a question of fact, that Secretary Schlesinger had not been in the building for even 30 days at that time. He had not had time to acquaint himself with all these particular aspects.

Mr. YATES. Are not the same people advising Secretary Schlesinger who advised his predecessor and his successor?

Mr. CLEMENTS. I don't think they had cranked into the equation the stopping of the bombing and the amount of ammunition.

Mr. YATES. There is a vice admiral sitting behind you. He has been there a long time and he is an adviser.

Mr. CLEMENTS. He didn't know how much ammunition would be shot, either.

SUPPORT FOR BOTH CAMBODIA AND ISRAEL

Mr. PASSMAN. I can't be any more sympathetic to one group of people over another. It is a high degree of guessing what you will use for Israel. I cannot take the position that because it is for Israel, then it is all right and at the same time not help Cambodia. No one on the committee will take that position. I will not. I will be as sympathetic in the request for Cambodia as for Israel, and I will be sympathetic to both of them. I feel as close to one nation as I do the other.

Mr. CHAPPELL. I support that position, also.

Mr. PASSMAN. I will not write this bill around one nation.

Mr. YATES. I have nothing further.

Admiral MOORER. Prior to the bombing cessation there was practically no artillery fire on the part of the Cambodians.

Mr. PASSMAN. You have made perhaps as good a case for Cambodia as for Israel. I am sympathetic to both of them. You said it was a guessing game as to what you needed for Israel. We want to remove as much guessing as possible before we come back on the 26th of the month. Put your best foot forward because we will not give you any money you did not justify. I have never known of a request yet where you

could not make reductions. You have an asking price and taking price. Is that par for the course?

Mr. RUSH. That is par.

Mr. PASSMAN. Mr. Miller?

CAMBODIA HAS TOP PRIORITY

Mr. MILLER. In your testimony, Secretary Rush, you say:

We need \$200 million requested in this legislation to fund the Cambodia program and to maintain modest military assistance programs to other governments such as Turkey, the Philippines, Korea, and Thailand.

Are you in any way saying that part of that \$200 million would be used in the other four countries?

Mr. RUSH. No, Mr. Miller. While you were out we went into this. What I was saying was this: We must take as much as we need for Cambodia. If we take the \$200 million out of our existing budget then there would be almost nothing left over for the other countries to whom we give military assistance—Turkey, the Philippines, Jordan, countries of this type.

Mr. PASSMAN. In other words, you are placing the very highest priority on Cambodia?

Mr. RUSH. That is right.

Mr. PASSMAN. If you did not receive the money for Cambodia you would have to liquidate the entire fund that is presently planned for other countries.

Mr. RUSH. That is right.

Mr. PASSMAN. That is how high priority Cambodia is.

Mr. RUSH. That is right.

Mr. PASSMAN. Can we accept that at complete face value?

Mr. RUSH. Yes.

Mr. PASSMAN. All the other countries where we have had programs going for so long, including Turkey, the Philippines, and Korea, would not receive any assistance because this priority is high enough that it takes precedence over all the others?

Mr. RUSH. Yes.

Mr. CLEMENTS. Admiral Peet reminded me that at that time Secretary Schlesinger, myself, Admiral Moorer, Mr. Kissinger, Mr. Rush, we were all involved in a series of discussions which we thought would result in a cease-fire in Cambodia to follow the same pattern as we had in Laos. That is the reason he said he thought that would be sufficient. I remember these discussions very well.

Mr. PASSMAN. I want to thank Mr. Yates for bringing it up. As far as I am concerned this clears it up adequately, that you thought you were on the verge of a cease fire. This would have been sufficient to keep the forces going.

Mr. CLEMENTS. That is right.

Mr. PASSMAN. Inasmuch as that did not happen this is considered emergency of the highest priority. You put it on the same high priority as Israel?

Mr. CLEMENTS. Yes.

Mr. PASSMAN. Admiral Moorer?

Admiral MOORER. Yes, sir.

STATEMENTS OF INTERESTED ORGANIZATIONS

Mr. PASSMAN. Thank you gentleman. Before concluding our hearings, I would like to insert certain statements the committee has received in the record concerning the budget requests.

[The statements follow:]

STATEMENT BY I. L. KENEN, CHAIRMAN, AMERICAN ISRAEL PUBLIC AFFAIRS COMMITTEE

May I respectfully submit the following statement on behalf of the American Israel Public Affairs Committee urging approval of the administration's request for emergency military assistance to Israel.

I have been informed by Mr. Jacob Stein, chairman of the Conference of Presidents of Major American Jewish Organizations, which represents 30 major national Jewish organizations (see appendix for list), that this body associates itself with the purpose of my statement today. I am similarly advised by Mr. Hyman Bookbinder, the Washington representative of the American Jewish Committee.

We are gratified that President Nixon, Secretary of State Kissinger, Secretary of Defense Schlesinger and the U.S. Congress responded swiftly and generously in declaration and action to assist Israel to defend herself against the 11 Arab states which sought to destroy her in the deplorable and unprovoked attack on October 6, 1973.

If the United States had faltered and delayed and if the people of Israel had not received the needed equipment in time, we might have witnessed a catastrophe. Many more people would have died, for the war would have been needlessly prolonged.

We are convinced that this war—actually the fifth since Israel was established in 1943—was not a war for territory, much of which the Arabs could have recovered by negotiation with Israel. It was not a war for the Palestinian Arabs, who were the victims of Arab leadership in 1948, when six Arab states invaded Palestine in the attempt to seize all of it for themselves. The Palestinian refugees could have been resettled by oil-rich Arab states long ago. This was a war for the liquidation of the Jewish state. And if the Arab armies had reached the old pre-June 1967 armistice lines, or if they had been able to start their offensive from those lines, the people of Israel would have been overwhelmed.

We strongly support the President's request for a \$2.2 billion appropriation to strengthen Israel. This is essential, not only to insure Israel's survival but also to preserve the balance of strength in the Middle East—in the national interest of the United States as well as in the interest of our NATO allies.

And we look forward to a genuine peace, which, we believe, can be achieved if the United States and the Soviet Union encourage the Arabs to sit together with the Israelis and work out their own future coexistence and cooperation as sovereign peoples. We do not believe that purpose will be served if the great powers, in competition rather than cooperation, seek to impose a settlement.

It is an astonishing fact that ever since Israel was established in 1948, all the major powers have at one time or another provided weapons to her hostile Arab neighbors. And in these last fateful 30 days, the Israel armed forces had to face the most sophisticated Soviet planes and missiles—MiG-21s, SA-3s, SA-6s, and SA-7s, the Frog surface-to-surface missiles, French Mirage planes, British Hunter jets and Centurion tanks, and even some tanks furnished by the United States. And some of the Arab states and Arab guerrillas have received military aid from Communist China.

THE ROLE OF THE SOVIET UNION

But the peace loving Soviet Union was the extravagant and benevolent provider. Despite its professed desire for détente with the United States, the Soviet Union has persisted in Russia's age-long ambition to dominate the Middle East. It expanded the supply of the most sophisticated weapons to the Arab States during the last year; while aware of the impending conflict, it took no steps to avert it—neither unilaterally nor in cooperation with the United

States; it summoned all Arab states to the Arab colors; it operated a huge airlift to replace weapons which Arabs lost in the fighting; it did nothing to halt that fighting until it realized that the Arabs faced disaster—and it is still sending weapons to resupply the Arabs.

It should be recalled that the United States sent some \$11.1 billion in lend-lease aid to the Russians in World War II. Our Government recently agreed to wipe out that debt and to accept a nominal settlement of \$722 million.

That \$722 million which the Russians will gradually pay the United States is a tiny fraction of what this terrible war, subsidized and sustained by the Soviet Union, will cost Israel, the Arab States, the United States, and the people of many other countries whose economies have been disrupted.

Ever since Egypt opened the Middle East to Soviet penetration by its 1955 arms deal with Czechoslovakia, the Communist countries have paced the arms race in the Middle East. But for many years, our country abstained from providing Israel with the weapons she needed, despite the fact that her neighbors were receiving arms from both East and West.

U.S. AID

The United States was willing to supply Israel economic assistance to enable her to resettle more than 1.5 million refugees and immigrants and to develop her economy. This aid was prudently and effectively used. Most of it was in the form of loans rather than grants—much of which the Israelis have repaid, with interest. But in the 1950s our Government was reluctant to furnish Israel with any arms, although it was sending them to Iraq and Saudi Arabia, and it acknowledged the need to maintain an arms balance. It was always argued that Israel's qualitative superiority—the skill and dedication of her soldiers—could compensate for the huge quantitative superiority of her foes, an argument demolished in the pushbutton warfare of the last month.

The United States referred the Israelis to France and to other European suppliers. It was not until 1962 that the United States finally agreed that Israel might buy the Hawk anti-aircraft missile. It was not until 1966 that the United States approved the sale of A-4 Skyhawks and tanks, and it was not until 1968 that the administration finally agreed that Israel might be allowed to purchase Phantom jets.

But—and this must be emphasized—Israel had to pay for these weapons.

Between 1946 and 1972, according to AID, the United States provided grant military assistance totaling approximately \$55 billion, throughout the world.

None of this grant military assistance went to Israel, even though in this same period we provided grant military assistance and training totaling about \$324 million to nine Arab States, to which should be added \$34 million for Jordan in 1973.

The record also shows that our grant economic assistance to the Arab States far exceeds that given to Israel during this period. Jordan is a case in point.

In the meantime, Russia and other Communist countries have poured huge quantities of weapons—much of it at cut-rate prices—into Egypt, Iraq, Syria, and six other Arab States, conservatively estimated at more than \$6 billion. No one knows how much Russia sent to the Arab States in the last year, and particularly in the last few weeks. But we have seen estimates ranging as high as \$3 billion. We may assume that the oil revenues of Egypt's allies collected by major international oil companies, including American corporations, will help to finance this enormous expenditure.

Israel's defense expenditures have been extremely high. They were 26 percent of her gross national product in 1972. While total costs of the current conflict are still not determined, it is estimated that military expenditures will approximate 40 percent of Israel's GNP this year. Most of this burden has to be carried by the Israel taxpayer, who is already taxed at the highest rate in the world, and who was forced to pay an additional 7 to 12 percent compulsory defense loan last week.

Israelis had to go deeply into debt to finance defense and refugee resettlement. The figures show this rise in external debt.

External debt (as of January 1)

	(Billions)
1970	\$2.1
1971	2.6
1972	3.4
1973	4.1

As of the time of the outbreak of the war, the debt was estimated at \$4.5 billion. This means that for many years Israel has had the highest per capita foreign currency debt in the world. At the beginning of 1973 it stood at about \$1,300 per person. This huge debt has imposed a massive burden on the Israelis. Israel's external debt service cost \$532 million in 1971; \$687 million in 1972; for the current year it is estimated at \$705 million and it is expected to rise to \$790 million in 1974.

But if Israel must borrow for the additional weapons she is acquiring this year, her debt service would rise to \$940 million (assuming a concessionary interest rate of 2 percent) or \$1.1 billion (if the interest rate is 6 percent). This is an astronomical burden beyond the capacity of an already supertaxed and superindebted economy.

We strongly believe that Israel should be allowed grant assistance.

When President Nixon sent his message, on October 19, it was then reported that the cost of the equipment already sent to Israel totaled \$825 million. Israel estimates that the cost of the weapons she must have to regain and maintain her defense capability may exceed the \$2.2 billion figure the President has requested.

This is only part of the tremendous overall cost of the war. Israel was compelled to mobilize 30 percent of her labor force. Building activity stopped. Almost all transportation had to be diverted to the war. Tourism, a major earner of foreign exchange, fell off sharply. Exports were curtailed (which will make it still more difficult for Israel to meet her debt service). Israel's annual growth rate, which has averaged 9.9 percent over the years, will be drastically reduced. On top of this, there will be heavy expenditures for war damages—for new housing and new equipment of all kinds. War damage to civilian facilities is estimated at \$150 million.

Israel's foreign currency reserves will be adversely affected by the new fighting. In a memorandum which we submitted to your committee in August of this year in connection with the current foreign assistance programs, we wrote that Israel's reserves are low for a country "which is so dependent on imports for essentials and is in an exposed geopolitical situation. If the war were to break out again, reserves would go down sharply because of the need to buy additional materiel, because tourism would decline and also because Israel would have to mobilize people from factories and fields, sharply reducing production and the capacity to export."

Deplorably, this prediction turned out to be true. In addition to all this, there have been steep increases in the prices of many imported commodities, such as soybeans and other foodstuffs, fuel and raw materials. And Israel is now under an Arab blockade which cuts off her access to the Indian Ocean and the Orient.

The U.S. arms supply must continue because the Russians continue to pour weapons into the Arab States to enable them to threaten Israel with a resumption of the war in order to impose surrender. The experience of five wars has shown that Arabs will not make peace with an Israel they think they can destroy.

It must be kept in mind that the Israel Government, unlike other governments which receive our weapons, has never asked for American manpower. While American forces helped to ship weapons to Israel, they were far removed from the scene of combat.

Arab capacity to make war has been heightened by the contributions of the oil-producing countries, as well as the willingness of the Soviet Union and some Western countries to sell arms to them.

Simultaneously, the Arabs are using the oil weapon to blackmail NATO countries, to alienate Israel's friends in Europe and Africa and to isolate her.

We believe that a civilized world cannot permit the Soviet Union and the Arab countries to accomplish the destruction of Israel. We believe that the support given to Israel by our Government in the recent fighting was entirely justified on moral grounds. At the same time, we submit that our Government's action has been entirely consistent with America's overall interest.

While the Soviet Union has called on Israel to withdraw to the pre-1967 lines, it has taken an entirely different position in Eastern Europe, where it has consolidated the territorial gains won by the Communist bloc in World War II. In the Middle East it maintains an aggressive posture. In brazen violation of the 1970 cease-fire standstill when it rushed missiles into the Suez area, it has transformed the region into a shooting gallery and it has used the Jewish people and their state as a target for the testing of the most sophisticated weapons. It has exploited the Arab war against Israel in a never-ending campaign to under-

mine the influence and interests of the United States in the area—diplomatic, economic, and military.

Surely, it is in the interest of the United States to provide Israel with the means to maintain the balance and thus check the Soviet Union's war by proxy against the West. The young Israeli soldiers who died in this most costly of Arab-Israel wars were fighting not only to defend their own country but also a crucial frontier of freedom.

APPENDIX A

(Text of the telegram from Jacob Stein, chairman of the Conference of Presidents of Major American Jewish Organizations.)

It is my understanding that you are submitting testimony to the appropriate congressional committees considering the administration's Emergency Security Assistance Act of 1973 insuring military assistance for Israel to help her carry the burden of defense and to maintain her deterrent military capacity.

As chairman of the Conference of Presidents of Major American Jewish Organizations, embracing some 31 affiliated organizations, including your own, and representing almost the totality of the American Jewish community, I would like to inform you that the purpose of your presentation has the full support of the conference of presidents and we earnestly hope that the committees before which you will testify will take favorable action.

The organizations affiliated with the conference are:

American Israel Public Affairs Committee; American Jewish Congress; American Trade Union Council for Histadrut; American Zionist Federation; B'nai B'rith; B'nai B'rith Women; B'nai Zion; Central Conference of American Rabbis; Council of Jewish Federations and Welfare Funds (observer); Hadasah; Jewish Labor Committee; Jewish Reconstruction Foundation; Jewish War Veterans of the U.S.A.; Labor Zionist Alliance; Mizrahi-Hapoel Hamizrachi; Mizrahi Women's Organization of America; National Council of Jewish Women; National Council of Young Israel; National Federation of Temple Sisterhoods; National Jewish Community Relations Advisory Council; National Jewish Welfare Board; North American Jewish Youth Council; Pioneer Women; Rabbinical Assembly; Rabbinical Council of America; Union of American Hebrew Congregations, Union of Orthodox Congregations of America; United Synagogue of America; Women's League for Conservative Judaism; World Zionist Organization-American Section, Inc.; Zionist Organization of America.

TEXT OF THE LETTER FROM THE AMERICAN JEWISH COMMITTEE

This is to advise you and the Congress that the American Jewish Committee associates itself with the testimony you will be giving in support of the President's request for \$2.2 billion in military grants or credits for the State of Israel.

HYMAN BOOKBINDER,
Washington Representative.

STATEMENT OF THE MIDDLE EAST AFFAIRS COUNCIL BEFORE THE SUBCOMMITTEE ON FOREIGN OPERATIONS OF THE U.S. HOUSE OF REPRESENTATIVES APPROPRIATIONS COMMITTEE, NOVEMBER 19, 1973, PRESENTED BY DR. ALAN R. TAYLOR AND DR. JOHN RUEDY

Mr. Chairman and distinguished members of the Subcommittee on Foreign Operations, the proposal that Congress enact and appropriate funds for an Emergency Security Assistance Act which would direct \$2.2 billion in military aid to Israel raises the question of what the United States can expect to gain in return for such a large investment. Would the act serve the best interests of this country? Won't it contribute to our search for peace in the Middle East, to our relations with the rest of the world, to our economic needs? The Congress and the American taxpayers have a right to ask these questions.

In the past the United States has appropriated large sums to support Israel, but what has this produced in terms of Israel's willingness to respect our needs and interests? We indicated that we wanted a settlement in the Middle East

within the framework of Security Council Resolution 242. That resolution calls for the withdrawal of Israel from occupied territories in exchange for the recognition by the Arab states of Israel's sovereignty. Yet the Israelis showed no interest in helping to implement the provisions of Resolution 242. Instead, they declared to the world that they were not only going to hold on to the occupied territories, but to settle their own people in them. We have to ask ourselves, then, whether we have not been permissive with Israel. If so, we have abdicated our own judgment to that of a client state, and in doing so have dangerously threatened the prospects of peace, not only in the Middle East, but in the world.

Would this new appropriation of \$2.2 billion further encourage Israel to cling to its territorial conquests and thus prolong the conflict? Or would it provide us with sufficient leverage to pursue the broader objectives which transcend the narrow ambitions of a warfare state? If the bill does not specify the latter condition, it should not be passed. It simply will not do any longer for us to lavish vast expenditures on a client which exercises all the influence at its disposal to gain our support while denying us the right to qualify the conditions of that support.

The notion that the interests of the United States and those of Israel are the same needs to be seriously reexamined. Indeed, there are many instances in which a conflict of interests seems to be the case. We have already mentioned that Israel's intransigence with regard to the occupied territories runs directly counter to America's search for a give-and-take approach. But there are other matters that have to be considered. The most important of these are (1) our relations with the rest of the world and (2) our long-range economic requirements.

One can appreciate the passionate concern of the American Jewish community for the welfare of Israel. But no minority group can be allowed to endow American policy with a parochial vision. This is the impression we have given the world, furthering the diplomatic isolation of the United States in international affairs. On the global level, the interests of America rely in the deepest sense on our credibility as a fair intermediary, and not on the subordination of U.S. policy to the particular aspirations of any foreign bloc or state.

Especially important to the broader aspects of American diplomacy is the maintenance of close ties with our European allies. The recent strain in American-European relations resulted from shipment of arms to Israel without prior consultation on a subject of great sensitivity to Europe. It was for this reason that many countries in Europe refused to facilitate the American aid program. They recognized that to support Israel in this way without a full explanation of policy could seriously threaten the supply of oil from the Middle East. American insistence on cooperation therefore suggested that we assigned priority to Israeli over European interests, which served to undermine the most important of our alliance systems.

The future dependence of the United States on Middle Eastern oil is not a conjectural matter. Though it is possible to improvise some stop-gap arrangements for the short term, we will come to rely heavily on petroleum supplies from the Arab world. In recognizing this need, we must respect the right of Arab producers to exercise leverage in behalf of their own interests. Appropriations for Israel must therefore be based on the understanding that the recipient has an obligation to consider the interests of other parties in working toward a settlement of the conflict.

Mr. Chairman, in mentioning some of the conflicts of interest between the United States and Israel, our purpose is to point out the importance of qualifying a large appropriation for emergency security assistance to Israel. Public Law 92-226 specified that military assistance should be geared to deescalation of conflict and the development of control arrangements. Israel is no exception. Equally important is the recognition that military solutions to the Middle East impasse have proved inadequate. What America requires for the protection of its own interests is a political solution addressed to the underlying sources of tension. If constructive conditions are attached to our future appropriations for military assistance to Israel, the Congress will have contributed measurably toward that end.

Thank you, Mr. Chairman.

Mr. PASSMAN. The committee is now adjourned.

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THE STATE OF TEXAS, COUNTY OF DALLAS.

I, the undersigned, a Notary Public in and for the State of Texas, do hereby certify that the within and foregoing instrument is a true and correct copy of the original instrument as the same appears from the records of my office.

Given under my hand and seal of office, at Dallas, Texas, this _____ day of _____, 19____.

Notary Public in and for the State of Texas.

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